

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2016

WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
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YEAR ENDED DECEMBER 31, 2016

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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 (the Commission), a component unit of the City of Webster, South Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Webster Housing and Redevelopment Commission, a component unit of the City of Webster, South Dakota, as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2017 on our consideration of the Webster Housing and Redevelopment Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Webster Housing and Redevelopment Commission's internal control over financial reporting and compliance.



Johnson, Mattson, Smail & Cavanaugh, PLLC
St. Louis Park, Minnesota
August 21, 2017

**WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

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

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

FINANCIAL HIGHLIGHTS

- The Authority's net position increased by \$52,167 (or 11.6%) during 2016. Since the Commission engages only in business-type activities, the increase is all in the category of business-type net position. Net position was \$501,086 and \$448,919 for 2016 and 2015, respectively.
- The operating revenue increased by \$20,780 (or 7.4%) during 2016 and was \$302,575 and \$281,795 for 2016 and 2015, respectively.
- The total operating expenses of all Authority programs increased by \$4,537 (or 2.1%). Total operating expenses were \$217,540 and \$213,003 for 2016 and 2015, respectively.
- The net nonoperating revenues (expenses) decreased by \$71,142 during 2016 and was \$(81,629) and \$(10,487) for 2016 and 2015, respectively.

**WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

**WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

BASIC FINANCIAL STATEMENTS

Statement of Net Position

The following table reflects the condensed Statement of Net Position as of December 31, 2016 and 2015.

**TABLE 1
STATEMENT OF NET POSITION**

	2016	2015	Dollar Change	Percent Change
Current and Other Assets	\$ 244,599	\$ 230,967	\$ 13,632	5.9%
Capital Assets	484,723	457,409	27,314	6.0%
Total Assets	<u>729,322</u>	<u>688,376</u>	<u>40,946</u>	5.9%
Current Liabilities	39,857	39,689	168	0.4%
Noncurrent Liabilities	188,379	199,768	(11,389)	-5.7%
Total Liabilities	<u>228,236</u>	<u>239,457</u>	<u>(11,221)</u>	-4.7%
Net Position				
Net Investment in Capital Assets	284,811	247,536	37,275	15.1%
Restricted	92,552	94,382	(1,830)	-1.9%
Unrestricted	123,723	107,001	16,722	15.6%
Total Net Position	<u>\$ 501,086</u>	<u>\$ 448,919</u>	<u>\$ 52,167</u>	11.6%

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

Major Factors Affecting the Statement of Net Position

- Current and other assets increased by \$13,632, current liabilities increased by \$168.
- There are sufficient current assets (primarily cash and investments) to extinguish the current liabilities.

**WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

Statement of Revenues, Expenses and Changes in Net Position

The following table reflects the condensed Statement of Changes in Net Position for the year ended December 31, 2016 and 2015.

**TABLE 2
CHANGES IN NET POSITION**

	2016	2015	Dollar Change	Percent Change
Revenues				
Tenant Revenue	\$ 127,613	\$ 130,263	\$ (2,650)	-2.0%
Operating Grants	53,197	53,234	(37)	-0.1%
Other Revenue	121,765	98,298	23,467	23.9%
Total Operating Revenue	<u>302,575</u>	<u>281,795</u>	<u>20,780</u>	7.4%
Operating Expenses				
Administration	52,646	52,072	574	1.1%
Tenant Services	7,115	6,468	647	10.0%
Utilities	43,655	41,494	2,161	5.2%
Ordinary Maintenance	35,312	35,284	28	0.1%
General Expense	18,058	19,576	(1,518)	-7.8%
Depreciation	60,754	58,109	2,645	4.6%
Total Operating Expenses	<u>217,540</u>	<u>213,003</u>	<u>4,537</u>	2.1%
Operating Income (Loss)	<u>85,035</u>	<u>68,792</u>	<u>16,243</u>	23.6%
Nonoperating Revenue (Expenses)				
Interest Income	426	242	184	
Interest Expense	(6,885)	(10,729)	3,844	
Casualty Losses - Non Capitalized	(75,170)	-	(75,170)	
Net Nonoperating Revenues (Expenses)	<u>(81,629)</u>	<u>(10,487)</u>	<u>(71,142)</u>	
Capital Contributions	54,960	-	54,960	
Change In Net Position	58,366	58,305	61	
Net Position - Beginning	448,919	390,614	58,305	
Prior Period Adjustment	(6,199)	-	(6,199)	
Net Position-Ending	<u>\$ 501,086</u>	<u>\$ 448,919</u>	<u>\$ 52,167</u>	11.6%

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

- Other revenue increased due to insurance proceeds.
- Utilities expense increased primarily in the are of water and sewer expenditures.

**WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end the Commission had \$484,723 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation) of \$27,314 from the end of last year. This increase is due to the capital expenditures on the buildings.

**TABLE 3
CAPITAL ASSETS AT YEAR END**

	2016	2015
Nondepreciable Assets		
Land	\$ 59,872	\$ 59,872
Depreciable Assets		
Buildings	1,780,134	1,692,066
Furniture, Equipment and Machinery	40,505	40,505
Accumulated Depreciation, Net	(1,395,788)	(1,335,034)
Net Capital Assets	\$ 484,723	\$ 457,409

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

**TABLE 4
CHANGE IN CAPITAL ASSETS**

Balance on 12/31/2015	\$ 457,409
Increases	88,068
Decreases	-
Accumulated Depreciation, Net	(60,754)
Balance on 12/31/2016	\$ 484,723

**WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016**

Debt Outstanding

As of year-end the Commission had \$198,585 in debt (bonds, notes, etc.) outstanding.

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

	<u>2016</u>	<u>2015</u>
Revenue Bond Payable	\$ 198,585	\$ 209,872
Total	<u>\$ 198,585</u>	<u>\$ 209,872</u>

ECONOMIC FACTORS

Significant economic factors affecting the Commission areas as follows:

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

FINANCIAL CONTACT

This financial report is designed to provide a general overview of the Commission's finances and to demonstrate the Commission's accountability. If you have any questions regarding this report or need additional information, please contact the Webster Housing and Redevelopment Commission's Contracting Manager, Arlo Smith at 1101 East 7th Street, Webster, South Dakota 57274 or call (605) 229-0180 or by e-mail at arlo@ramentinc.com.

WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2016

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 136,471
Cash and Cash Equivalents - Restricted	12,664
Accounts Receivable - Tenants, Net	367
Accounts Receivable - Other, Net	632
Investments - Restricted	92,552
Prepaid Expenses and Other Assets	1,913
Total Current Assets	<u>244,599</u>

Noncurrent Assets

Capital Assets

Land	59,872
Building	1,780,134
Furniture, Equipment & Machinery	40,505
Accumulated Depreciation	<u>(1,395,788)</u>
Total Capital Assets, Net	<u>484,723</u>
Total Assets	<u>729,322</u>

LIABILITIES

Current Liabilities

Accounts Payable	3,274
Accrued Payroll Liabilities	865
Accounts Payable - Other Government	6,786
Tenant Security Deposits	12,664
Unearned Revenue	282
Long-term Debt - Current Portion	12,806
Other Liabilities	3,180
Total Current Liabilities	<u>39,857</u>

Noncurrent Liabilities

Long-term Debt, Net of Current	185,779
Other Noncurrent Liabilities	<u>2,600</u>
Total Noncurrent Liabilities	<u>188,379</u>
Total Liabilities	<u>228,236</u>

NET POSITION

Net Investment in Capital Assets	284,811
Restricted	92,552
Unrestricted	<u>123,723</u>
Total Net Position	<u>\$ 501,086</u>

WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2016

OPERATING REVENUES	
Net Tenant Rental Revenue	\$ 126,582
Tenant Revenue - Other	1,031
Total Tenant Revenue	<u>127,613</u>
HUD PHA Operating Grants	53,197
Other Revenue	121,765
Total Operating Revenues	<u>302,575</u>
OPERATING EXPENSES	
Administrative	52,646
Tenant Services	7,115
Utilities	43,655
Ordinary Maintenance and Operations	35,312
Insurance Premiums	8,860
General Expenses	9,198
Depreciation Expense	60,754
Total Operating Expenses	<u>217,540</u>
OPERATING INCOME (LOSS)	<u>85,035</u>
NONOPERATING REVENUES (EXPENSES)	
Investment Income - Unrestricted	60
Investment Income - Restricted	366
Interest Expense	(6,885)
Casualty Losses - Non-capitalized	(75,170)
Total Nonoperating Revenues (Expenses)	<u>(81,629)</u>
INCOME (LOSS) BEFORE CAPITAL GRANTS	3,406
Capital Grants	<u>54,960</u>
CHANGE IN NET POSITON	58,366
Net Position - Beginning of Year	448,919
Prior Period Adjustments	<u>(6,199)</u>
NET POSITION - END OF YEAR	<u><u>\$ 501,086</u></u>

WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Rent	\$ 128,262
Operating Subsidies - HUD	53,197
Cash Received from Other Sources	127,811
Cash Paid to Other Suppliers of Goods or Services	(133,773)
Cash Payments to Employees for Services	(21,225)
Net Cash Provided (Used) by Operating Activities	<u>154,272</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Casualty Losses - Noncapitalized	<u>(75,170)</u>
Net Cash Provided (Used) By Noncapital And Related Financing Activities	(75,170)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants Received	54,960
Acquisition of Capital Assets	(88,068)
Interest and Fiscal Charges Paid	(7,401)
Repayment of Long -Term Debt	(11,287)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(51,796)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>296</u>
Net Cash Provided by Investing Activities	296
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash and Cash Equivalents - Beginning of Year	<u>214,085</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 241,687</u></u>
 RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION	
Cash and Cash Equivalents	\$ 136,471
Restricted Assets - Cash and Investments	<u>105,216</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 241,687</u></u>

**WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016**

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

Operating Income (Loss)	\$ 85,035
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	60,754
Prior Period Adjustment to PILOT	(6,101)
(Increase) Decrease in Assets:	
Accounts Receivable	6,413
Prepayments	7,589
Increase (Decrease) in Liabilities:	
Accounts Payable	2,745
Accrued Payroll Liabilities	136
Due to other Governmental Units	(1,990)
Unearned Revenue	282
Tenants Security Deposits	(1,225)
Accrued Expenses	634
Net Cash Provided (Used) by Operating Activities	<u>\$ 154,272</u>

**WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

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

Financial Reporting Entity

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

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

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

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

Basis of Presentation

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

Fund Financial Statements

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

WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (cont.)

Low Rent Public Housing

This fund accounts for the rental and other income, operating subsidies and the expenses related to the operation and maintenance of low income housing units owned by the Commission.

Capital Fund Program

This fund records the receipt of Capital Funding Grants from HUD and the subsequent expenditure of those funds.

Business Expenses

This fund accounts for the rental and other income, and the expenses related to the operation and maintenance of 4 unsubsidized rental housing units known as the 4-Plex.

Measurement Focus/Basis of Accounting

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

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

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

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

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

Budget Information

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

**WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, and Net Position Accounts

1. Assets

Cash and Cash Equivalents

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

Investments

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

Receivables

Accounts receivable have been adjusted for all known uncollectible accounts.

Prepaid Items

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

Restricted Assets

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

Transactions Between Funds

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

Capital Assets

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

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

Buildings	5 - 40 years
Furniture, Equipment and Machinery	5 years

2. Liabilities

All liabilities are recorded as incurred in the appropriate fund.

**WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Unearned Revenue

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

4. Compensated Absences

The Commission has no compensated absences as it is staffed by part-time employees and contracted labor through a management company.

5. Net Position

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

6. Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand and time deposits	\$ 149,135	\$ 157,623
Investments (Certificates of Deposit)	92,552	92,552
Total Cash and Investments	<u>\$ 241,687</u>	<u>\$ 250,175</u>
Reconciliation to financial statements		
Per statement of net position		
Unrestricted cash and investments	\$ 136,471	
Restricted cash and investments	105,216	
Total Cash and Investments	<u>\$ 241,687</u>	

**WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Deposits

The Commission's cash 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.

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the Commission's deposits may not be returned to the Commission. As of December 31, 2016, the Commission's deposits were not exposed to custodial credit risk.

Investments

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

As of and during the year ended December 31, 2016, the Commission did not own any investments that required disclosure regarding interest rate risk, credit risk, custodial credit risk, or concentration of credit risk.

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

Investment Type	12/31/2016	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investment at Fair Value:				
Certificate of Deposits	\$ 92,552	\$ 92,552	\$ -	\$ -

NOTE 3 - RESTRICTED ASSETS

Tenant Security Deposits

The Authority holds security deposits from tenants. Security deposits were \$12,664 at year end.

WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
<u>Capital Assets Not Being Depreciated</u>				
Land and Improvements	\$ 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	88,068	-	1,780,134
Equipment and Other	40,505	-	-	40,505
Total Capital Assets Being Depreciated	<u>1,732,571</u>	<u>88,068</u>	<u>-</u>	<u>1,820,639</u>
Accumulated Depreciation	<u>(1,335,034)</u>	<u>(60,754)</u>	<u>-</u>	<u>(1,395,788)</u>
Total Capital Assets Being Depreciated, Net	<u>397,537</u>	<u>27,314</u>	<u>-</u>	<u>424,851</u>
Total Capital Assets, Net	<u>\$ 457,409</u>	<u>\$ 27,314</u>	<u>\$ -</u>	<u>\$ 484,723</u>

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

Low Rent Public Housing	\$ 50,441
Business Activities	10,313
Total Depreciation Expense	<u>\$ 60,754</u>

NOTE 5 - LIABILITIES

Liabilities at year end consisted of the following:

	<u>2016</u>
<u>Current Liabilities</u>	
Accounts Payable <= 90 Days	\$ 3,274
Accrued Wage / Payroll Tax Payable	865
Accrued Interest Payable	361
Accounts Payable - Other Government	6,786
Tenant Security Deposits	12,664
Unearned Revenue	282
Current Portion of Long-term Debt - Capital	12,806
Accrued Liabilities - Other	2,819
Total Current Liabilities	<u>39,857</u>
<u>Noncurrent Liabilities</u>	
Long-term Debt, Net of Current - Capital	185,779
Noncurrent Liabilities - Other	2,600
Total Noncurrent Liabilities	<u>188,379</u>
Total Liabilities	<u>\$ 228,236</u>

**WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 6 - LONG-TERM OBLIGATIONS

Note Payable

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.

<u>Description</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bond Payable	\$ 209,872	\$ -	\$ (11,287)	\$ 198,585	\$ 12,806

Approximate principal payments on the note payable over the next five years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 12,806	\$ 4,190	\$ 16,996
2018	13,164	3,832	16,996
2019	28,320	3,177	31,497
2020	12,547	2,609	15,156
2021	12,785	2,371	15,156
Thereafter	118,963	9,865	128,828
Total	<u>\$ 198,585</u>	<u>\$ 26,045</u>	<u>\$ 224,630</u>

NOTE 7 - TRANSFERS, PRIOR PERIOD ADJUSTMENTS AND NET POSITION

Equity Transfers

Equity Transfers In	\$ 54,960	Low Rent Public Housing
Equity Transfers Out	(54,960)	Capital Fund Program

Prior Period Adjustments

Adjustment to correct 2015 year end interest.	\$ (98)	Low Rent Public Housing
Adjustment to correct 2015 PILOT payments for the 4-plex.	(6,101)	Business Activities

Net Position

Fund net position balances are classified as follows:

Net Investment in Capital Assets	\$ 284,811
Restricted	92,552
Unrestricted	123,723
Total Net Position	<u>\$ 501,086</u>

WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 8 - RISK MANAGEMENT

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

NOTE 9 - CONTINGENCIES

Under the terms of Federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the Commission expects such amounts, if any, to be immaterial.

NOTE 10 - ECONOMIC DEPENDENCY

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

WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
COMBINING STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2016

	Low Rent Public Housing	Capital Fund Program	Business Activities	ELIM	Total
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 88,778	\$ -	\$ 47,693	\$ -	\$ 136,471
Cash and Cash Equivalents - Restricted	9,904	-	2,760	-	12,664
Accounts Receivable - Tenants, Net	367	-	-	-	367
Accounts Receivable - Other, Net	573	-	59	-	632
Investments - Restricted	92,552	-	-	-	92,552
Prepaid Expenses and Other Assets	500	-	1,413	-	1,913
Inter Program Due From	6,101	-	-	(6,101)	-
Total Current Assets	<u>198,775</u>	<u>-</u>	<u>51,925</u>	<u>(6,101)</u>	<u>244,599</u>
Noncurrent Assets					
Capital Assets					
Land	32,000	-	27,872	-	59,872
Building	1,523,465	-	256,669	-	1,780,134
Furniture, Equipment & Machinery	40,505	-	-	-	40,505
Accumulated Depreciation	(1,251,898)	-	(143,890)	-	(1,395,788)
Total Capital Assets, Net	<u>344,072</u>	<u>-</u>	<u>140,651</u>	<u>-</u>	<u>484,723</u>
Total Assets	<u>542,847</u>	<u>-</u>	<u>192,576</u>	<u>(6,101)</u>	<u>729,322</u>
LIABILITIES					
Current Liabilities					
Accounts Payable	3,274	-	-	-	3,274
Accrued Payroll Liabilities	865	-	-	-	865
Accounts Payable - Other Government	5,142	-	1,644	-	6,786
Tenant Security Deposits	9,904	-	2,760	-	12,664
Unearned Revenue	282	-	-	-	282
Long-term Debt - Current Portion	-	-	12,806	-	12,806
Inter Program - Due To	-	-	6,101	(6,101)	-
Other Liabilities	2,819	-	361	-	3,180
Total Current Liabilities	<u>22,286</u>	<u>-</u>	<u>23,672</u>	<u>(6,101)</u>	<u>39,857</u>
Noncurrent Liabilities					
Long-term Debt, Net of Current	-	-	185,779	-	185,779
Other Noncurrent Liabilities	1,269	-	1,331	-	2,600
Total Noncurrent Liabilities	<u>1,269</u>	<u>-</u>	<u>187,110</u>	<u>-</u>	<u>188,379</u>
Total Liabilities	<u>23,555</u>	<u>-</u>	<u>210,782</u>	<u>(6,101)</u>	<u>228,236</u>
NET POSITION					
Net Investment in Capital Assets	344,072	-	(59,261)	-	284,811
Restricted	92,552	-	-	-	92,552
Unrestricted	82,668	-	41,055	-	123,723
Total Net Position	<u>\$ 519,292</u>	<u>\$ -</u>	<u>\$ (18,206)</u>	<u>\$ -</u>	<u>\$ 501,086</u>

WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2016

	Low Rent Public Housing	Capital Fund Program	Business Activities	ELIM	Total
OPERATING REVENUES					
Net Tenant Rental Revenue	\$ 93,702	\$ -	\$ 32,880	\$ -	\$ 126,582
Tenant Revenue - Other	162	-	869	-	1,031
Total Tenant Revenue	<u>93,864</u>	<u>-</u>	<u>33,749</u>	<u>-</u>	<u>127,613</u>
HUD PHA Operating Grants	53,197	-	-	-	53,197
Other Revenue	79,866	-	41,899	-	121,765
Total Operating Revenues	<u>226,927</u>	<u>-</u>	<u>75,648</u>	<u>-</u>	<u>302,575</u>
OPERATING EXPENSES					
Administrative	49,699	-	2,947	-	52,646
Tenant Services	7,115	-	-	-	7,115
Utilities	42,279	-	1,376	-	43,655
Ordinary Maintenance and Operations	31,864	-	3,448	-	35,312
Insurance Premiums	8,860	-	-	-	8,860
General Expenses	5,462	-	3,736	-	9,198
Depreciation Expense	50,441	-	10,313	-	60,754
Total Operating Expenses	<u>195,720</u>	<u>-</u>	<u>21,820</u>	<u>-</u>	<u>217,540</u>
OPERATING INCOME (LOSS)	<u>31,207</u>	<u>-</u>	<u>53,828</u>	<u>-</u>	<u>85,035</u>
NONOPERATING REVENUES (EXPENSES)					
Investment Income - Unrestricted	15	-	45	-	60
Investment Income - Restricted	366	-	-	-	366
Interest Expense	-	-	(6,885)	-	(6,885)
Casualty Losses - Non-capitalized	(48,549)	-	(26,621)	-	(75,170)
Total Nonoperating Revenues (Expenses)	<u>(48,168)</u>	<u>-</u>	<u>(33,461)</u>	<u>-</u>	<u>(81,629)</u>
Income (Loss) before Capital Grants and Transfers	<u>(16,961)</u>	<u>-</u>	<u>20,367</u>	<u>-</u>	<u>3,406</u>
Capital Grants	-	54,960	-	-	54,960
Transfers	54,960	(54,960)	-	-	-
CHANGE IN NET POSITITON	<u>37,999</u>	<u>-</u>	<u>20,367</u>	<u>-</u>	<u>58,366</u>
Net Position - Beginning of Year	<u>481,391</u>	<u>-</u>	<u>(32,472)</u>	<u>-</u>	<u>448,919</u>
Prior Period Adjustments	<u>(98)</u>	<u>-</u>	<u>(6,101)</u>	<u>-</u>	<u>(6,199)</u>
NET POSITION - END OF YEAR	<u>\$ 519,292</u>	<u>\$ -</u>	<u>\$ (18,206)</u>	<u>\$ -</u>	<u>\$ 501,086</u>

WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

	Low Rent Public Housing	Capital Fund Program	Business Activities	ELIM	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Rent	\$ 94,513	\$ -	\$ 33,749	\$ -	\$ 128,262
Operating Subsidies - HUD	53,197	-	-	-	53,197
Cash Received from Other Sources	85,905	-	41,906	-	127,811
Cash Paid to Other Suppliers of Goods or Services	(115,858)	-	(17,915)	-	(133,773)
Cash Payments to Employees for Services	(20,570)	-	(655)	-	(21,225)
Net Cash Provided (Used) by Operating Activities	97,187	-	57,085	-	154,272
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Decrease (Increase) in Due From Other Funds	(6,101)	-	-	6,101	-
(Decrease) Increase in Due To Other Funds	-	-	6,101	(6,101)	-
Casualty Losses - Noncapitalized	(48,549)	-	(26,621)	-	(75,170)
Net Cash Provided (Used) By Noncapital And Related Financing Activities	(54,650)	-	(20,520)	-	(75,170)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital Grants Received	-	54,960	-	-	54,960
Acquisition of Capital Assets	(33,108)	(54,960)	-	-	(88,068)
Interest and Fiscal Charges Paid	-	-	(7,401)	-	(7,401)
Repayment of Long -Term Debt	-	-	(11,287)	-	(11,287)
Net Cash Provided (Used) by Capital and Related Financing Activities	(33,108)	-	(18,688)	-	(51,796)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received	251	-	45	-	296
Net Cash Provided by Investing Activities	251	-	45	-	296
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
Cash and Cash Equivalents - Beginning of Year	181,554	-	32,531	-	214,085
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 191,234	\$ -	\$ 50,453	\$ -	\$ 241,687
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION					
Cash and Cash Equivalents	\$ 88,778	\$ -	\$ 47,693	\$ -	\$ 136,471
Restricted Assets - Cash and Investments	102,456	-	2,760	-	105,216
Cash and Cash Equivalents - End of Year	\$ 191,234	\$ -	\$ 50,453	\$ -	\$ 241,687

WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

	Low Rent Public Housing	Capital Fund Program	Business Activities	ELIM	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 31,207	\$ -	\$ 53,828	\$ -	\$ 85,035
Depreciation	50,441	-	10,313	-	60,754
Prior Period Adjustment to PILOT	-	-	(6,101)	-	(6,101)
(Increase) Decrease in Assets:					
Accounts Receivable	6,406	-	7	-	6,413
Prepayments	7,617	-	(28)	-	7,589
Increase (Decrease) in Liabilities:					
Accounts Payable	2,769	-	(24)	-	2,745
Accrued Payroll Liabilities	136	-	-	-	136
Due to other Governmental Units	(449)	-	(1,541)	-	(1,990)
Unearned Revenue	282	-	-	-	282
Tenants Security Deposits	(525)	-	(700)	-	(1,225)
Accrued Expenses	(697)	-	1,331	-	634
Net Cash Provided (Used) by Operating Activities	<u>\$ 97,187</u>	<u>\$ -</u>	<u>\$ 57,085</u>	<u>\$ -</u>	<u>\$ 154,272</u>

**WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
YEAR ENDED DECEMBER 31, 2016**

	<u>SD06P040501-15</u>	<u>SD06P040501-16</u>
The Actual modernization costs are as follows:		
Funds Approved	\$ 27,158	\$ 27,802
Funds Expended	27,158	27,802
Excess of Funds Approved	<u>\$ -</u>	<u>\$ -</u>
Funds Advanced	\$ 27,158	\$ 27,802
Funds Expended	27,158	27,802
Excess of Funds Advanced	<u>\$ -</u>	<u>\$ -</u>
Received During Current Year	<u>\$ 27,158</u>	<u>\$ 27,802</u>
Status	Complete	Complete

The distribution of costs by project as shown on the Final Performance and Evaluation Report accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the Commission's records.

All modernization costs have been paid and all related liabilities have been discharged through payment.

**WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
US Department of Housing and Urban Development		
<u>Direct Awards:</u>		
Low Rent Public Housing	14.850	\$ 53,197
Public Housing Capital Fund Program	14.872	<u>54,960</u>
Total Expenditures of Federal Awards		<u><u>\$ 108,157</u></u>

Notes to the Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Webster Housing and Redevelopment Commission for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of the Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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

WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
FINANCIAL DATA SCHEDULE - BALANCE SHEET SUMMARY
DECEMBER 31, 2016

Line Item#	Description	Low Rent Public Housing	Capital Fund Program	Business Activities	ELIM	Total
111	Cash - Unrestricted	\$ 88,778	\$ -	\$ 47,693	\$ -	\$ 136,471
114	Cash - Tenant Security Deposits	9,904	-	2,760	-	12,664
100	Total Cash	<u>98,682</u>	<u>-</u>	<u>50,453</u>	<u>-</u>	<u>149,135</u>
125	Accounts Receivable - Miscellaneous	443	-	59	-	502
126	Accounts Receivable - Tenants	996	-	-	-	996
126.1	Allowance for Doubtful Accounts - Tenants	(629)	-	-	-	(629)
129	Accrued Interest Receivable	130	-	-	-	130
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>940</u>	<u>-</u>	<u>59</u>	<u>-</u>	<u>999</u>
132	Investments - Restricted	92,552	-	-	-	92,552
142	Prepaid Expenses and Other Assets	500	-	1,413	-	1,913
144	Inter Program Due From	6,101	-	-	(6,101)	-
150	Total Current Assets	<u>198,775</u>	<u>-</u>	<u>51,925</u>	<u>(6,101)</u>	<u>244,599</u>
161	Land	32,000	-	27,872	-	59,872
162	Buildings	1,523,465	-	256,669	-	1,780,134
163	Furniture, Equipment & Machinery - Dwellings	5,118	-	-	-	5,118
164	Furniture, Equipment & Machinery - Administration	35,387	-	-	-	35,387
166	Accumulated Depreciation	(1,251,898)	-	(143,890)	-	(1,395,788)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>344,072</u>	<u>-</u>	<u>140,651</u>	<u>-</u>	<u>484,723</u>
180	Total Non-Current Assets	<u>344,072</u>	<u>-</u>	<u>140,651</u>	<u>-</u>	<u>484,723</u>
290	Total Assets and Deferred Outflow of Resources	<u>542,847</u>	<u>-</u>	<u>192,576</u>	<u>(6,101)</u>	<u>729,322</u>
312	Accounts Payable <= 90 Days	3,274	-	-	-	3,274
321	Accrued Wage/Payroll Taxes Payable	865	-	-	-	865
325	Accrued Interest Payable	-	-	361	-	361
333	Accounts Payable - Other Government	5,142	-	1,644	-	6,786
341	Tenant Security Deposits	9,904	-	2,760	-	12,664
342	Unearned Revenue	282	-	-	-	282
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	12,806	-	12,806
346	Accrued Liabilities - Other	2,819	-	-	-	2,819
347	Inter Program - Due To	-	-	6,101	(6,101)	-
310	Total Current Liabilities	<u>22,286</u>	<u>-</u>	<u>23,672</u>	<u>(6,101)</u>	<u>39,857</u>
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	185,779	-	185,779
353	Non-current Liabilities - Other	1,269	-	1,331	-	2,600
350	Total Non-Current Liabilities	<u>1,269</u>	<u>-</u>	<u>187,110</u>	<u>-</u>	<u>188,379</u>
300	Total Liabilities	<u>23,555</u>	<u>-</u>	<u>210,782</u>	<u>(6,101)</u>	<u>228,236</u>
508.4	Net Investment in Capital Assets	344,072	-	(59,261)	-	284,811
511.4	Restricted Net Position	92,552	-	-	-	92,552
512.4	Unrestricted Net Position	82,668	-	41,055	-	123,723
513	Total Equity - Net Assets / Position	<u>519,292</u>	<u>-</u>	<u>(18,206)</u>	<u>-</u>	<u>501,086</u>
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	<u>\$ 542,847</u>	<u>\$ -</u>	<u>\$ 192,576</u>	<u>\$ (6,101)</u>	<u>\$ 729,322</u>

WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
FINANCIAL DATA SCHEDULE - REVENUE AND EXPENSE SUMMARY
DECEMBER 31, 2016

Line Item#	Description	Low Rent Public Housing	Capital Fund Program	Business Activities	ELIM	Total
70300	Net Tenant Rental Revenue	\$ 93,702	\$ -	\$ 32,880	\$ -	\$ 126,582
70400	Tenant Revenue - Other	162	-	869	-	1,031
70500	Total Tenant Revenue	<u>93,864</u>	<u>-</u>	<u>33,749</u>	<u>-</u>	<u>127,613</u>
70600	HUD PHA Operating Grants	53,197	-	-	-	53,197
70610	Capital Grants	-	54,960	-	-	54,960
71100	Investment Income - Unrestricted	15	-	45	-	60
71500	Other Revenue	79,866	-	41,899	-	121,765
72000	Investment Income - Restricted	366	-	-	-	366
70000	Total Revenue	<u>227,308</u>	<u>54,960</u>	<u>75,693</u>	<u>-</u>	<u>357,961</u>
91200	Auditing Fees	3,500	-	-	-	3,500
91300	Management Fee	38,855	-	2,217	-	41,072
91310	Book-keeping Fee	1,989	-	-	-	1,989
91400	Advertising and Marketing	1,326	-	-	-	1,326
91600	Office Expenses	4,029	-	730	-	4,759
91000	Total Operating - Administrative	<u>49,699</u>	<u>-</u>	<u>2,947</u>	<u>-</u>	<u>52,646</u>
92100	Tenant Services - Salaries	4,132	-	-	-	4,132
92300	Employee Benefit Contributions - Tenant Services	316	-	-	-	316
92400	Tenant Services - Other	2,667	-	-	-	2,667
92500	Total Tenant Services	<u>7,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,115</u>
93100	Water	5,717	-	588	-	6,305
93200	Electricity	22,335	-	788	-	23,123
93600	Sewer	14,227	-	-	-	14,227
93000	Total Utilities	<u>42,279</u>	<u>-</u>	<u>1,376</u>	<u>-</u>	<u>43,655</u>
94100	Ordinary Maintenance and Operations - Labor	16,574	-	655	-	17,229
94200	Ordinary Maintenance and Operations - Materials and Other	7,817	-	863	-	8,680
94300	Ordinary Maintenance and Operations Contracts	6,160	-	1,886	-	8,046
94500	Employee Benefit Contributions - Ordinary Maintenance	1,313	-	44	-	1,357
94000	Total Maintenance	<u>31,864</u>	<u>-</u>	<u>3,448</u>	<u>-</u>	<u>35,312</u>
96120	Liability Insurance	7,552	-	-	-	7,552
96130	Workmen's Compensation	1,065	-	-	-	1,065
96140	All Other Insurance	243	-	-	-	243
96100	Total insurance Premiums	<u>8,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,860</u>
96200	Other General Expenses	-	-	2,092	-	2,092
96300	Payments in Lieu of Taxes	5,142	-	1,644	-	6,786
96400	Bad debt - Tenant Rents	320	-	-	-	320
96000	Total Other General Expenses	<u>5,462</u>	<u>-</u>	<u>3,736</u>	<u>-</u>	<u>9,198</u>
96720	Interest on Notes Payable (Short and Long Term)	-	-	6,885	-	6,885
96700	Total Interest Expense and Amortization Cost	<u>-</u>	<u>-</u>	<u>6,885</u>	<u>-</u>	<u>6,885</u>

WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
FINANCIAL DATA SCHEDULE - REVENUE AND EXPENSE SUMMARY
DECEMBER 31, 2016

Line Item#	Description	Low Rent Public Housing	Capital Fund Program	Business Activities	ELIM	Total
96900	Total Operating Expenses	145,279	-	18,392	-	163,671
97000	Excess of Operating Revenue over Operating Expenses	82,029	54,960	57,301	-	194,290
97200	Casualty Losses - Non-capitalized	48,549	-	26,621	-	75,170
97400	Depreciation Expense	50,441	-	10,313	-	60,754
90000	Total Expenses	244,269	-	55,326	-	299,595
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (16,961)	\$ 54,960	\$ 20,367	\$ -	\$ 58,366
11030	Beginning Equity	481,391	-	(32,472)	-	448,919
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	54,862	(54,960)	(6,101)	-	(6,199)
11190	Unit Months Available	375	-	48	-	423
11210	Number of Unit Months Leased	345	-	48	-	393
11270	Excess Cash	71,331	-	-	-	71,331
11620	Building Purchases	-	54,960	-	-	54,960

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

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 (the Commission), a component unit of the City of Webster, South Dakota, as of and for the year ended December 31, 2016, 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 21, 2017.

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

Purpose of this Report

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

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



Johnson, Mattson, Smail & Cavanaugh, PLLC
St. Louis Park, Minnesota
August 21, 2017

**WEBSTER HOUSING AND REDEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016**

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.