

Webster Housing and Redevelopment Commission
Webster, South Dakota
(A component unit of the City of Webster, South Dakota)

Independent Auditor's Report
&
Financial Statements

December 31, 2015 and 2014



PTI CPA Services, LLC

People Trust Integrity

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3

BASIC FINANCIAL STATEMENTS

Statement of Net Position.....	7
Statement of Revenues, Expenses, and Changes in Net Position.....	8
Statement of Cash Flows.....	9
Notes to the Financial Statements.....	10

SUPPLEMENTARY INFORMATION

Financial Data Schedule Required by Department of Housing and Urban Development.....	15
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AUDITOR'S SECTION

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>	17
Schedule of Audit Findings.....	19

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Webster Housing and Redevelopment Commission (or the "Commission"), a component unit of the City of Webster, Day County, South Dakota, as of December 31, 2015 and 2014, 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 audits. We conducted our audits 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 of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission, as of December 31, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I. A., the financial statements present only the Commission and do not purport to, and do not present fairly, the financial position of the City of Webster, South Dakota as of December 31, 2015 and 2014, and the changes in its financial position and, where applicable, cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 Commission's basic financial statements. The accompanying Financial Data Schedules (pages 15 and 16) are presented for purposes of additional analysis, as required by the U.S. Department of Housing and Urban Development, and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2016 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

PTE CPA Services, LLC

Redmond, Washington
August 8, 2016

WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
Webster, South Dakota
Management's Discussion and Analysis
December 31, 2015

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

Our discussion and analysis of the Webster Housing & Redevelopment Commission (herein referred to as "the Housing Authority"), Webster, South Dakota, financial performance provides an overview of the Housing Authority's financial activities for the fiscal year ended December 31, 2015. Please read the MD&A in conjunction with the Housing Authority's financial statements.

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

Financial Highlights

Total assets of the Housing Authority for the year ended December 31, 2015 were \$688,378. Total liabilities were \$239,458. Total assets exceeded total liabilities by \$448,921 (net position).

Unrestricted net position totaled \$107,001. This is the amount of the Authority's reserve.

Total operating and non-operating revenue for the year ended December 31, 2015, was \$282,038 and expenses totaled \$223,732, revenue exceeded expenses by \$58,307.

Overview of the Financial Statements

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

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

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

WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
Webster, South Dakota
Management's Discussion and Analysis
December 31, 2015
(Continued)

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

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

Financial Analysis

The Housing Authority's basic financial statements are the Statement of Net Position and the Statement of Changes in Net Position. The Statement of Net Position provides a summary of the Housing Authority's assets and liabilities as of the close of business on December 31, 2015. The Statement of Changes in Net Position summarizes the revenues and sources of those revenues, and expenses incurred in operating the Housing Authority for the year ended December 31, 2015.

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

City Housing /Townhouses – The authority completed construction and is operating a residential rental facility for moderate income families and individuals (not funded by HUD).

Comparative Statement of Net Position

For the year ended December 31	2015	2014
Current assets and prepaid expense	\$230,967	\$126,314
Capital assets, net	<u>\$457,409</u>	<u>\$515,518</u>
Total Assets	<u>\$688,376</u>	<u>\$641,832</u>
Current liabilities	\$39,690	\$31,736
Non-current liabilities	<u>\$199,768</u>	<u>\$219,482</u>
Total Liabilities	<u>\$239,458</u>	<u>\$251,218</u>
Net Position		
Invested in capital assets, net of related debt	\$247,536	\$296,036
Restricted insurance proceeds	\$94,382	\$0
Unrestricted	<u>\$107,001</u>	<u>\$94,578</u>
Total Net Position	<u>\$448,921</u>	<u>\$390,614</u>
Total Liabilities and Net Position	<u>\$688,376</u>	<u>\$641,832</u>

WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
Webster, South Dakota
Management's Discussion and Analysis
December 31, 2015
(Continued)

Comparative Statement of Revenues, Expenses and Changes in Net Position

For the year ended December 31	2015	2014	Change
Program Revenue			
Tenant revenue	\$129,717	\$123,812	\$5,905
Other income	\$4,363	\$4,960	(\$598)
Insurance proceeds	\$94,382	\$0	(\$94,382)
Federal grants and subsidies	\$53,234	\$81,264	(\$28,030)
Interest income	\$146	\$214	(\$68)
Total revenue	<u>\$282,038</u>	<u>\$210,250</u>	\$71,788
Program Expenses			
Administration	\$52,031	\$51,226	\$805
Tenant services	\$6,468	\$6,783	(\$315)
Utilities	\$41,494	\$45,013	(\$3,519)
Ordinary maintenance & operations	\$35,283	\$39,963	(\$4,680)
Protective services	\$0	\$105	(\$105)
General expenses	\$19,616	\$15,056	\$4,560
Non-routine maintenance	\$0	\$2,963	(\$2,963)
Depreciation	\$58,109	\$64,964	(\$6,855)
Interest expense	\$10,729	\$11,125	(\$396)
Total expenses	<u>\$223,732</u>	<u>\$237,198</u>	(\$13,467)
Change in Net Position	\$58,307	(\$26,949)	\$85,256
Beginning Net Position	<u>\$390,614</u>	<u>\$417,561</u>	(\$26,948)
Ending Net Position	<u>\$448,921</u>	<u>\$390,612</u>	\$58,309

Federal grants totaled \$53,234.

WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
Webster, South Dakota
Management's Discussion and Analysis
December 31, 2015
(Continued)

Capital Assets

Capital Assets at Year-end
(Net of Accumulated Depreciation)

For the year ended December 31	2015	2014	change
Land	\$59,872	\$59,872	\$0
Buildings	\$1,692,066	\$1,692,066	\$0
Furniture, Equipment & Machinery - Admin	\$35,387	\$35,387	\$0
Furniture, Equipment & Machinery - Dwelling	<u>\$5,118</u>	<u>\$5,118</u>	\$0
Subtotal	<u>\$1,792,443</u>	<u>\$1,792,443</u>	\$0
Accumulated Depreciation	(\$1,335,034)	(\$1,276,925)	(\$58,109)
Total Capital assets	<u>\$457,409</u>	<u>\$515,518</u>	(\$58,109)

Long Term Debt

The Housing Authority has long-term debt as follows:

4plex Mortgage \$ 209,872

Economic Factors

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

Contacting the Housing Authority's Financial Management

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Arlo Smith, Contracting Officer, at Webster Housing & Redevelopment Commission, 1101 E 7th Street, Webster, South Dakota 57274 -- (605) 345-3181

BASIC FINANCIAL STATEMENTS

Webster Housing and Redevelopment Commission
(A Component Unit of the City of Webster, South Dakota)
Statement of Net Position
December 31, 2015 and 2014

Project Number: SD040

Annual Contribution Contract Number: DEN-2569

	December 31,	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 214,086	\$ 111,109
Accounts receivable	7,381	6,251
Prepaid insurance	9,502	8,955
Total current assets	230,969	126,315
Noncurrent assets:		
Capital assets not being depreciated:		
Land	59,872	59,872
Capital assets net of accumulated depreciation:		
Buildings	1,692,066	1,692,066
Equipment - dwellings	5,118	5,118
Equipment - administration	35,387	35,387
Accumulated depreciation	(1,335,034)	(1,276,925)
Total noncurrent assets	457,409	515,518
Total assets	688,378	641,833
Liabilities and Net Position		
Liabilities:		
Current liabilities:		
Accounts payable	529	954
Other payables	729	4,838
Accrued payment in lieu of taxes	12,331	9,403
Accrued interest payable	877	917
Tenant security deposits	13,889	9,728
Other current liabilities	1,231	4,566
Prepaid rent	-	1,330
Bond payable - current portion	10,104	9,624
Noncurrent liabilities:		
Bond payable	199,768	209,858
Total liabilities	239,458	251,218
Net Position:		
Net investment in capital assets	247,537	296,036
Restricted insurance proceeds	94,382	-
Unrestricted	107,002	94,578
Total net position	\$ 448,921	\$ 390,614

The notes to the financial statements are an integral part of this statement.

Webster Housing and Redevelopment Commission
(A Component Unit of the City of Webster, South Dakota)
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2015 and 2014

Project Number: SD040

Annual Contribution Contract Number: DEN-2569

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Operating Revenues		
Rental revenue	\$ 129,717	\$ 124,172
Excess utilities	546	90
Other revenue	3,915	4,510
Total operating revenue	<u>134,178</u>	<u>128,772</u>
Operating Expenses		
Administrative	52,072	51,199
Tenant services	6,468	6,783
Utilities	41,494	45,013
Maintenance and operations	35,283	40,095
General expenses	19,576	15,056
Extraordinary maintenance	-	2,963
Depreciation expense	58,109	64,964
Total operating expenses	<u>213,002</u>	<u>226,073</u>
Operating profit (loss)	<u>(78,824)</u>	<u>(97,301)</u>
Nonoperating Revenues (Expenses)		
HUD operating subsidy	53,234	81,264
Interest earned	244	214
Insurance proceeds	94,382	-
Interest expense	(10,729)	(11,125)
Total nonoperating revenues	<u>137,131</u>	<u>70,353</u>
Change in net position	58,307	(26,948)
Net position, beginning of year	<u>390,614</u>	<u>417,562</u>
Net position, end of year	<u>\$ 448,921</u>	<u>\$ 390,614</u>

The notes to the financial statements are an integral part of this statement.

Webster Housing and Redevelopment Commission
(A Component Unit of the City of Webster, South Dakota)
Statement of Cash Flows
For the Years Ended December 31, 2015 and 2014

Project Number: SD040
Annual Contribution Contract Number: DEN-2569

	December 31,	
	2015	2014
Cash Flows From Operating Activities		
Cash received from customers	\$ 133,048	\$ 129,029
Cash paid to suppliers and contractors	(157,550)	(152,847)
Net cash provided (used) by operating activities	(24,502)	(23,818)
Cash Flows From Capital and related Financing Activities		
Bond payments (proceeds)- principal	(9,610)	11,463
Bond payments - interest	(10,769)	(11,075)
Acquisition of capital assets	-	(61,850)
Net cash provided (used) by capital and related financing activities	(20,379)	(61,462)
Cash Flows From Noncapital Financing Activities		
Grant receipts	53,231	81,264
Insurance proceeds	94,382	-
Net cash provided (used) by noncapital financing activities	147,613	81,264
Cash Flows From Investing Activities		
Interest income	244	214
Net cash provided (used) by investing activities	244	214
Net Increase (Decrease) in Cash and Cash Equivalents	102,976	(3,802)
Cash and Cash Equivalents, beginning of year	111,110	114,912
Cash and Cash Equivalents, end of year	\$ 214,086	\$ 111,110
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (78,824)	\$ (97,301)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	58,109	64,964
(Increase) decrease in accounts receivable	(1,130)	257
(Increase) decrease in prepaid items	(547)	(305)
Increase (decrease) in accounts payable	(4,534)	(2,818)
Increase (decrease) in other liabilities	2,423	11,384
Total adjustments	54,321	73,482
Net cash used in operating activities	\$ (24,502)	\$ (23,818)

The notes to the financial statements are an integral part of this statement.

Webster Housing and Redevelopment Commission
(A Component Unit of the City of Webster, South Dakota)
Notes to the Financial Statements
December 31, 2015

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Webster Housing and Redevelopment Commission (or the “Commission”), a component unit of the City of Webster, South Dakota, was established under the authority of SDCL 11-7 to operate 32 low-income public housing units, known as Pleasant View. The City of Webster, South Dakota owns Pleasant View and approves all members of the Commission’s Board. These units are subsidized by the U.S. Department of Housing and Urban Development to provide housing to low income, elderly and disabled persons. The Commission also operates 4 unsubsidized rental housing units, known as the 4-Plex.

The financial statements present only the operations of the Commission and are not intended to present the financial position of the City of Webster taken as a whole.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The activities of the Commission are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission’s principal ongoing operations. The principal operating revenues of the Commission are charges to tenants for rental of a dwelling unit. Operating expenses include the cost of tenant services, maintenance, protective services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The financial statements of the Commission have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental entities. Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the Commission include the accounts of all Commission operations for which the Board of Commissioners had significant oversight responsibility.

The financial statements are presented in a comparative form for the years ended December 31, 2015 and 2014.

C. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Commission considers cash on hand, cash on deposit with financial institutions, and all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

2. Prepaid Items

Payments made to vendors for goods or services that will benefit periods beyond the current fiscal year are recorded as prepaid items. This account primarily consists of prepaid insurance.

3. Accounts Receivable

Accounts receivable include normal business receivables and tenant accounts receivable.

Webster Housing and Redevelopment Commission
(A Component Unit of the City of Webster, South Dakota)
Notes to the Financial Statements
December 31, 2015

4. Capital Assets

Capital assets are stated at cost. Maintenance and repair costs are charged to expense as incurred. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

Assets	Capitalization Threshold	Years
Furniture and equipment	\$1,000	5
Buildings and improvements	N/A	5-40

5. Long-term Liabilities

Long-term liabilities consist of bonds payable. The portion due in the next year is reported as a current liability and the balance is reported as a long-term liability.

6. Net Position Categories

Generally accepted accounting principles for state and local governments require that resources be classified for accounting and reporting purposes into the following three net position categories:

Net investment in Capital Assets – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted – The restricted component of net position consists of restricted assets, other than capital assets. Restricted assets whose use by the Commission is subject to externally imposed stipulations that can be fulfilled by actions of the Commission pursuant to those stipulations or they expire by the passage of time.

Unrestricted – These are assets that are not subject to externally imposed stipulations. Unrestricted assets may be designated for specific purposes by action of management or the Commission Board or may otherwise be limited by contractual agreements with outside parties.

Should any net position assets become subject to an externally imposed stipulation, it is the Commission’s policy to utilize those restricted assets first, within the guidelines of the restriction, and then utilize unrestricted assets.

7. Comparative Data and Reclassifications

Comparative total data for the prior year has been presented in order to provide an understanding of the changes in the financial position and operations of these funds. Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year’s presentation.

II. Stewardship, Compliance and Accountability

1. Income Taxes

The Commission is a quasi-government entity and pays no Federal income tax.

Webster Housing and Redevelopment Commission
(A Component Unit of the City of Webster, South Dakota)
Notes to the Financial Statements
December 31, 2015

2. Use of Estimates

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

3. Budgets

The Commission has no legal requirements for an organization-wide budget. Under internally adopted policies, budgets are adopted based on amounts allocated to specific line items for federal grants and contracts. Certain restrictions may apply to each of these budget line items, but the primary budgetary control is total expenditures by grant or contract. Since a formal annual budget has not been legally adopted, a presentation of budgetary comparison information is not required.

III. Detailed Notes on All Accounts

A. Cash and Cash Equivalents

The Commission had bank deposits at two financial institutions for the years ended December 31, 2015 and 2014. 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% of the public deposit accounts which exceed deposit insurance such as FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of the bank's public debt rating which may not be less than "AA" or better, or a qualified public depository may furnish a corporate surety bond from a corporation authorized to do business in South Dakota.

The following table shows the bank balances and carrying amounts for those respective years:

	December 31, 2015		December 31, 2014	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Bank deposits	\$ 226,267	\$ 214,085	\$ 122,377	\$ 111,109

Custodial Credit Risk – Deposits

Custodial credit risk for bank deposits is the risk that, in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a formal custodial credit risk policy. As of December 31, 2015 and 2014, the Commission's balances were not exposed to custodial credit risk, because they were covered by the Federal Deposit Insurance Corporation (FDIC).

Webster Housing and Redevelopment Commission
(A Component Unit of the City of Webster, South Dakota)
Notes to the Financial Statements
December 31, 2015

B. Capital Assets

A summary of changes in fixed assets for the year ended December 31, 2015 is as follows:

	Balance at 12/31/2014	Additions	Deletions	Balance at 12/31/2015
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 59,872	\$ -	\$ -	\$ 59,872
Total capital assets not being depreciated	<u>59,872</u>	<u>-</u>	<u>-</u>	<u>59,872</u>
<u>Capital Assets Being Depreciated</u>				
Buildings	1,692,066	-	-	1,692,066
Furniture, equipment, and machinery	40,505	-	-	40,505
Total capital assets being depreciated	<u>1,732,571</u>	<u>-</u>	<u>-</u>	<u>1,732,571</u>
Less: Accumulated depreciation	<u>(1,276,925)</u>	<u>(58,109)</u>	<u>-</u>	<u>(1,335,034)</u>
Net capital assets being depreciated	<u>455,646</u>	<u>(58,109)</u>	<u>-</u>	<u>397,537</u>
Net capital assets	<u>\$ 515,518</u>	<u>\$ (58,109)</u>	<u>\$ -</u>	<u>\$ 457,409</u>

Depreciation expense for the year ended December 31, 2015 was \$58,109.

A summary of changes in fixed assets for the year ended December 31, 2014 is as follows:

	Balance at 12/31/2013	Additions	Deletions	Balance at 12/31/2014
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 59,872	\$ -	\$ -	\$ 59,872
Total capital assets not being depreciated	<u>59,872</u>	<u>-</u>	<u>-</u>	<u>59,872</u>
<u>Capital Assets Being Depreciated</u>				
Buildings	1,631,302	60,764	-	1,692,066
Furniture, equipment, and machinery	39,419	1,086	-	40,505
Total capital assets being depreciated	<u>1,670,721</u>	<u>61,850</u>	<u>-</u>	<u>1,732,571</u>
Less: Accumulated depreciation	<u>(1,211,960)</u>	<u>(64,965)</u>	<u>-</u>	<u>(1,276,925)</u>
Net capital assets being depreciated	<u>458,761</u>	<u>(3,115)</u>	<u>-</u>	<u>455,646</u>
Net capital assets	<u>\$ 518,632</u>	<u>\$ (3,115)</u>	<u>\$ -</u>	<u>\$ 515,518</u>

Depreciation expense for the year ended December 31, 2014 was \$64,965.

C. Long-term Liabilities

In 2001, the Commission was issued an Essential Function Housing Development Revenue Bond in the amount of \$280,000. In 2014, the bond was increased by \$20,272. The bond is payable in monthly installments of \$1,698 with an interest rate of 5% that is subject to adjustment every 5 years. The bond is callable as provided by SDLC 6-8B-23 and is secured by the real and personal property of the 4-plex housing unit built with this bond.

The following table shows the changes in long-term liabilities for the year ended December 31, 2015:

	Balance at 1/1/2015	Additions	Retirements	Balance at 12/31/2015	Due in one year
Bond payable	\$ <u>219,482</u>	\$ <u>-</u>	\$ <u>(9,611)</u>	\$ <u>209,872</u>	\$ <u>10,104</u>

Webster Housing and Redevelopment Commission
(A Component Unit of the City of Webster, South Dakota)
Notes to the Financial Statements
December 31, 2015

The following table shows the changes in long-term liabilities for the year ended December 31, 2014:

	<u>Balance at</u> <u>1/1/2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>12/31/2014</u>	<u>Due in</u> <u>one year</u>
Bond payable	\$ <u>208,021</u>	\$ <u>20,272</u>	\$ <u>(8,816)</u>	\$ <u>219,482</u>	\$ <u>9,624</u>

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

<u>Year ending</u> <u>December 31,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2016	\$ 10,276	\$ 10,104	\$ 20,379
2017	9,745	10,634	20,379
2018	9,201	11,178	20,379
2019	8,629	11,750	20,379
2020	8,028	12,351	20,379
2021 to 2025	29,959	71,785	101,744
2026 to 2030	9,741	82,069	91,810
Total	\$ <u>85,580</u>	\$ <u>209,872</u>	\$ <u>295,452</u>

IV. Other Information

A. 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; and injuries to employees. The Commission carries commercial insurance and is currently insured for these risks.

B. Contingent Liabilities

The Commission receives financial assistance from an U.S. Federal Government Agency in the form of grants and contracts. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements or contracts and are subject to audit. Certain expenditures incurred by the Commission in connection with federal grants may be questioned and subject to possible disallowance by federal grantor agencies. The amount of any additional questioned costs that might have to be reimbursed to the grantors cannot be determined presently and no provision for any liability that might result has been made in the basic financial statements, as management believes that such amounts, if any, are not material to the basic financial statements.

C. Economic Dependence

The Commission receives a significant amount of its revenue from an U.S. Federal Government Agency. The U.S. Congress has control over the Secretarial Departmental Budgets. If the amount of revenues received from the U.S. Government falls below critical levels, the Commission's reserves would be adversely affected and jeopardize many of the services currently being provided.

SUPPLEMENTARY INFORMATION

Webster Housing and Redevelopment Commission
(A Component Unit of the City of Webster, South Dakota)
December 31, 2015

Project Number: SD040
Annual Contribution Contract Number: DEN-2569

Financial Data Schedule (FDS)
For the One Year Ending December 31, 2015
Required by the Department of Housing and Urban Development (HUD)

	Per audited schedule on page 7 12/31/2015	Reclass	Low Rent Public Housing CFDA# 14.850 12/31/2015	4-Plex Program 12/31/2015
ASSETS				
Current assets:				
111.0 Cash - unrestricted	\$ 200,196	\$ -	\$ 171,125	\$ 29,071
114.0 Cash - teant security deposit	13,889	-	10,429	3,460
125.0 Accts Rec - miscellaneous	7,282	-	7,216	66
129.0 Accrued interest receivables	98	-	98	-
142.0 Prepaid expenses and other assets	9,502	-	8,117	1,385
150.0 Total current assets	<u>230,967</u>	<u>-</u>	<u>196,985</u>	<u>33,982</u>
Noncurrent assets:				
161.0 Land	59,872	-	32,000	27,872
162.0 Buildings	1,692,066	-	1,435,397	256,669
163.0 Furniture, equipment - dwellings	5,118	-	5,118	-
164.0 Furniture, equipment - administration	35,387	-	35,387	-
166.0 Accumulated depreciation	(1,335,034)	-	(1,201,457)	(133,577)
160.0 Total non-current assets	<u>457,409</u>	<u>-</u>	<u>306,445</u>	<u>150,964</u>
190.0 Total assets	<u>\$ 688,376</u>	<u>\$ -</u>	<u>\$ 503,430</u>	<u>\$ 184,946</u>
LIABILITIES				
Current liabilities:				
312.0 Accounts payable	\$ 529	\$ -	\$ 505	\$ 24
321.0 Accrued payroll payable	729	-	729	-
325.0 Accrued interest payable	877	-	-	877
333.0 Accounts payable-other government	8,776	-	5,591	3,185
341.0 Tenant security deposits	13,889	-	10,429	3,460
343.0 Long-term debt, current	10,104	-	-	10,104
345.0 Other current liabilities	1,231	-	1,231	-
346.0 Accrued liability-other	3,554	-	3,554	-
310.0 Total current liabilities	<u>39,689</u>	<u>-</u>	<u>22,039</u>	<u>17,650</u>
Noncurrent liabilities:				
353.0 Other non-current liabilities	199,768	-	-	199,768
300.0 Total liabilities	<u>239,457</u>	<u>-</u>	<u>22,039</u>	<u>217,418</u>
NET POSITION				
508.1 Net investment in capital assets	247,537	-	306,444	(58,908)
511.4 Restricted Insurance proceeds	94,382	-	94,382	-
512.1 Unrestricted net position	107,001	-	80,565	26,436
513.0 Total net position	<u>448,920</u>	<u>-</u>	<u>481,391</u>	<u>(32,472)</u>
Total liabilities and net position	<u>\$ 688,377</u>	<u>\$ -</u>	<u>\$ 503,430</u>	<u>\$ 184,946</u>

The notes to the financial statements are an integral part of this statement.

Webster Housing and Redevelopment Commission
(A Component Unit of the City of Webster, South Dakota)
December 31, 2015

Project Number: SD040
Annual Contribution Contract Number: DEN-2569

Financial Data Schedule (FDS) (Continued)
For the One Year Ending December 31, 2015
Required by the Department of Housing and Urban Development (HUD)

Line Item#	Per audited schedule on page 8 12/31/2015	Reclass	Low Rent Public Housing CFDA# 14.850 12/31/2015	4-Plex Program 12/31/2015	
Operating Revenues					
70300.0	Tenant rental revenue	\$ 129,717	\$ -	\$ 96,837	\$ 32,880
70400.0	Tenant revenue - other	546	-	86	460
70600.0	HUD PHA operating grants	-	(53,234)	53,234	-
71100.0	Investment income - unrestricted	-	(242)	209	33
	Insurance proceeds	-	(94,382)	94,382	-
71500.0	Other revenue	3,916	-	3,916	-
	Total revenue	<u>134,179</u>	<u>(147,858)</u>	<u>248,664</u>	<u>33,373</u>
Operating Expenses					
Expenses - administrative:					
91200.0	Auditing fee	3,500	-	3,500	-
91300.0	Management fee	39,849	-	37,765	2,084
91600.0	Office expenses	8,723	-	7,911	812
Expenses - tenant services:					
92100.0	Salaries	3,651	-	3,651	-
92300.0	Employee benefit contribution	308	-	308	-
92400.0	Other	2,509	-	2,509	-
Expenses - utilities:					
93100.0	Water	5,204	-	4,687	517
93200.0	Electricity	22,960	-	22,908	52
93600.0	Sewer	13,330	-	13,330	-
Expenses - maint and operation:					
94100.0	Labor	16,453	-	16,453	-
94200.0	Ordinary Maintenance and Operations-Materials and Other	6,356	-	6,185	171
94300.0	Operation contracts	11,189	-	7,687	3,502
94500.0	Employee benefit contribution	1,286	-	1,286	-
Expenses - general:					
96110.0	Insurance premiums - property	7,057	-	7,057	-
96120.0	Insurance premiums -liability	1,104	-	1,104	-
96130.0	Workmen's Compensation	279	-	279	-
96200.0	Other general expenses	2,051	-	-	2,051
96720.0	Interest on Notes Payable(Short and Long Term)	-	(10,729)	-	10,729
96300.0	Payment in lieu of taxes	8,776	-	5,591	3,185
96400.0	Bad debt-Tenant Rents	309	-	309	-
97400.0	Depreciation	58,109	-	47,358	10,751
	Total expenses	<u>213,003</u>	<u>(10,729)</u>	<u>189,878</u>	<u>33,854</u>
Nonoperating Revenues (Expenses):					
70600.0	HUD housing asst pymts (HAP)	53,234	53,234	-	-
71100.0	Investment income - unrestricted	244	244	-	-
71500.0	Insurance proceeds	94,382	94,382	-	-
96720.0	Interest expense	(10,729)	(10,729)	-	-
10100.0	Total Nonoperating Revenues (Expenses):	<u>137,131</u>	<u>137,131</u>	<u>-</u>	<u>-</u>
10000.0	Change in net position	58,307	-	58,786	(481)
Net Position					
11030.0	Beginning	390,614	-	422,605	(31,991)
	Ending	<u>\$ 448,921</u>	<u>\$ -</u>	<u>\$ 481,391</u>	<u>\$ (32,472)</u>

The notes to the financial statements are an integral part of this statement.

AUDITOR'S SECTION



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

Board of Commissioners
Webster Housing and Redevelopment Commission
Webster, 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 Webster Housing and Redevelopment Commission (or the "Commission"), a component unit of the City of Webster, South Dakota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated August 8, 2016.

Internal Control over Financial Reporting

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

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 Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose 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.

PTI CPA Services, LLC

Redmond, Washington
August 8, 2016

Webster Housing and Redevelopment Commission
(A Component Unit of the City of Webster, South Dakota)
Schedule of Audit Findings
For the Year Ended December 31, 2015

Schedule of prior audit findings

There are no prior written audit findings to report.

Schedule of current audit findings

There are no current written audit findings to report.