

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Net Position	11
Statement of Cash Flows	12
Notes to Financial Statements	14
SUPPLEMENTARY INFORMATION	
The Financial Data Schedule – Statement of Net Position	31
The Financial Data Schedule - Revenues and Expenses	32
Capital Fund Program Schedule of Modernization Expenditures by Project Number	33
South Sycamore Estates Statements of Net Position	34
South Sycamore Estates Statements of Activities	35
South Sycamore Estates Statements of Cash Flows	37
South Sycamore Estates Supplementary Schedules	39
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH CONTRACTUAL AGREEMENTS	45
MORTGAGOR'S CERTIFICATION	46
Schedule of Expenditures of Federal Awards	47
Note to Schedule of Expenditures of Federal Awards	48
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	49
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	51
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	54
Schedule of Prior Year Audit Findings	57



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota, a component unit of the City of Sioux Falls, South Dakota and its discretely presented component unit as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements 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. The financial statements of the discretely presented component unit, Affordable Housing Solutions, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and its discretely presented component unit of the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota, a component unit of the City of Sioux Falls, South Dakota as of September 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota, a component unit of the City of Sioux Falls, South Dakota's basic financial statements. The Commission's Financial Data Schedules (FDS), Capital Fund Program Schedule of Modernization Expenditures by Project Number, and South Sycamore Estates Statements and Supplementary Schedules as listed in the table of contents as supplementary information 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, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Financial Data Schedules, Capital Fund Program Schedule of Modernization Expenditures by Project Number, South Sycamore Estates Statements and Supplementary Schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such 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 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 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, 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.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

April 1, 2016

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

As management of the Housing and Redevelopment Commission of the City of Sioux Falls (the Commission) a component unit of the City of Sioux Falls, South Dakota, we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the Commission's financial statements.

Financial Highlights

- The assets of the Primary Government exceeded its liabilities at the close of the 2015 fiscal year by \$2,569,473 (net position), compared to net position of \$3,181,791 for the fiscal year 2014. This is a 19.24% decrease from fiscal year 2014.
- The Primary Government's cash and cash equivalents balance at September 30, 2015 was \$1,631,098 representing a decrease of \$541,556 from September 30, 2014.
- The Commission had total operating revenues of \$12,548,386, non-operating revenues of \$3,531 and operating expenses of \$13,164,235 for the year ended September 30, 2015. This compares to total operating revenues of \$12,448,559, non-operating revenues of \$2,702, and operating expenses of \$12,242,633 for the year ended September 30, 2014.

Overview of the Financial Statements

The Management's Discussion and Analysis is intended to serve as an introduction to the Commission's basic financial statements and to summarize what is included in them.

The financial statements are designed to be corporate-like in nature and activities are shown for the entire Commission.

These Statements include a Statement of Net Position. The Statement of Net Position reports all financial and capital resources for the Commission. The statement is presented in the format where assets equal liabilities plus net position. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Noncurrent".

The focus of the Statement of Net Position (the "Unrestricted net position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Commission. Net position (formerly equity) are reported in three broad categories:

Net Investment in Capital Assets: This component of net position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

The financial statements also include a Statement of Revenues, Expenses and Changes in Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Nonoperating Revenue and Expenses, such as investment income and interest expense.

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

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

Financial Analysis

Assets

Net position may serve, over a period of time, as a useful indicator of a government's financial position. In the case of the Primary Government, assets exceeded liabilities by \$2,569,473 at the close of fiscal year September 30, 2015.

Total assets, as of September 30, 2015, were \$3,379,631. Of this total, \$1,799,867 was current and other assets, while \$1,579,764 were capital assets. For fiscal year ended September 30, 2014, current and other assets were \$2,301,223 and capital assets were \$1,619,664. Current and other assets decreased mainly due to a decrease in cash and cash equivalents. The decrease in capital assets was mainly due to the depreciation of capital assets.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	2015	2014	Change	
			Dollar	%
Assets:				
Current and Other Assets	\$ 1,799,867	\$ 2,301,223	\$ (501,356)	-21.79%
Capital Assets	<u>1,579,764</u>	<u>1,619,664</u>	<u>(39,900)</u>	-2.46%
Total Assets	<u>\$ 3,379,631</u>	<u>\$ 3,920,887</u>	<u>\$ (541,256)</u>	-13.80%
Liabilities:				
Long-Term Liabilities	\$ 530,071	\$ 517,702	\$ 12,369	2.39%
Other Liabilities	<u>280,087</u>	<u>221,394</u>	<u>58,693</u>	26.51%
Total Liabilities	<u>810,158</u>	<u>739,096</u>	<u>71,062</u>	9.61%
Net Position:				
Net Investment in Capital Assets	1,181,222	1,189,777	(8,555)	-0.72%
Restricted	50,602	659,814	(609,212)	-92.33%
Unrestricted	<u>1,337,649</u>	<u>1,332,200</u>	<u>5,449</u>	0.41%
Total Net Position	<u>2,569,473</u>	<u>3,181,791</u>	<u>(612,318)</u>	-19.24%
Total Liabilities and Net Position	<u>\$ 3,379,631</u>	<u>\$ 3,920,887</u>	<u>\$ (541,256)</u>	-13.80%

Liabilities

Total liabilities as of September 30, 2015 were \$810,158 compared to total liabilities of \$739,096 for fiscal year ended September 30, 2014. No new long-term debt was issued during the year ended September 30, 2015.

Net Position

Total net position, as of September 30, 2015, was \$2,569,473 which consisted of unrestricted net position of \$1,337,649, restricted net position of \$50,602, and net investment in capital assets of \$1,181,222. As of September 30, 2014, unrestricted net position was \$1,332,200, restricted net position was \$659,814, and net investment in capital assets was \$1,189,777 for a total net position of \$3,181,791.

A portion of the Primary Government's net position, 45.97%, reflects its investment in capital assets (e.g., buildings, machinery, and equipment). These assets are not available for future spending. The unrestricted net position of the Primary Government, 52.06%, are available for future use to provide program services. The total net position of the Primary Government decreased \$612,318 during the fiscal year 2015. This decrease was primarily a result of an increase in housing assistance payments and a decrease in the restricted net position of the Housing Choice Voucher program in 2015.

Revenue

The operating revenues of the Primary Government increased by \$99,827 for fiscal year 2015. Total operating revenues for fiscal year September 30, 2015 were \$12,548,386, while in fiscal year September 30, 2014, total operating revenues were \$12,448,559. The main factor was an

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

increase in HUD PHA grants of \$129,300 from 2014. In addition, there was a decrease in other revenue and management fees of \$56,014 from 2014.

Expenses

Expenses increased by 7.53% from fiscal year 2014 to fiscal year 2015. This was due to an increase in housing assistance payments.

Nonoperating Revenues (Expenses)

Nonoperating revenues increased by \$829 for fiscal year 2015 due to increases in interest income.

Changes in Net Position

There was a decrease in net position of \$612,318 from fiscal year 2014 to fiscal year 2015. The ending total net position was \$2,569,473 in fiscal year 2015 while fiscal year 2014 ended with a total net position of \$3,181,791.

The following schedule compares the revenues, expenses and changes in net position for the current and previous fiscal year.

	2015	2014	Change	
			Dollar	%
Revenues				
Program Revenues				
Dwelling rental	\$ 179,398	\$ 182,210	\$ (2,812)	-1.54%
Tenant revenue-other	3,630	4,945	(1,315)	-26.59%
Fraud recovery	28,311	22,987	5,324	23.16%
Other revenue and management fees	276,923	332,937	(56,014)	-16.82%
HUD PHA grants	11,609,351	11,480,051	129,300	1.13%
Other Governmental grants	450,773	425,429	25,344	5.96%
General Revenues				
Interest income	<u>3,531</u>	<u>2,702</u>	<u>829</u>	30.68%
Total Revenues	<u>12,551,917</u>	<u>12,451,261</u>	<u>100,656</u>	0.81%
Expenses				
Administrative	520,973	548,158	(27,185)	-4.96%
Management fees	135,626	131,193	4,433	3.38%
Tenant services	779,708	711,000	68,708	9.66%
Utilities	30,306	25,897	4,409	17.03%
Ordinary maintenance and operations	121,184	95,484	25,700	26.92%
General expense	177,100	174,817	2,283	1.31%
Dwelling units rent expense	4,210	-	4,210	
Housing assistance payments	11,333,226	10,492,860	840,366	8.01%
Depreciation and amortization	<u>61,902</u>	<u>63,224</u>	<u>(1,322)</u>	-2.09%
Total Expenses	<u>13,164,235</u>	<u>12,242,633</u>	<u>921,602</u>	7.53%
Change in Net Position	<u>(612,318)</u>	<u>208,628</u>	<u>(820,946)</u>	-393.50%
Beginning Net Position	<u>3,181,791</u>	<u>2,973,163</u>	<u>208,628</u>	7.02%
Ending Net Position	<u>\$ 2,569,473</u>	<u>\$ 3,181,791</u>	<u>\$ (612,318)</u>	-19.24%

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Capital Assets and Debt Administration

CAPITAL ASSETS

As of September 30, 2015, the Primary Government's investment in capital assets was \$1,579,764 (net of accumulated depreciation). This investment in capital assets includes buildings, improvements, equipment, and computer hardware.

There was \$22,003 in capital assets purchased during fiscal year 2015 which consisted of building improvements, construction in progress, and equipment. Depreciation expense totaled \$61,902.

Please see Note 6 to the financial statements for additional information on capital assets.

LONG-TERM DEBT

The Primary Government had \$398,542 in outstanding debt as of the end of the fiscal year. This amount is owed by South Sycamore Estates, (a 16 unit apartment complex).

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

Please see Note 8 to the financial statements for additional information on long-term debt.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Primary Government's budget for the fiscal year:

- Wage increases of 2% for all employees and the related effects to employee benefits were budgeted.
- Health insurance premiums were budgeted with a projected 10% increase for fiscal year 2015.
- Revenues and expenses were adjusted according to existing contracts, projected increases and decreases and historical information.

Component Unit

Affordable Housing Solutions is a discretely presented component unit. A complete copy of this audit report can be obtained at the administrative office. Please see Note 1 to the financial statements.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Primary Government's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Sioux Falls Housing and Redevelopment Commission, 630 South Minnesota Avenue, Sioux Falls, SD 57104-4825. Also, separately issued financial statements for Affordable Housing Solutions (component unit) can be obtained at the above address.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2015

	PRIMARY GOVERNMENT	COMPONENT UNIT
ASSETS		
Current Assets:		
Cash and cash equivalents - unrestricted	\$ 1,409,285	\$ 447,917
Cash and cash equivalents - restricted	221,813	382,392
Receivables, (net of allowances for uncollectibles, if any):		
Tenants	6,566	4,104
Miscellaneous	4,111	38,639
HUD	46,725	-
Other Government	58,779	150,730
Interest	679	-
Prepaid expenses	51,909	7,737
Assets held for resale	-	447,136
Total current assets	1,799,867	1,478,655
Noncurrent assets:		
Notes receivable	-	41,903
Investment in Tax Credit Partnership	-	25,331
Capital assets, net of accumulated depreciation:		
Land	492,500	576,946
Buildings	1,017,998	1,872,937
Equipment	18,030	87,558
Leasehold improvements	39,136	183,536
Construction in progress	12,100	88,642
Total noncurrent assets	1,579,764	2,876,853
Total assets	3,379,631	4,355,508
LIABILITIES		
Current liabilities:		
Accounts payable - vendors	73,127	83,904
Accounts payable - HUD	18,594	9,456
Accounts payable - other governments	3,904	460,029
Accrued wages and payroll taxes payable	36,739	3,215
Tenants security deposits	8,986	8,987
Unearned revenues	14,468	3,469
Accrued compensated absences - current portion	50,232	1,762
Accrued interest payable	-	1,647
Other current liabilities	42,692	77,991
Notes payable - current portion	31,345	18,914
Total current liabilities	280,087	669,374
Noncurrent liabilities:		
Accrued compensated absences (net of current portion)	30,877	-
Notes payable (net of current portion)	367,197	2,639,390
Noncurrent liability - other	131,997	3,084
Total noncurrent liabilities	530,071	2,642,474
Total Liabilities	810,158	3,311,848
Net Position		
Net investment in capital assets	1,181,222	151,315
Restricted	50,602	406,420
Unrestricted	1,337,649	485,925
Total Net Position	\$ 2,569,473	\$ 1,043,660

See Notes to Financial Statements

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>PRIMARY GOVERNMENT</u>	<u>COMPONENT UNIT</u>
OPERATING REVENUES		
Dwelling rental	\$ 179,398	\$ 293,759
Tenant revenue - other	3,630	3,401
Fraud recovery	28,311	-
HUD PHA grants	11,609,351	-
Other fees	235,062	-
Other governmental grants	450,773	284,550
Other revenue	41,861	127,881
Total operating revenues	<u>12,548,386</u>	<u>709,591</u>
OPERATING EXPENSES		
Administrative	520,973	126,184
Management fees	135,626	59,540
Tenants services	779,708	1,534
Utilities	30,306	59,563
Ordinary maintenance and operation	121,184	183,775
General expense	177,100	38,954
Housing assistance payments	11,333,226	-
Dwelling units rent expense	4,210	-
Depreciation and amortization	61,902	104,264
Total operating expenses	<u>13,164,235</u>	<u>573,814</u>
Operating income (deficit)	<u>(615,849)</u>	<u>135,777</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	3,531	1,695
Interest expense	-	(5,843)
Total nonoperating revenues (expenses)	<u>3,531</u>	<u>(4,148)</u>
Increase (Decrease) in Net Position	(612,318)	131,629
Total Net Position - beginning	<u>3,181,791</u>	<u>912,031</u>
Total Net Position - ending	<u>\$ 2,569,473</u>	<u>\$ 1,043,660</u>

See Notes to Financial Statements

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	PRIMARY GOVERNMENT	COMPONENT UNIT
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Rental receipts	\$ 174,080	\$ 291,955
Other cash payments received	284,371	646,824
Operating grants received	12,056,143	284,550
Payments to employees	(1,111,571)	(72,176)
Payments to other suppliers	(553,520)	(920,654)
Payments for housing assistance	(11,333,226)	-
Payment in lieu of taxes	(7,931)	(17,882)
Tenant deposits held in trust	(80)	2,240
	(491,734)	214,857
Net Cash Provided (Used) by Operating Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds on long-term debt	-	622,924
Payments for non-current liabilities	-	(249)
Principal paid on long-term debt	(31,345)	(70,565)
Interest paid on debt	-	(5,301)
Purchases of capital assets	(22,003)	(413,662)
	(53,348)	133,147
Net Cash Provided (Used) by Capital and Related Financing Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Loss on Investment in Tax Credit Partnership	-	(4)
Interest income	3,526	1,695
	3,526	1,691
Net Cash Provided (Used) by Investing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	(541,556)	349,695
Cash and Cash Equivalents, Beginning of Year	2,172,654	480,614
Cash and Cash Equivalents, End of Year	\$ 1,631,098	\$ 830,309

See Notes to Financial Statements

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
STATEMENT OF CASH FLOWS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>PRIMARY GOVERNMENT</u>	<u>COMPONENT UNIT</u>
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Operating income	\$ (615,849)	\$ 135,777
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	61,902	104,264
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - tenants	(1,108)	(1,804)
Accounts receivable - HUD	(3,981)	-
Accounts receivable - other	(24,493)	94,715
Prepaid expense	(10,615)	(3,861)
Assets held for resale	-	420,827
Increase (decrease) in:		
Accounts payable - vendors	51,695	(166,016)
Accounts payable - other governments	5,456	(417,236)
Accounts payable - HUD	-	9,456
Accrued wages and payroll taxes	(19,579)	757
Accrued compensated absences	11,279	1,252
Other current liabilities	42,695	31,419
Tenants security deposit	(80)	2,240
Unearned revenue	10,944	3,067
	\$ (491,734)	\$ 214,857
Net Cash Provided (Used) by Operating Activities	<u>\$ (491,734)</u>	<u>\$ 214,857</u>

See Notes to Financial Statements

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota (the Commission) was organized in 1969 pursuant to the Municipal Housing and Redevelopment Act of South Dakota as a public housing agency formed to provide financial assistance for low income public housing pursuant to the United States Housing Act of 1937, (42 U.S.C. 1401 et seq.). The mayor and city council appoint the five members of the governing board for five-year staggered terms. The Public Housing Authority (PHA) board elects its own chairperson and recruits and employs its management personnel and other employees. The local governing board of the City of Sioux Falls, South Dakota has the ability to veto or otherwise modify a Housing Commission's decision to construct a specific project and issue debt.

The primary government is the City of Sioux Falls, South Dakota.

The Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota defines component units as all organizations, funds, departments, agencies, boards and other components for which the elected officials of the primary government exercise significant influence over and, or are financially accountable, or other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Affordable Housing Solutions, a nonprofit organization incorporated in May 1978, is recognized by the Department of Housing and Urban Development as an instrumentality of the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota authorized by Section 11B of the United States Housing Act of 1937. The purpose of the Corporation is to promote, carryout and/or assist with the development, financing, and advancement of housing projects. The Board of Directors is composed of a minimum of nine and a maximum of fifteen directors endorsed by the Housing Commission.

Complete financial statements for the Component unit may be obtained at the unit's administrative office.

Affordable Housing Solutions
630 South Minnesota Avenue
Sioux Falls, South Dakota 57104-4825

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
AS OF SEPTEMBER 30, 2015**

Nature of Business

The Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota administers various low-income housing assistance payment programs in Sioux Falls, South Dakota under the following ongoing contracts:

	<u>Number of Units</u>
Public Housing Program	
SD01600000114D and SD01600000115D	25
Capital Fund Program SD06P016501-14	
Section 8 Housing Choice Vouchers	1849
SD016VO0191-195	
SD016VO0202-210	
SD016VO0212-214	
SD016VO0200	
SD016VOPR14	
SD016AFHV10	
SD016AF0100-108	
SD016FSF009	
SD016AFR114-115	
Section 8 Moderate Rehabilitation	
SD016MR0003	17
SD016MR0004	34
SD016MR0005	28
Section 8 New Construction	
SD998023003	46
Shelter Plus Care Program	
SD0002C8T001100	4
SD00016C8T001000	5
SD0002L8T001407 and SD0002L8T001306	44
HOME Investments Partnerships Program	
14-4177 and 15-4182	
Housing Opportunities for Persons with AIDS	
13,028-52014-0, 14-028-52004-0, 15-028-53003-0, and 16-28-52004-0	
Family Self-Sufficiency Program	
SD016FSH614A014	
Other Projects:	
South Sycamore Estates	16
Management of Affordable Housing Solutions	
Management of Affordable Housing Solutions and owned rental properties	

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
AS OF SEPTEMBER 30, 2015**

It was resolved by the Minnehaha County, South Dakota Commission, on December 5, 1995, that the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota is authorized to administer HUD funded programs in Minnehaha County, South Dakota.

Basis of Presentation

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

Measurement Focus and Basis of Accounting

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

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statement presents increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission are tenant rent, HUD and other operating grants and fraud recovery. Operating expenses include administrative expenses, tenant services, utilities, maintenance, housing assistance payments, general expenses and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

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

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
AS OF SEPTEMBER 30, 2015**

Accounts Receivable

All tenants accounts receivable are shown net of an allowance for doubtful accounts. Receivables from vacated tenants comprise the allowance. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Assets Held for Resale

Assets held for resale of the Component Unit consist of properties purchased for the purpose of constructing or renovating homes for low and moderate income families through the neighborhood revitalization program. Assets held for resale are valued at cost.

Capital Assets

Capital assets are recorded at cost, or estimated historical cost. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. The Commission's policy is to capitalize those assets with a useful life greater than one year, and an initial acquisition cost as shown in the following schedule.

Donated capital assets are valued at their estimated fair value on the date donated.

The total proprietary fund business type capital assets as of September 30, 2015 includes approximately ten percent for which the costs were determined by estimations of the original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

For capital assets used in proprietary fund's operations, construction period interest is capitalized in accordance with accounting principles generally accepted in the United States of America.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Revenues, Expenses and Changes in Net position, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	All		
Buildings:			
Single family dwellings	\$ 5,000	Straight-line	25-40 years
Multifamily and Commercial buildings	10,000	Straight-line	25-40 years
Modernization improvements:			
Single family dwellings	5,000	Straight-line	15 years
Multifamily and Commercial buildings	10,000	Straight-line	15 years
Leasehold improvements	5,000	Straight-line	15 years
Machinery and vehicles	5,000	Straight-line	5 years
Equipment and furnishings	2,500	Straight-line	5 years

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
AS OF SEPTEMBER 30, 2015**

Land, an inexhaustible capital asset, is not depreciated.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to Section 8 Housing Choice Voucher program excess funds received, Family Self Sufficiency (FSS) escrow amounts, promissory note trustee accounts and tenant security deposits.

Compensated Absences

The Commission allows employees to accumulate vacation leave as follows:

<u>Years of Service</u>	<u>Annual Accrual</u>	<u>Maximum Accrual</u>
0 - 5 years	80 hours	120 hours
6 -15 years	120 hours	180 hours
16 + years	160 hours	240 hours

Upon termination, all accumulated vacation leave will be paid to the employee.

Sick leave accumulates for full-time employees at a rate of 8 hours per month. Exempt employees have no limit on accumulated sick leave, but receive no compensation for any unused sick leave upon termination. Hourly employees are limited to 160 hours of accumulated sick leave. Fifty percent of the hours in excess of 160 hours of sick leave are paid to the employees at the end of each fiscal year. Upon termination, hourly employees are paid for fifty percent of their sick leave balance.

Net Position

Net position represents the residual interest in the Commission's assets after liabilities are deducted and they consist of three sections: Net investment in capital assets, Restricted, and Unrestricted. Net investment in capital assets includes capital assets net of accumulated depreciation and related debt. Restricted represents net position that has been restricted by HUD or others. All other net position is unrestricted.

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 they are needed.

Operating Revenues and Expenses

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

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
AS OF SEPTEMBER 30, 2015**

Use of Estimates

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

Interprogram Eliminations and Reclassifications

In the process of aggregating data for the financial statements, some amounts reported as interprogram activity and balances in the supplementary Financial Data Schedule have been eliminated or reclassified, as follows:

- a. In order to minimize the grossing-up effect on assets and liabilities within the primary government and component unit columns of the Statement of Net Position, amounts reported as interprogram receivables and payables have been eliminated, except for the net residual amounts due between the primary government and the component unit, which are presented as Intra-entity Balances.
- b. In order to minimize the doubling-up effect on primary government activity, certain “centralized expenses” including an administrative overhead component, are charged as direct expenses to programs in order to show all expenses that are associated with a service or program. When expenses are charged, corresponding revenue within the client’s non federal programs is also recorded. The Statement of Revenues, Expenses, and Changes in Net Position reflect the elimination of these activities.

NOTE 2 DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
AS OF SEPTEMBER 30, 2015**

Investments – The primary investment authority in statute specifically for Housing and Redevelopment Commissions is SDCL 11-7-31. SDCL 4-5-6 is the supplemental investment authority. These statutes permit housing authority funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that such securities shall either mature within eighteen months from the date of purchase or be redeemable at the option of the holder within eighteen months from the date of purchase and that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

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

Authorized Investments by the Commission – The Commission has a formal investment policy that requires all deposits in excess of \$250,000, the amount insured by FDIC regardless of type, to be continuously and fully secured. The policy also sets forth the determination for the appropriate mixture of investments and requires the maintenance of an investment register.

Interest Rate Risk – The Commission’s formal investment policy considers maturity as one of the factors used to determine the appropriate mixture of investments. However, it does not set forth a limit for investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits eligible investments for the Commission, as discussed above. The Commission’s investment policy does not further limit its investment choices. As of September 30, 2015, the Commission had no investments.

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

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
AS OF SEPTEMBER 30, 2015**

NOTE 3 RESTRICTED CASH AND CASH EQUIVALENTS

Primary Government:	
Family Self Sufficiency (FSS) escrow accounts	\$ 35,330
Family Self Sufficiency (FSS) unearned revenue	9,792
Family Self Sufficiency (FSS) special needs fund	1,551
Reserve for replacements	32,037
Residual receipts	7,016
Tax-Insurance reserve	9,822
Housing deposit assistance program	2,018
Section 8 Mod Rehab	14,089
Insurance Proceeds - Public Housing	96,667
DHAP	4,505
Tenant security deposits	<u>8,986</u>
 Total Primary Government	 <u>\$ 221,813</u>
Component Unit:	
Neighborhood Revitalization	\$ 5,398
Affordable Housing Trust Fund Initiative	3,084
Field of Dreams	242,687
633 W 10th St	20,000
Affordable Housing Solutions Security Deposit Loan	1,930
Reserve for Replacement	32,912
Tax-Insurance Reserve	15,178
Operating Reserve	10,003
Tenant Security Deposits	8,987
Field of Dreams LLC	15,812
633 W 10th St LLC	<u>26,401</u>
 Total Component Unit	 <u>\$ 382,392</u>

NOTE 4 NOTES RECEIVABLE

Notes receivable for the Component Unit of \$41,903 at September 30, 2015 represents funds that were provided by grant proceeds to establish and maintain the “Neighborhood Revitalization Down Payment Assistance Program” (NRDAP) for qualifying homebuyers. The notes are interest free, deferred loans and are secured by the homebuyer’s property. The mortgage is registered with the Minnehaha County Register of Deeds and payable upon sale of the property.

NOTE 5 INVESTMENT IN TAX CREDIT PARTNERSHIP (Component Unit)

Affordable Housing Solutions (component unit) invested \$25,331 in 2013 into Spring Centre Apartments, LLC as part of a tax credit partnership. The Component Unit receives 1% of Spring Centre’s yearly earnings. The total Investment at September 30, 2015 was \$25,331.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
NOTES TO FINANCIAL STATEMENTS – CONTINUED
AS OF SEPTEMBER 30, 2015

NOTE 6 CAPITAL ASSETS

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

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ -	\$ 12,100	\$ -	\$ 12,100
Land	492,500	-	-	492,500
Total capital assets not being depreciated	<u>492,500</u>	<u>12,100</u>	<u>-</u>	<u>504,600</u>
<i>Capital assets being depreciated:</i>				
Buildings	3,806,245	3,277	-	3,809,522
Equipment	208,855	6,626	2,578	212,903
Leasehold improvements	81,855	-	-	81,855
Total capital assets being depreciated	<u>4,096,955</u>	<u>9,903</u>	<u>2,578</u>	<u>4,104,280</u>
<i>Less accumulated depreciation for:</i>				
Buildings	2,740,836	50,688	-	2,791,524
Equipment	190,406	7,045	2,578	194,873
Leasehold improvements	38,550	4,169	-	42,719
Total accumulated depreciation	<u>2,969,792</u>	<u>61,902</u>	<u>2,578</u>	<u>3,029,116</u>
Total capital assets being depreciated, net	<u>1,127,163</u>	<u>(51,999)</u>	<u>-</u>	<u>1,075,164</u>
<i>Capital assets, net</i>	<u>\$ 1,619,663</u>	<u>\$ (39,899)</u>	<u>\$ -</u>	<u>\$ 1,579,764</u>

Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 389,244	\$ 187,702	\$ -	\$ 576,946
Construction in progress	776,692	257,478	945,528	88,642
	<u>1,165,936</u>	<u>445,180</u>	<u>945,528</u>	<u>665,588</u>
<i>Capital assets being depreciated:</i>				
Buildings and equipment	<u>2,022,567</u>	<u>914,969</u>	<u>959</u>	<u>2,936,577</u>
<i>Less accumulated depreciation for:</i>				
Buildings and equipment	<u>688,282</u>	<u>104,264</u>	<u>-</u>	<u>792,546</u>
Total capital assets being depreciated, net	<u>1,334,285</u>	<u>810,705</u>	<u>959</u>	<u>2,144,031</u>
<i>Capital assets, net</i>	<u>\$ 2,500,221</u>	<u>\$ 1,255,885</u>	<u>\$ 946,487</u>	<u>\$ 2,809,619</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
AS OF SEPTEMBER 30, 2015**

NOTE 7 ACCOUNTS PAYABLE – OTHER GOVERNMENTS

Accounts Payable – Other Governments consists of \$3,904 in payment in lieu of taxes (PILOT) for the primary government as of September 30, 2015.

Accounts Payable – Other Governments for the component unit consists of \$13,393 in payment in lieu of taxes and \$446,636 in interest free notes due to the City of Sioux Falls, South Dakota. The City of Sioux Falls, Department of Community Development provides funding for costs incurred for the acquisition, demolition, construction, and resale of properties held for resale through the neighborhood revitalization program. The funds are secured by a note recorded with the Minnehaha County Register of Deeds. The notes are interest free and payable to the City upon sale of the property.

NOTE 8 LONG-TERM OBLIGATIONS

Primary Government:

A summary of changes in long-term obligations follows:

	Beginning			Ending	Due Within
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Note payable	\$ 429,887	\$ -	\$ (31,345)	\$ 398,542	\$ 31,345
Compensated absences	<u>69,830</u>	<u>33,084</u>	<u>(21,805)</u>	<u>81,109</u>	<u>50,232</u>
Long-term liabilities	<u>\$ 499,717</u>	<u>\$ 33,084</u>	<u>\$ (53,150)</u>	<u>\$ 479,651</u>	<u>\$ 81,577</u>

The note payable at September 30, 2015 is comprised of the following:

	Amounts Due Within One Year	Amounts Due After One Year	Total
Note payable - South Dakota Housing Development Authority (SDHDA), 0% interest, due March 2025, monthly payments \$512 through November 2008 and \$2,612 starting December 1, 2008, collateralized by real estate, equipment, fixtures and all rents and leases of the project.	<u>\$ 31,345</u>	<u>\$ 367,197</u>	<u>\$ 398,542</u>
Total	<u>\$ 31,345</u>	<u>\$ 367,197</u>	<u>\$ 398,542</u>

The annual requirements to amortize the note payable as of September 30, 2015 is as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 31,345	\$ -	\$ 31,345
2017	31,345	-	31,345
2018	31,345	-	31,345
2019	31,345	-	31,345
2020	31,345	-	31,345
2021-2025	<u>241,817</u>	-	<u>241,817</u>
	<u>\$ 398,542</u>	<u>\$ -</u>	<u>\$ 398,542</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
AS OF SEPTEMBER 30, 2015**

Component Unit:

A summary of changes and composition of long-term obligations are as follows:

<u>Project</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
435 West 3rd St - Spring Pointe					
Mortgage payable - South Dakota Housing Development Authority (SDHDA), 0% interest, term is 40 years from the project completion date. Payment under this Mortgage Note shall be payable solely from the actual project generated cash flow in excess of a 1.15 debt service coverage ratio as verified by the Corporation's prior year's audited financial statements	\$ 260,660	\$ -	\$ -	\$ 260,660	\$ -
435 West 3rd St - Spring Pointe					
Mortgage payable - Sioux Falls Community Development 2.0% interest, term is 20 years, payments start one year after completion of project. \$54,500 of mortgage will become a grant upon completion of the project	101,251	59,402	(2,958)	157,695	3,017
1521 East 5th St - Highland Five					
Mortgage payable - South Dakota Housing Development Authority (SDHDA), 0% interest, term is 40 years from project completion date. Payment under this Mortgage Note shall be payable solely from the actual project generated cash flow in excess of a 1.15 debt service coverage ratio as verified by the Corporation's prior year's audited financial statements	100,000	-	-	100,000	-
1521 East 5th St - Highland Five					
Mortgage payable - South Dakota Housing Development Authority (SDHDA), 0% interest, payable in 312 monthly installments of \$485 beginning January 1, 2015, 47 monthly installments of \$420 beginning January 1, 2041, and one lump sum payment of \$102 payable December 1, 2044	131,162	40,000	(4,365)	166,797	5,820
1521 East 5th St - Highland Five					
Mortgage payable - Sioux Falls Community Development 0% interest, term is 30 years, annual payments of \$3,333 beginning December 1, 2015. \$54,500 of mortgage will become a grant upon completion of the project	156,028	23,522	(59,550)	120,000	3,333
505 S Duluth					
Mortgage payable - Sioux Falls Community Development 3.0% interest, due December 2030, yearly payments of \$2,983	39,274	-	(1,805)	37,469	1,859
505 S Duluth					
Mortgage payable - South Dakota Housing Development Authority (SDHDA), 0% interest, term is 20 years from Dec. 1, 2010, payment under this Mortgage Note shall be payable solely from the actual project-generated cash flow in excess of a 1.15 debt service coverage ratio as verified by the Corporation's prior year's audited financial statements	361,287	-	(516)	360,771	-

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
AS OF SEPTEMBER 30, 2015**

Project	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
322 S Duluth					
Mortgage payable - South Dakota Housing Development Authority (SDHDA), 0% interest, with a maturity date of May 8, 2034. Payment under this Mortgage Note shall be payable solely from the actual project-generated cash flow in excess of a 1.15 debt service coverage ratio as verified by the Corporation's prior year's audited financial statements	\$ 697,234	\$ -	\$ -	\$ 697,234	\$ -
322 S Duluth					
Mortgage payable - Sioux Falls Community Development 0% interest. \$71,888 of the note payable in 21 annual payments of \$3,423 with a maturity date of December 1, 2035. \$90,000 of the note is deferred at 0% interest until property is sold or transferred	161,880	-	-	161,880	3,423
1209/1215 Homestead Circle					
Mortgage Payable - Home Federal Bank (#9573957) 4.65% interest, term is 5 years (59 monthly payments of 257.93 with final balloon payment due 7/20/17 for remaining principal and interest due)	37,169	-	(1,371)	35,798	1,462
1209/1215 Homestead Circle					
Mortgage payable - Sioux Falls Community Development (one \$30,000 note on each property) Deferred for first 5 years at 0% interest, following 5 year deferral on each loan (\$30k x 2 properties) monthly payments of \$289.68 begin for a period of 10 years with an interest rate of 3%	60,000	-	-	60,000	-
4501 E 15th Street - Field of Dreams					
Mortgage payable - Sioux Falls Community Development Deferred at 0% interest until sold or transferred	-	300,000	-	300,000	-
633 W 10th St - Pettigrew Manor					
Mortgage payable - Sioux Falls Community Development Deferred at 0% interest until sold or transferred	-	200,000	-	200,000	-
Total	<u>\$2,105,945</u>	<u>\$ 622,924</u>	<u>\$ (70,565)</u>	<u>\$ 2,658,304</u>	<u>\$ 18,914</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
AS OF SEPTEMBER 30, 2015**

The annual requirements to amortize long-term obligations as of September 30, 2015 are as follows:

Year Ending September 30,	Principal	Interest	Total
2016	\$ 18,914	\$ 5,098	\$ 24,012
2017	52,763	4,957	57,720
2018	22,937	4,932	27,869
2019	23,218	4,651	27,869
2020	23,508	4,361	27,869
2021-2025	122,175	17,169	139,344
2026-2030	107,670	9,660	117,330
2031-2035	1,144,912	5,745	1,150,657
2036-2040	162,519	3,459	165,978
Thereafter	<u>979,688</u>	<u>1,030</u>	<u>980,718</u>
	<u>\$ 2,658,304</u>	<u>\$ 61,062</u>	<u>\$ 2,719,366</u>

NOTE 9 NONCURRENT LIABILITIES-OTHER

Noncurrent liabilities-other for the Commission consists of Family Self Sufficiency (FSS) Escrow deposits of \$35,330 for active participants in the FSS program and \$96,667 in insurance proceeds. FSS funds of \$35,330 are included as restricted cash on the balance sheet.

The noncurrent liabilities – other for the component unit consists of \$3,084 as of September 30, 2015 from a Citi Foundation grant for the Affordable Housing Trust Fund Initiative. This liability offsets the same amount of restricted cash recorded on the balance sheet as these funds are only to be used for the specific purpose identified by all parties involved.

NOTE 10 FIDELITY BOND

During 2005, in accordance with the provisions of the regulatory agreement, a fidelity bond in the amount of \$250,000 was purchased by Sioux Falls Housing and Redevelopment Commission and issued to South Sycamore Estates that met the minimum fidelity bond requirements as established by SDHDA. The annual fidelity bond premium of \$1,098 was paid by the Sioux Falls Housing and Redevelopment Commission on May 20, 2015.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
AS OF SEPTEMBER 30, 2015**

NOTE 11 RESTRICTED NET POSITION

The following table shows the net position restricted for other purposes as shown on the statement of net position:

<u>Project</u>	<u>Restricted By</u>	<u>Amount</u>
Public Housing	Grantor Agency	\$ -
Housing Choice Vouchers	Grantor Agency	-
HOME Vouchers	Grantor Agency	-
DHAP	Grantor Agency	-
Family Self-Sufficiency	Grantor Agency	-
Family Self-Sufficiency	Grantor Agency	2,751
Housing Deposit Assistance	Grantor Agency	2,880
South Sycamore Estates	Debt Covenant	<u>44,971</u>
Total Restricted Net Position - Primary Government		<u>\$ 50,602</u>
Component Unit:		
Neighborhood Revitalization	Grantor Agency	\$ 47,301
Duluth Heights Apartments	Grantor Agency	2,205
Field of Dreams	Grantor Agency	242,687
Pettigrew Manor	Grantor Agency	20,000
633 W 10th St Project	Grantor Agency	26,401
Field of Dreams Project	Grantor Agency	15,812
Duluth Heights Apartments	Debt Covenant	14,294
Highland Five Apartments	Debt Covenant	13,161
Spring Pointe Apartments	Debt Covenant	2,890
Graff Apartments	Debt Covenant	<u>21,669</u>
Total Restricted Net Position - Component Unit		<u>\$ 406,420</u>

NOTE 12 RISK MANAGEMENT

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

Worker's Compensation

The Commission purchases liability insurance for worker's compensation from a commercial carrier.

Unemployment Benefits

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

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
AS OF SEPTEMBER 30, 2015**

Employee Health Insurance

The Commission purchases health insurance for its employees from Sanford Health Systems. This plan is not a common risk pool.

Liability Insurance

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

NOTE 13 RETIREMENT PLAN

All eligible employees participate in a defined contribution pension plan, the Housing Renewal and Local Agency Retirement Plan, a cost sharing, multiple employer public employee retirement system to provide retirement benefit for employees of local or regional housing authorities and commissions, urban renewal agencies and other organizations that are eligible to participate in this plan subject to the approval in the agreement. Eligible employees are defined as staff scheduled to work 20 or more hours per week after attaining age 18 and completing one year of continuous and uninterrupted employment. Authority for establishing, administrating and amending plan provisions is found in Internal Revenue Code Section 401(a). The Automated Data Processing (ADP) Retirement Services issues a publicly available financial report that includes financial statements as required supplementary information. That report may be obtained by writing to the ADP Retirement Services, 462 South 4th Avenue, Suite 900, Louisville, KY 40202 or by calling (502) 561-4550.

On June 24, 2002, the Commission adapted Resolution No. 268-06-02 effective July 1, 2002, which implemented a mandatory after-tax employee contribution to the plan of 1% of basic compensation, and a corresponding employer contribution of 4% of basic compensation. In addition, the resolution permitted employees to voluntarily contribute additional after-tax amounts in excess of the 1% mandatory amount, which would be treated as voluntary contributions, and for which the employer would contribute additional corresponding amounts up to a maximum of 7% for the employer. Beginning July 1, 2002, the full amount of the employer's contributions will be subject to the plan's vesting schedule of 20% for each year of the employee's participation in the plan. During the years ended September 30, 2015, 2014, and 2013, the cost to the Commission was \$50,998, \$44,727 and \$43,721, respectively.

NOTE 14 COMMITMENTS

Affordable Housing Solutions has outstanding contract commitments as of September 30, 2015 totaling \$49,753. Of this total, \$24,305 relates to 520 S. Elmwood, and \$25,448 relates to Spring Pointe. These are projects in which the Corporation participates with the City of Sioux Falls Department of Community Development to construct, rehabilitate and renovate housing projects for low and moderate income families.

As of September 30, 2015, the Commission has outstanding contract commitments totaling \$25,033 for office renovations and \$232,123 for public housing.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
AS OF SEPTEMBER 30, 2015**

NOTE 15 HUD-HELD RESERVES

As of September 30, 2015, HUD held reserves on behalf of the Commission in the amount of \$1,162,002.

NOTE 16 SUBSEQUENT EVENTS

In November 2014, Affordable Housing Solutions terminated the construction contracts with Anderson Brothers Construction for the developments at Spring Pointe, 435 W 3rd St., and Highland Five, 1521 E. 5th St. Claims were then made against Anderson Brothers Construction's Payment, Performance and Maintenance Bond for default of its obligations to complete construction work. A settlement agreement of \$130,000 was reached in December 2015.

Subsequent events have been evaluated through April 1, 2016, which is the date these financial statement were available to be issued.

SUPPLEMENTARY INFORMATION

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA
THE FINANCIAL DATA SCHEDULE – STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2015**

	PUBLIC HOUSING 14.850	CAPITAL FUNDS 14.872	SECTION 8 VOUCHERS 14.871	SECTION 8 MOD REHAB 14.856	SHELTER PLUS CARE 14.238	HOME VOUCHERS 14.239	FSS 14.896	SECTION 8 NEW CONSTRUCTION 14.182	HOPWA 14.241	DHAP 97.109	BUSINESS ACTIVITIES	ELIMINATION ENTRIES	PRIMARY GOVERNMENT TOTALS	COMPONENT UNIT
ASSETS														
111 Cash - unrestricted	\$ 141,570	\$ -	\$ -	\$ 17,361	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,250,354	\$ -	\$ 1,409,285	\$ 447,917
113 Cash - other restricted	96,667	-	35,752	14,089	-	-	9,370	-	-	4,505	52,444	-	212,827	373,405
114 Cash - tenant security deposits	4,986	-	-	-	-	-	-	-	-	-	4,000	-	8,986	8,987
100 Total cash	<u>243,223</u>	<u>-</u>	<u>35,752</u>	<u>31,450</u>	<u>-</u>	<u>-</u>	<u>9,370</u>	<u>-</u>	<u>-</u>	<u>4,505</u>	<u>1,306,798</u>	<u>-</u>	<u>1,631,098</u>	<u>830,309</u>
122 Accounts receivable - HUD other projects	-	-	4,866	17,754	24,105	-	-	-	-	-	-	-	46,725	-
124 Accounts receivable - other government	-	-	-	-	-	30,202	-	-	28,577	-	-	-	58,779	150,730
125 Accounts receivable - miscellaneous	-	-	-	-	-	-	-	-	-	-	7,341	-	7,341	38,639
126 Accounts receivable - tenants - dwelling	8,807	-	-	-	-	-	-	-	-	-	709	-	9,516	9,265
126.1 Allowance for doubtful accounts - tenants	(2,950)	-	-	-	-	-	-	-	-	-	-	-	(2,950)	(5,161)
126.2 Allowance for doubtful accounts - other	-	-	-	-	-	-	-	-	-	-	(3,230)	-	(3,230)	-
129 Accrued interest receivable	395	-	-	-	-	-	-	-	-	-	284	-	679	-
120 Total receivables, net of allowance for doubtful	<u>6,252</u>	<u>-</u>	<u>4,866</u>	<u>17,754</u>	<u>24,105</u>	<u>30,202</u>	<u>-</u>	<u>-</u>	<u>28,577</u>	<u>-</u>	<u>5,104</u>	<u>-</u>	<u>116,880</u>	<u>193,473</u>
142 Prepaid expenses and other assets	13,821	-	-	-	-	-	-	-	-	-	38,088	-	51,909	7,737
144 Interprogram due from	(51)	-	-	-	-	-	-	-	-	-	288,302	(288,251)	-	-
145 Assets held for resale	-	-	-	-	-	-	-	-	-	-	-	-	-	447,136
150 Total current assets	<u>263,245</u>	<u>-</u>	<u>40,618</u>	<u>49,204</u>	<u>24,105</u>	<u>30,202</u>	<u>9,370</u>	<u>-</u>	<u>28,577</u>	<u>4,505</u>	<u>1,638,292</u>	<u>(288,251)</u>	<u>1,799,867</u>	<u>1,478,655</u>
161 Land	250,000	-	-	-	-	-	-	-	-	-	242,500	-	492,500	576,946
162 Buildings	2,154,885	-	-	-	-	-	-	-	-	-	1,654,638	-	3,809,523	2,665,483
163 Furniture, equipment & machinery - dwellings	-	-	-	-	-	-	-	-	-	-	45,171	-	45,171	87,558
164 Furniture, equipment & machinery - administration	-	-	-	-	-	-	-	-	-	-	167,732	-	167,732	-
165 Leasehold improvements	-	-	-	-	-	-	-	-	-	-	81,855	-	81,855	183,536
166 Accumulated depreciation	(2,107,047)	-	-	-	-	-	-	-	-	-	(922,070)	-	(3,029,117)	(792,546)
167 Construction in progress	9,163	-	-	-	-	-	-	-	-	-	2,937	-	12,100	88,642
160 Total fixed assets, net of accumulated	<u>307,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,272,763</u>	<u>-</u>	<u>1,579,764</u>	<u>2,809,619</u>
171 Notes and mortgages receivable - non-current	-	-	-	-	-	-	-	-	-	-	-	-	-	41,903
176 Investments in tax credit	-	-	-	-	-	-	-	-	-	-	-	-	-	25,331
180 Total non-current assets	<u>307,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,272,763</u>	<u>-</u>	<u>1,579,764</u>	<u>2,876,853</u>
190 Total assets	<u>\$ 570,246</u>	<u>\$ -</u>	<u>\$ 40,618</u>	<u>\$ 49,204</u>	<u>\$ 24,105</u>	<u>\$ 30,202</u>	<u>\$ 9,370</u>	<u>\$ -</u>	<u>\$ 28,577</u>	<u>\$ 4,505</u>	<u>\$ 2,911,055</u>	<u>\$ (288,251)</u>	<u>\$ 3,379,631</u>	<u>\$ 4,355,508</u>
LIABILITIES AND NET POSITION														
312 Accounts payable -90 days	\$ 17,789	\$ -	\$ 32,997	\$ 6,951	\$ -	\$ -	\$ -	\$ -	\$ 13	\$ -	\$ 15,377	\$ -	\$ 73,127	\$ 83,904
321 Accrued wages/payroll taxes payable	-	-	-	-	-	-	-	-	-	-	36,739	-	36,739	3,215
322 Accrued compensated absences	-	-	-	-	-	-	-	-	-	-	50,232	-	50,232	1,762
325 Accrued interest payable	-	-	-	-	-	-	-	-	-	-	-	-	-	1,647
331 Accounts payable - HUD PHA projects	-	-	-	14,089	-	-	-	-	-	4,505	-	-	18,594	9,456
333 Accounts payable - other governments	-	-	-	-	-	-	-	-	-	-	3,904	-	3,904	460,029
341 Tenant security deposits	4,986	-	-	-	-	-	-	-	-	-	4,000	-	8,986	8,987
342 Unearned revenues	3,406	-	422	-	-	-	9,287	-	-	-	1,353	-	14,468	3,469
343 Current portion of long-term debt - cap. projects	-	-	-	-	-	-	-	-	-	-	31,345	-	31,345	18,914
345 Other current liabilities	-	-	-	-	-	-	-	-	-	-	42,692	-	42,692	77,991
347 Interprogram due to	-	-	196,565	8,732	24,105	30,202	83	-	28,564	-	-	(288,251)	-	-
310 Total current liabilities	<u>26,181</u>	<u>-</u>	<u>229,984</u>	<u>29,772</u>	<u>24,105</u>	<u>30,202</u>	<u>9,370</u>	<u>-</u>	<u>28,577</u>	<u>4,505</u>	<u>185,642</u>	<u>(288,251)</u>	<u>280,087</u>	<u>669,374</u>
351 Long-term debt, net of current - cap. projects	-	-	-	-	-	-	-	-	-	-	367,197	-	367,197	2,639,390
353 Noncurrent liabilities - other	96,667	-	35,330	-	-	-	-	-	-	-	-	-	131,997	3,084
354 Accrued compensated absences	-	-	-	-	-	-	-	-	-	-	30,877	-	30,877	-
350 Total noncurrent liabilities	<u>96,667</u>	<u>-</u>	<u>35,330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>398,074</u>	<u>-</u>	<u>530,071</u>	<u>2,642,474</u>
300 Total liabilities	<u>122,848</u>	<u>-</u>	<u>265,314</u>	<u>29,772</u>	<u>24,105</u>	<u>30,202</u>	<u>9,370</u>	<u>-</u>	<u>28,577</u>	<u>4,505</u>	<u>583,716</u>	<u>(288,251)</u>	<u>810,158</u>	<u>3,311,848</u>
NET POSITION														
508.4 Net investment in capital assets	307,001	-	-	-	-	-	-	-	-	-	874,221	-	1,181,222	151,315
511.4 Restricted net position	-	-	-	-	-	-	-	-	-	-	50,602	-	50,602	406,420
512.4 Unrestricted net position	140,397	-	(224,696)	19,432	-	-	-	-	-	-	1,402,516	-	1,337,649	485,925
513 Total equity	<u>447,398</u>	<u>-</u>	<u>(224,696)</u>	<u>19,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,327,339</u>	<u>-</u>	<u>2,569,473</u>	<u>1,043,660</u>
600 Total liabilities and net position	<u>\$ 570,246</u>	<u>\$ -</u>	<u>\$ 40,618</u>	<u>\$ 49,204</u>	<u>\$ 24,105</u>	<u>\$ 30,202</u>	<u>\$ 9,370</u>	<u>\$ -</u>	<u>\$ 28,577</u>	<u>\$ 4,505</u>	<u>\$ 2,911,055</u>	<u>\$ (288,251)</u>	<u>\$ 3,379,631</u>	<u>\$ 4,355,508</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA**
THE FINANCIAL DATA SCHEDULE – REVENUES AND EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	PUBLIC HOUSING 14.850	CAPITAL FUNDS 14.872	SECTION 8 VOUCHERS 14.871	SECTION 8 MOD REHAB 14.856	SHELTER PLUS CARE 14.238	HOME VOUCHERS 14.239	FSS 14.896	SECTION 8 NEW CONSTRUCTION 14.182	HOPWA 14.241	DHAP 97.109	BUSINESS ACTIVITIES	PRIMARY GOVERNMENT TOTALS	COMPONENT UNIT
REVENUE													
70300 Net tenant rental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 179,398	\$ 179,398	\$ 293,759
70400 Tenant revenue - other	240	-	-	-	-	-	-	-	-	-	3,390	3,630	3,401
70500 Total tenant revenue	240	-	-	-	-	-	-	-	-	-	182,788	183,028	297,160
70600 HUD PHA operating grants	104,848	33,921	10,469,561	536,832	263,875	-	45,649	154,665	-	-	-	11,609,351	-
70750 Other Fees	-	-	-	-	-	-	-	-	-	-	235,062	235,062	-
70800 Other governmental grants	-	-	-	-	-	147,234	-	-	303,539	-	-	450,773	284,550
71100 Investment income - unrestricted	501	-	95	-	-	-	-	-	-	-	2,929	3,525	1,573
71400 Fraud recovery	-	-	21,253	5,371	-	-	-	-	-	-	1,687	28,311	-
71500 Other revenue	-	-	4,866	-	-	-	-	-	-	-	36,995	41,861	127,881
72000 Investment income - restricted	-	-	-	-	-	-	-	-	-	-	6	6	122
70000 Total revenue	105,589	33,921	10,495,775	542,203	263,875	147,234	45,649	154,665	303,539	-	459,467	12,551,917	711,286
EXPENSES													
91100 Administrative salaries	6,345	-	141,925	-	-	-	9,004	-	-	-	19,949	177,223	59,200
91200 Auditing fees	191	-	23,667	2,093	-	-	-	652	-	-	8,555	35,158	7,642
91300 Management fees	-	-	-	57,340	20,406	15,364	-	15,933	19,858	-	6,725	135,626	59,540
91400 Advertising and marketing	28	-	3,948	-	-	-	-	-	-	-	572	4,548	2,653
91500 Employee benefit contribution	3,504	-	55,515	-	-	-	3,518	-	-	-	7,710	70,247	7,951
91600 Office expenses	2,108	-	165,553	-	-	-	-	-	-	-	19,655	187,316	10,827
91700 Legal expense	204	-	2,754	-	-	-	-	-	-	-	68	3,026	6,227
91800 Travel	38	-	4,300	-	-	-	-	-	131	-	632	5,101	4,011
91900 Other	1,508	-	25,833	-	-	-	-	-	408	-	10,605	38,354	23,029
92100 Tenant services - salaries	18,119	-	384,493	-	-	-	20,142	-	48,377	-	88,870	560,001	1,413
92300 Employee benefit contributions - tenant services	6,119	-	136,361	-	-	-	8,126	-	14,716	-	25,829	191,151	121
92400 Tenant services - other	865	-	4,397	-	-	-	-	-	13,804	-	9,490	28,556	-
93100 Water	2,725	-	-	-	-	-	-	-	-	-	9,552	12,277	10,589
93200 Electricity	529	-	-	-	-	-	-	-	-	-	15,568	16,097	46,200
93300 Gas	422	-	-	-	-	-	-	-	-	-	1,510	1,932	2,774
94200 Ordinary maintenance and operations - mat & other	28,109	-	-	-	-	-	-	-	-	-	10,282	38,391	7,489
94300 Ordinary maintenance and operations - contr costs	41,611	-	-	-	-	-	-	-	-	-	41,182	82,793	48,799
95200 Protective services - other	-	-	-	-	-	-	-	-	-	-	1,564	1,564	2,404
96100 Insurance premiums	14,380	-	20,327	-	-	-	-	-	-	-	15,204	49,911	12,651
96200 Other general expenses	-	-	6,773	-	-	-	-	-	-	-	-	6,773	-
96210 Compensated absences	1,430	-	77,010	-	-	-	-	-	-	-	-	-	-
96300 Payments in lieu of taxes	2,850	-	-	-	-	-	4,859	-	7,597	-	13,753	104,649	5,500
96400 Bad debt - tenant rents	-	-	-	-	-	-	-	-	-	-	5,081	7,931	17,882
96600 Bad debt - other	2,945	-	-	-	-	-	-	-	-	-	-	2,945	517
96710 Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	5,843
96900 Total operating expense	134,030	-	1,052,856	59,433	20,406	15,364	45,649	16,585	104,891	-	312,356	1,761,570	347,906
97000 Excess operating revenue over operating expenses	(28,441)	33,921	9,442,919	482,770	243,469	131,870	-	138,080	198,648	-	147,111	10,790,347	363,380
97100 Extraordinary maintenance	1,684	-	-	-	-	-	-	-	-	-	1,643	3,327	127,487
97300 Housing assistance payments	-	-	10,139,431	480,085	243,469	131,870	-	138,080	200,291	-	-	11,333,226	-
97400 Depreciation expense	6,799	-	-	-	-	-	-	-	-	-	55,103	61,902	104,264
97800 Dwelling units rent expense	4,210	-	-	-	-	-	-	-	-	-	-	4,210	-
90000 Total expenses	146,723	-	11,192,287	539,518	263,875	147,234	45,649	154,665	305,182	-	369,102	13,164,235	579,657
10010 Operating transfers in	33,921	-	-	-	-	-	-	-	1,643	-	-	35,564	-
10020 Operating transfers out	-	(33,921)	-	-	-	-	-	-	-	-	(1,643)	(35,564)	-
10000 Excess of operating revenue over (under) expenses	\$ (7,213)	\$ -	\$ (696,512)	\$ 2,685	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,722	\$ (612,318)	\$ 131,629
Memo Account Information:													
11020 Required annual debt principal payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,345	\$ 31,345	\$ 18,914
11030 Beginning equity	454,611	-	471,816	16,747	-	-	-	-	-	-	2,238,617	3,181,791	912,031
11040 Prior period adjustments/equity transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
11170 Administrative fee equity	-	-	(224,696)	-	-	-	-	-	-	-	-	(224,696)	-
11180 Housing assistance payments equity	-	-	(4,866)	-	-	-	-	-	-	-	-	(4,866)	-
11190 Unit months available	288	-	22,258	948	636	226	-	528	418	-	192	25,494	552
11210 Number of unit months leased	266	-	20,859	850	546	226	-	494	418	-	183	23,842	484

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA**
CAPITAL FUND PROGRAM SCHEDULE OF MODERNIZATION
EXPENDITURES BY PROJECT NUMBER
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	Grant Year 2014 <u>SD06P01650114</u>	Grant Year 2015 <u>SD06P01650115</u>	
Fund Approved	\$ 33,921	\$ 33,542	
Fund Expended	<u>33,921</u>	<u>-</u>	
Excess of Funds Approved	<u>\$ -</u>	<u>\$ 33,542</u>	
Funds Advanced	\$ 33,921	\$ -	
Funds Expended	<u>33,921</u>	<u>-</u>	
Excess of Funds Expended	<u>\$ -</u>	<u>\$ -</u>	

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA**
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2015 AND 2014

ASSETS	2015	2014	LIABILITIES AND NET POSITION	2015	2014
1100 Current Assets			2100 Current Liabilities		
1120 Cash and Cash Equivalents	\$ 142	\$ 324	2110 Accounts Payable	\$ 2,822	\$ 1,578
1130 Accounts Receivable - Residents	709	1,204	2160 Mortgage Payable (Current Portion)	31,345	31,345
1190 Miscellaneous Current Assets	2,826	2,215	2190 Miscellaneous Current Liabilities	14,828	11,262
1191 Tenant Deposits Held in Trust	4,000	3,815	2191 Tenant Security Deposits	4,000	3,815
Total Current Assets	7,677	7,558	2210 Prepaid Rents	1,353	1,359
			Total Current Liabilities	54,348	49,359
1300 Restricted Deposits And Funded Reserves			2300 Long-Term Liabilities		
1310 Escrow Deposits	9,822	9,188	2310 Mortgage Payable, Less Current Portion	367,197	398,542
1320 Reserve for Replacements	32,037	30,076			
1340 Residual Receipts Reserve	7,016	6,814	Total Liabilities	421,545	447,901
Total Restricted Deposits and Funded Reserves	48,875	46,078			
1400 Fixed Assets					
1410 Land	82,500	82,500			
1420 Buildings	948,479	948,479			
1440 Building Equipment - Fixed	45,171	41,960			
	1,076,150	1,072,939			
Less Accumulated Depreciation	524,192	498,167			
Total Fixed Assets	551,958	574,772			
			3100 Net Position		
			3130 Net Position	186,965	180,507
Total Assets	\$ 608,510	\$ 628,408	Total Liabilities and Net Position	\$ 608,510	\$ 628,408

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA**
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
5100 Rent Income		
5120 Rent Revenue - Apartments	\$ 96,400	\$ 94,900
5170 Rent Revenue - Garage	3,240	3,280
Total Rent Income - Gross Potential	<u>99,640</u>	<u>98,180</u>
5200 Rent Adjustments/Vacancies		
5220 Apartment Vacancies	<u>(4,530)</u>	<u>-</u>
5152 Net Rental Income (Rent Income Less Vacancies)	<u>95,110</u>	<u>98,180</u>
5400 Finance Income		
5410 Interest Income - Operations	9	8
5430 Interest Income - Residual Receipts	203	152
5440 Interest Income - Replacement Reserves	957	841
Total Finance Revenue	<u>1,169</u>	<u>1,001</u>
5900 Other Revenue		
5920 Tenant Charges	<u>150</u>	<u>135</u>
Total Revenue	<u>96,429</u>	<u>99,316</u>
6263 Administrative Expenses		
6320 Management Fee	6,725	6,947
6350 Audit Expense	5,175	4,975
6390 Miscellaneous Administrative Expenses	48	-
Total Administrative Expenses	<u>11,948</u>	<u>11,922</u>
6400 Utilities Expense		
6450 Electricity	3,456	2,570
6451 Water	8,301	6,642
6452 Gas	140	-
Total Utilities Expense	<u>11,897</u>	<u>9,212</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA**
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001
STATEMENTS OF ACTIVITIES - CONTINUED
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

6000 Project Expense Accounts (Continued)	<u>2015</u>	<u>2014</u>
6500 Operating and Maintenance Expenses		
6515 Supplies	3,161	1,709
6520 Contracts	9,069	7,848
6525 Garbage and Trash Removal	3,368	2,914
6530 Security Contract	640	735
6546 Heating/Cooling Repairs and Maintenance	3,350	1,504
6548 Snow Removal	5,234	5,480
Total Operating and Maintenance Expenses	<u>24,822</u>	<u>20,190</u>
 6600 Depreciation		
6600 Depreciation - Building and Improvements	<u>26,025</u>	<u>26,819</u>
 6700 Taxes and Insurance		
6710 Taxes - Real Estate	4,594	4,745
6720 Insurance - Property and Liability	10,685	8,596
Total Taxes And Insurance	<u>15,279</u>	<u>13,341</u>
 Total Expenses	<u>89,971</u>	<u>81,484</u>
 Change in Net Position	6,458	17,832
 Net Position, Beginning of Year	<u>180,507</u>	<u>162,675</u>
 Net Position, End of Year	<u><u>\$ 186,965</u></u>	<u><u>\$ 180,507</u></u>

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA**
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001
STATEMENTS CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

Cash Flows From Operating Activities	<u>2015</u>	<u>2014</u>
Rental Receipts	\$ 92,359	\$ 93,091
Interest Received	1,169	1,001
Other Cash Received	<u>3,390</u>	<u>3,416</u>
	<u>96,918</u>	<u>97,508</u>
Administrative	5,223	4,975
Management Fees	6,725	6,947
Utilities	11,801	9,167
Operating and Maintenance	23,690	20,112
Real Estate Taxes	4,763	4,590
Insurance	<u>11,296</u>	<u>8,765</u>
	<u>63,498</u>	<u>54,556</u>
Net Cash Provided (Used) By Operating Activities	<u>33,420</u>	<u>42,952</u>
Cash Flows From Investing Activities		
Net (Deposits to) Withdrawals from Restricted Deposits	<u>(2,797)</u>	<u>(9,123)</u>
Net Cash Provided (Used) By Investing Activities	<u>(2,797)</u>	<u>(9,123)</u>
Cash Flows From Capital and Related Financing Activities		
Mortgage Principal Payments	(31,345)	(31,345)
Increase (Decrease) in Revolving Fund	3,751	(2,481)
Purchase of Property and Equipment	<u>(3,211)</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>(30,805)</u>	<u>(33,826)</u>
Net Change In Cash and Cash Equivalents	(182)	3
Cash and Cash Equivalents, Beginning of Year	<u>324</u>	<u>321</u>
Cash and Cash Equivalents, End of Year	<u>\$ 142</u>	<u>\$ 324</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA**
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001
STATEMENTS CASH FLOWS - CONTINUED
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Cash Flows From Operating Activities		
Change in Net Position	\$ 6,458	\$ 17,832
Adjustments to Reconcile Change in Net Position to Net Cash Provided (Used) by Operating Activities		
Depreciation	26,025	26,819
Decrease or (Increase) in:		
Tenants Accounts Receivable	495	(749)
Other Current Assets	(611)	(169)
Increase or (Decrease) in:		
Accounts Payable	1,244	124
Miscellaneous Current Liabilities	(185)	155
Prepaid Rents	(6)	(1,060)
	<u>\$ 33,420</u>	<u>\$ 42,952</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 33,420</u>	<u>\$ 42,952</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA**
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001
SCHEDULE OF CASH OPERATING RECEIPTS AND DISBURSEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Source of Funds		
Operating		
Revenues		
Rental Income	\$ 92,359	\$ 93,091
Non Dwelling Rental	3,240	3,281
Other Income		
Repairs	150	135
Interest Income	1,169	1,001
	<u>96,918</u>	<u>97,508</u>
Expenditures		
Administrative	5,223	4,975
Management Fees	6,725	6,947
Utilities	11,801	9,167
Operating and Maintenance	23,690	20,112
Real Estate Taxes	4,763	4,590
Insurance	11,296	8,765
	<u>63,498</u>	<u>54,556</u>
Cash Provided (Used) by Operations Before Debt Service	33,420	42,952
Increase (Decrease) in Revolving Fund	3,751	(2,481)
Mortgage Principal Payments	<u>(31,345)</u>	<u>(31,345)</u>
Cash Provided (Used) by Operations after Debt Service	<u>5,826</u>	<u>9,126</u>
Application of Funds		
Decrease (Increase) in Restricted Deposits and Funded Reserves	(2,797)	(9,123)
Purchase of Property and Equipment	<u>(3,211)</u>	<u>-</u>
Total Application of Funds	<u>(6,008)</u>	<u>(9,123)</u>
Increase (Decrease) in Cash	(182)	3
Unrestricted Cash At Beginning of Year	<u>324</u>	<u>321</u>
Unrestricted Cash At End of Year	<u>\$ 142</u>	<u>\$ 324</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA**
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001
SCHEDULE OF COMPUTATION OF SURPLUS CASH AND RESIDUAL RECEIPTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Add: Cash

Cash on Hand and in Banks (Accts. 1120 & 1191)	\$ 4,142	
All Accounts Receivable (Acct. 1130)	<u>709</u>	
Total Cash		\$ 4,851

Less: Current Obligations

Revolving Fund (Acct. 2190)	10,924	
Accounts Payable (Due Within 30 Days) (Acct. 2110)	2,822	
Mortgage Payable (Due Within 30 days) (Acct 2160)	2,612	
Prepaid Rents (Acct. 2210)	1,353	
Tenants Security Deposits (Acct. 2191)	<u>4,000</u>	
Total Current Obligations		<u>21,711</u>

Cash Deficit		<u><u>\$(16,860)</u></u>
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**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA**
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001
SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

SCHEDULE OF COMPUTATION OF AUTHORIZED MANAGEMENT FEE
YEAR END SETTLEMENT

Gross Collections - Tenant Rent (As Defined in Management Agreement)	\$ 91,870	
Authorized Management Fee (%)	<u>7.32%</u>	
Current Year Management Compensation		\$ 6,725
Adjust for:		
Fees Payable to (Receivable from) Agent at end of Previous Year		<u>-</u>
Total Authorized Compensation		\$ 6,725
Less:		
Cash Management Fees Paid During Current Year		<u>6,725</u>
Due to Management Agent from Project		<u><u>\$ -</u></u>

SCHEDULE OF BANK ACCOUNTS

	<u>Bank</u>	<u>Account Name</u>	<u>Account Number</u>	<u>Amount</u>
Operating Account	Home Federal Bank	Checking	XXXXX7584	\$ 142
Security Deposit Accounts	Home Federal Bank	Savings	XXX5049	<u>4,000</u>
Total Cash				<u><u>\$ 4,142</u></u>

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA**
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001
SCHEDULE OF TENANT SECURITY DEPOSITS HELD IN TRUST
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Security Deposits Held in Trust

Beginning Balance		\$ 3,815
Deposits:		
Tenant Security Deposits	\$ 185	
Interest Earned	<u>3</u>	188
Disbursements:		
Tenant Security Deposits	-	
Transfer to General Account	<u>(3)</u>	<u>(3)</u>
Security Deposits Held in Trust		* <u><u>\$ 4,000</u></u>

* Cash in Bank

Security Deposits' Liability (Contra)

Beginning Balance		\$ 3,815
Deposits Received		185
Deposits Returned		<u>-</u>
Ending Balance Current Year		<u><u>\$ 4,000</u></u>

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA**
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001
SCHEDULE OF CHANGES IN FIXED ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	Balance 9/30/14	Additions	Deductions	Balance 9/30/15
Land	\$ 82,500	\$ -	\$ -	\$ 82,500
Buildings	948,479	-	-	948,479
Building Equipment - Fixed	41,960	3,211	-	45,171
	<u>\$ 1,072,939</u>	<u>\$ 3,211</u>	<u>\$ -</u>	<u>\$ 1,076,150</u>

	Balance 9/30/13	Additions	Deductions	Balance 9/30/14
Land	\$ 82,500	\$ -	\$ -	\$ 82,500
Buildings	948,479	-	-	948,479
Building Equipment - Fixed	41,960	-	-	41,960
	<u>\$ 1,072,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,072,939</u>

Accumulated Depreciation

	Balance 9/30/14	Additions	Deductions	Balance 9/30/15
Buildings	\$ 456,207	\$ 25,811	\$ -	\$ 482,018
Building Equipment - Fixed	41,960	214	-	42,174
	<u>\$ 498,167</u>	<u>\$ 26,025</u>	<u>\$ -</u>	<u>\$ 524,192</u>

	Balance 9/30/13	Additions	Deductions	Balance 9/30/14
Buildings	\$ 429,388	\$ 26,819	\$ -	\$ 456,207
Building Equipment - Fixed	41,960	-	-	41,960
	<u>\$ 471,348</u>	<u>\$ 26,819</u>	<u>\$ -</u>	<u>\$ 498,167</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA**
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001
SUPPLEMENTARY SCHEDULES
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

SCHEDULE OF ACCOUNTS RECEIVABLE

	2015	2014
0-30 days: 4 Tenants	\$ 709	\$1,204
	709	1,204
Less Allowance for Doubtful Accounts	-	-
	\$ 709	\$1,204

SCHEDULE OF ACCOUNTS PAYABLE

	2015	2014
6450 - Electricity	\$ 345	\$ 218
6451 - Water	535	576
6452 - Gas	10	-
6515 - Supplies	111	-
6520 - Contracts	1,476	456
6710 - Real Estate Taxes	345	328
	\$ 2,822	\$ 1,578

SCHEDULE OF PAYMENTS IN LIEU OF TAXES

	2015	2014
Dwelling Rental Income	\$ 91,870	\$ 94,900
	x <u>5%</u>	x <u>5%</u>
Current Year Payments in Lieu of Taxes	4,594	4,745
Less Special Assessments	(689)	(656)
	\$ 3,905	\$ 4,089



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
CONTRACTUAL AGREEMENTS**

To the Board of Commissioners
Sioux Falls Housing and Redevelopment Commission
Sioux Falls, South Dakota

In connection with our examination, we found one tenant file was missing income verifications from all sources and current recertification forms. Nothing else came to our attention that caused us to believe that South Sycamore Estates was not in compliance with any terms, covenants, provisions or conditions of any contractual agreements it is a party to. However, it should be noted that our examination was not directed primarily toward obtaining knowledge of such noncompliance.

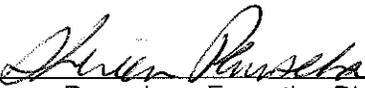
Brady Martz

**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

April 1, 2016

MORTGAGOR'S CERTIFICATION

I hereby certify that I have examined the foregoing financial statements of South Sycamore Estates and, to the best of my knowledge and belief, the same is a true statement of the financial condition as of September 30, 2015.



Shireen Ranschau, Executive Director



Date

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA**
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>Federal Grants</u>	<u>Federal CFDA Number</u>	<u>Program/Grantor Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
<u>Direct Programs</u>			
Shelter Plus Care	14.238	SD0002L8T001407	\$ 80,342
	14.238	SD0002L8T001306	141,999
	14.238	SD0002C8T001000	13,871
	14.238	SD0002C8T001100	27,663
			<u>263,875</u>
Public Housing	14.850	SD01600000114D	25,159
	14.850	SD01600000115D	79,689
			<u>104,848</u>
Public Housing Capital Fund	14.872	SD06P016501-14	33,921
			<u>33,921</u>
<u>Section 8 Project Based Cluster</u>			
Section 8 New Construction and Substantial Rehabilitation	14.182	SD998023003	154,665
			<u>154,665</u>
Lower Income Housing Assistance Program - Section 8 Moderate	14.856	SD016MR0003	102,117
	14.856	SD016MR0004	237,331
	14.856	SD016MR0005	197,384
			536,832
Total Section 8 Project-Based Cluster			<u>691,497</u>
<u>Section 8 Housing Choice Vouchers</u>			
	14.871		9,509,624
			<u>9,509,624</u>
	14.871	SD016AF0100-108	904,553
	14.871	SD016AFHV10	400
	14.871	SD016AFR114-115	37,250
			942,203
	14.871	SD016FSF009	17,734
Total Section 8 Housing Choice Vouchers	14.871		<u>10,469,561</u>
Family Self Sufficiency Program	14.896	SD016FSH614A014	<u>45,649</u>
<u>Pass-through the City of Sioux Falls, SD Department of Community Development</u>			
HOME Investment	14.239	14-4177	117,032
Partnerships Program	14.239	15-4182	30,202
			<u>147,234</u>
<u>Pass-through Montana Department of Public Health and Human Service, Intergovernmental Human Services Bureau</u>			
Housing Opportunities for Persons with AIDS	14.241	13028520140	138,745
	14.241	15028530030	15,462
	14.241	14028520040	136,752
	14.241	16028520040	12,580
			<u>303,539</u>
Total Expenditures of Federal Awards			<u>\$ 12,060,124</u>

See Note to the Schedule of Expenditures of Federal Awards

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA**
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota, a component unit of the City of Sioux Falls, South Dakota as of and for the year ended September 30, 2015, and the related notes to the financial statements and have issued our report thereon dated April 1, 2016. The financial statements of the discretely presented component unit, Affordable Housing Solutions, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

April 1, 2016



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota's compliance with the types of compliance requirements described in the *OMB Circular A-133, Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2015. The Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota's major federal program is 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 each of the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota'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 each major federal program. However, our audit does not provide a legal determination on the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota's compliance.

Basis for Qualified Opinion on Section 8 Housing Choice Vouchers

As described in the accompanying schedule of findings and questioned costs, the Housing and Redevelopment Commission did not comply with eligibility requirements for its Section 8 Housing Choice Vouchers as described as finding number 2015-001. Compliance with such requirements is necessary, in our opinion, for the Housing and Redevelopment Commission to comply with the requirements applicable to that program.

Qualified Opinion on Section 8 Housing Choice Vouchers

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the 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 the Section 8 Housing Choice Vouchers program for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota 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 the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota's internal control over compliance with 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 OMB Circular A-133, 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 the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified one deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a significant deficiency.

The Housing and Redevelopment Commission's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing and Redevelopment Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

April 1, 2016

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified
 Internal control over financial reporting:
 Material weakness(es) identified? yes no
 Significant deficiency(ies) identified that are
 not considered to be material weaknesses? yes none reported

Non-compliance material to financial
 statements noted? yes no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? yes no
 Significant deficiency(ies) identified that are
 not considered to be material weaknesses? yes none reported

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

Any audit findings disclosed that are
 required to be reported in accordance with
 Section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

Section 8 Housing Choice Vouchers 14.871

Dollar threshold used to distinguish
 between Type A and Type B programs: \$361,804

Auditee qualified as low-risk auditee? yes no

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Section II- Financial Statement Findings

There are no findings which are required to be reported under this section.

Section III-Federal Award Findings and Questioned Costs

2015-001 Finding

Federal Program – Section 8 Housing Choice Voucher Program CFDA #14.871 – Eligibility

Criteria

The Commission must follow eligibility requirements set forth by HUD.

Condition

Forty participant files were tested for compliance with Section 8 Housing Choice Voucher Program eligibility requirements. The following discrepancies in eligibility requirements were found:

- Two instances where there was an error in entering income.
- One instance where there was an error in entering child care expenses.
- One instance where child support was not annualized correctly.
- One instance where proper verification of income was not done.
- Two instances where there were no documentation of a lease between the landlord and tenant.

Questioned Costs

Undeterminable

Context

We reviewed a sample of forty participant files, five files were found to have non-compliance issues with eligibility requirements.

Effect

The Commission is not consistently in compliance with eligibility requirements.

Cause

The Commission did not have compensating controls to identify errors in eligibility requirements.

Recommendation

We recommend the Commission review staff training requirements for eligibility and/or have second party reviews done on all tenant files to ensure all eligibility requirements have been properly documented.

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Corrective Action Plan

Corrective Plan: Staff will receive additional training on eligibility requirements.

Explanation of Disagreement: There is essentially no disagreement with the finding.

Official Responsible: The Deputy Director is responsible for carrying out the corrective action plan.

Completion Date: On going.

Monitor Plan: The Executive Director will monitor completion of the corrective action plan.

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

2014-001 Finding

Federal Program – Section 8 Housing Choice Voucher Program CFDA #14.871 – Eligibility

Criteria

The Commission must follow eligibility requirements set forth by HUD to determine that participants are eligible to participate in the program.

Condition

Forty participant files were tested for compliance with Section 8 Housing Choice Voucher Program eligibility requirements. The following discrepancies in eligibility requirements were found:

- One instance where interest rates on CD's were not updated to the current interest rates earned.
- One instance where insurance premiums were reviewed and entered as quarterly payments; however, the premiums listed were annual information.
- One instance where a notification of a loss of job was received and the incorrect income was removed from the calculation.
- One instance where child support was not annualized correctly.
- One instance where proper verification was not done of child support payments.
- One instance where a tenant file was unavailable for review.

Current Year Status

See current year finding 2015-001.

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA**
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2015

2014-002 Finding

Federal Program – Section 8 Housing Choice Voucher Program CFDA #14.871 – Special Tests

Criteria

The Commission must re-inspect units based on a calculation issued by HUD. HUD Regulations require entities with 601-2000 leases to test a sample of 16 plus 1 for each additional 100 leases over 600.

Condition

We noted the Commission used information from a “best practice” web cast that did not follow HUD regulations to select a sample size.

Current Year Status

The Commission used the HUD guidance to select sample sizes and re-inspected the required amount of units as stated by HUD regulations.