

**WEBSTER HOUSING AND REDEVELOPMENT COMMISSION  
WEBSTER, SOUTH DAKOTA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2017**

**WEBSTER HOUSING AND REDEVELOPMENT COMMISSION**  
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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 Authority) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority'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 as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

The accompanying supplementary information including the combining financial statements, schedule of expenditures of federal awards, financial data schedule and statement and certification of actual modernization costs 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 7, 2018 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 7, 2018

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

The Webster Housing and Redevelopment Commission (the Authority) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority'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 Authority's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Authority's net position decreased by \$91,763 (or 18.3%) during 2017. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net position was \$409,323 and \$501,086 for 2017 and 2016, respectively.
- The operating revenue decreased by \$126,129 (or 41.7%) during 2017 and was \$176,446 and \$302,575 for 2017 and 2016, respectively.
- The total operating expenses of all Authority programs increased by \$20,182 (or 9.3%). Total operating expenses were \$237,722 and \$217,540 for 2017 and 2016, respectively.
- The net nonoperating revenues (expenses) increased by \$51,142 during 2017 and was \$(30,487) and \$(81,629) for 2017 and 2016, respectively.

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

**BASIC FINANCIAL STATEMENTS**

The basic financial statements are designed to provide readers with a broad overview of the Authority'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 Authority'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 Authority. 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 Authority 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, 2017**

**BASIC FINANCIAL STATEMENTS**

**Statement of Net Position**

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

**TABLE 1  
STATEMENT OF NET POSITION**

	2017	2016	Dollar Change	Percent Change
Current and Other Assets	\$ 196,475	\$ 244,599	\$ (48,124)	-19.7%
Capital Assets	427,192	484,723	(57,531)	-11.9%
Total Assets	<u>623,667</u>	<u>729,322</u>	<u>(105,655)</u>	-14.5%
Current Liabilities	40,234	39,857	377	0.9%
Noncurrent Liabilities	174,110	188,379	(14,269)	-7.6%
Total Liabilities	<u>214,344</u>	<u>228,236</u>	<u>(13,892)</u>	-6.1%
Net Position				
Net Investment in Capital Assets	241,413	284,811	(43,398)	-15.2%
Restricted	54,468	92,552	(38,084)	-41.1%
Unrestricted	113,442	123,723	(10,281)	-8.3%
Total Net Position	<u>\$ 409,323</u>	<u>\$ 501,086</u>	<u>\$ (91,763)</u>	-18.3%

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

**Major Factors Affecting the Statement of Net Position**

- Current and other assets decreased by \$48,124, current liabilities increased by \$377.
- 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, 2017**

**Statement of Revenues, Expenses and Changes in Net Position**

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

**TABLE 2  
CHANGES IN NET POSITION**

	2017	2016	Dollar Change	Percent Change
Revenues				
Tenant Revenue	\$ 126,823	\$ 127,613	\$ (790)	-0.6%
Operating Grants	44,057	53,197	(9,140)	-17.2%
Other Revenue	5,566	121,765	(116,199)	-95.4%
Total Operating Revenue	<u>176,446</u>	<u>302,575</u>	<u>(126,129)</u>	-41.7%
Operating Expenses				
Administration	53,293	52,646	647	1.2%
Tenant Services	7,126	7,115	11	0.2%
Utilities	50,883	43,655	7,228	16.6%
Ordinary Maintenance	39,322	35,312	4,010	11.4%
General Expense	27,634	18,058	9,576	53.0%
Depreciation	59,464	60,754	(1,290)	-2.1%
Total Operating Expenses	<u>237,722</u>	<u>217,540</u>	<u>20,182</u>	9.3%
Operating Income (Loss)	<u>(61,276)</u>	<u>85,035</u>	<u>(146,311)</u>	-172.1%
Nonoperating Revenue (Expenses)				
Interest Income	401	426	(25)	
Interest Expense	(4,167)	(6,885)	2,718	
Casualty Losses - Non Capitalized	(26,721)	(75,170)	48,449	
Net Nonoperating Revenues (Expenses)	<u>(30,487)</u>	<u>(81,629)</u>	<u>51,142</u>	
Capital Contributions	-	54,960	(54,960)	
Change In Net Position	(91,763)	58,366	(150,129)	
Net Position - Beginning	501,086	448,919	52,167	
Prior Period Adjustment	-	(6,199)	6,199	
Net Position-Ending	<u>\$ 409,323</u>	<u>\$ 501,086</u>	<u>\$ (91,763)</u>	-18.3%

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

- Other Revenues decreased due to insurance recoveries in 2016.
- Utilities increased in the area of electrical cost.
- Ordinary Maintenance increased primarily in maintenance labor.
- General Expense increased due to an increase in insurance cost.



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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of year-end the Authority had \$427,192 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$57,531 from the end of last year. This decrease is due to the annual depreciation of the assets.

**TABLE 3  
CAPITAL ASSETS AT YEAR END**

	<u>2017</u>	<u>2016</u>
Nondepreciable Assets		
Land	\$ 60,688	\$ 59,872
Depreciable Assets		
Buildings	1,780,135	1,780,134
Furniture, Equipment and Machinery	41,621	40,505
Accumulated Depreciation, Net	<u>(1,455,252)</u>	<u>(1,395,788)</u>
Net Capital Assets	<u>\$ 427,192</u>	<u>\$ 484,723</u>

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

**TABLE 4  
CHANGE IN CAPITAL ASSETS**

Balance on 12/31/2016	\$ 484,723
Increases	1,933
Decreases	-
Accumulated Depreciation, Net	<u>(59,464)</u>
Balance on 12/31/2017	<u>\$ 427,192</u>

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

**Debt Outstanding**

As of year-end the Authority had \$185,779 in debt (bonds, notes, etc.) outstanding.

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

	<b>2017</b>	<b>2016</b>
Revenue Bond Payable	\$ 185,779	\$ 198,585
Total	\$ 185,779	\$ 198,585

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority 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, Rich Galbraith at 1101 East 7th Street, Webster, South Dakota 57274 or call (605) 229-0180 or by e-mail at rich@ramsolutions.

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

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$	115,618
Cash and Cash Equivalents - Restricted		14,278
Accounts Receivable - Other, Net		627
Investments - Unrestricted		7,864
Investments - Restricted		54,468
Prepaid Expenses and Other Assets		3,620
Total Current Assets		196,475

Noncurrent Assets

Capital Assets

Land		60,688
Building		1,780,135
Furniture, Equipment & Machinery		41,621
Accumulated Depreciation		(1,455,252)
Total Capital Assets, Net		427,192
Total Assets		623,667

**LIABILITIES**

Current Liabilities

Accounts Payable		300
Accrued Payroll Liabilities		855
Accounts Payable - Other Government		6,025
Tenant Security Deposits		14,278
Long-term Debt - Current Portion		13,081
Other Liabilities		5,695
Total Current Liabilities		40,234

Noncurrent Liabilities

Long-term Debt, Net of Current		172,698
Other Noncurrent Liabilities		1,412
Total Noncurrent Liabilities		174,110
Total Liabilities		214,344

**NET POSITION**

Net Investment in Capital Assets		241,413
Restricted		54,468
Unrestricted		113,442
Total Net Position	\$	409,323

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

**OPERATING REVENUES**

Net Tenant Rental Revenue	\$	126,155
Tenant Revenue - Other		668
Total Tenant Revenue		126,823
 HUD PHA Operating Grants		 44,057
Other Revenue		5,566
Total Operating Revenues		176,446

**OPERATING EXPENSES**

Administrative		53,293
Tenant Services		7,126
Utilities		50,883
Ordinary Maintenance and Operations		39,322
Insurance Premiums		17,077
General Expenses		10,557
Depreciation Expense		59,464
Total Operating Expenses		237,722

**OPERATING INCOME (LOSS)**

(61,276)

**NONOPERATING REVENUES (EXPENSES)**

Investment Income - Unrestricted		272
Investment Income - Restricted		129
Interest Expense		(4,167)
Casualty Losses - Non-capitalized		(26,721)
Total Nonoperating Revenues (Expenses)		(30,487)

**CHANGE IN NET POSITON**

(91,763)

Net Position - Beginning of Year		501,086
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**NET POSITION - END OF YEAR**

\$ 409,323

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Rent	\$ 126,908
Operating Subsidies - HUD	44,057
Cash Received from Other Sources	5,598
Cash Paid to Other Suppliers of Goods or Services	(156,358)
Cash Payments to Employees for Services	(24,388)
Net Cash Provided (Used) by Operating Activities	<u>(4,183)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Casualty Losses - Non-capitalized	<u>(26,721)</u>
Net Cash Provided (Used) By Noncapital And Related Financing Activities	(26,721)

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition of Capital Assets	(1,933)
Interest and Fiscal Charges Paid	(4,190)
Repayment of Long -Term Debt	<u>(12,806)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(18,929)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Received	<u>374</u>
Net Cash Provided by Investing Activities	374

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** (49,459)

Cash and Cash Equivalents - Beginning of Year	<u>241,687</u>
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**CASH AND CASH EQUIVALENTS - END OF YEAR** \$ 192,228

**RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION**

Cash and Cash Equivalents	\$ 123,482
Restricted Assets - Cash and Investments	<u>68,746</u>
Cash and Cash Equivalents - End of Year	<u>\$ 192,228</u>

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

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

Operating Income (Loss)	\$ (61,276)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	59,464
(Increase) Decrease in Assets:	
Accounts Receivable	399
Prepayments	(1,707)
Increase (Decrease) in Liabilities:	
Accounts Payable	(2,974)
Accrued Payroll Liabilities	(10)
Due to other Governmental Units	(761)
Unearned Revenue	(282)
Tenants Security Deposits	1,614
Accrued Expenses	1,350
Net Cash Provided (Used) by Operating Activities	<u>\$ (4,183)</u>

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Statement**

The accompanying financial statements of the Webster Housing and Redevelopment Commission (the Authority) 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 Mayor and approved 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 Authority 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 Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

Based on the previous criteria, the Authority has determined that there are no component units that should be considered as part of the Authority 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, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (continued)**

**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 Authority.

**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 Authority's policy, governmental operating grants are considered operating revenues. The other principal operating revenues of the Authority 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.



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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Assets, Liabilities, and Net Position Accounts**

1. Assets

*Cash and Cash Equivalents*

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

*Investments*

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

*Receivables*

Accounts receivable have been adjusted for all known uncollectible accounts.

*Prepaid Items*

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

*Restricted Assets*

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

*Transactions Between Funds*

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

*Capital Assets*

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

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

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2. Liabilities

All liabilities are recorded as incurred in the appropriate fund.

3. Unearned Revenue

The Authority reports prepaid revenues on its statement of net position. Prepaid revenues arise when resources are received by the Authority 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 Authority 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 Authority 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 Authority 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	\$ 129,896	\$ 134,425
Investments	62,332	62,332
Total Cash and Investments	<u>\$ 192,228</u>	<u>\$ 196,756</u>
Reconciliation to Financial Statements		
Per Statement of Net Position		
Unrestricted Cash and Investments	\$ 123,482	
Restricted Cash and Investments	68,746	
Total Cash and Investments	<u>\$ 192,228</u>	

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

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Deposits**

The Authority'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 Authority's deposits may not be returned to the Authority. As of December 31, 2017, the Authority's deposits were not exposed to custodial credit risk.

**Investments**

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

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

	<u>Credit Risk</u>		<u>Concentration Risk</u>	<u>Interest Rate Risk</u>	<u>Carrying (Fair) Value</u>
	<u>Credit Rating</u>	<u>Rating Agency</u>	<u>Over 5% of Portfolio</u>	<u>Maturity Date</u>	
Negotiable Certificates of Deposit					
Dacotah Bank	N/R	N/A	32.09%	4/5/2018	\$ 20,000
Dacotah Bank	N/R	N/A	32.57%	6/8/2018	20,302
Dacotah Bank	N/R	N/A	17.62%	5/20/2018	10,985
Dacotah Bank	N/R	N/A	8.02%	6/30/2018	5,000
Dacotah Bank	N/R	N/A	4.59%	6/17/2019	2,864
Other Investments					
Dacotah Bank - Money Market Acct.	N/R	N/A	5.10%	N/A	3,181
Total Investments					<u>62,332</u>
Checking					25,802
Savings					104,095
Total Cash and Investments					<u>\$ 192,228</u>

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

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

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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

Investment Type	12/31/2017	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investment at Fair Value:				
Money Market Account	\$ 3,181	\$ 3,181	\$ -	\$ -
Certificates of Deposit	59,151	59,151	-	-
<b>Total</b>	<b>\$ 62,332</b>	<b>\$ 62,332</b>	<b>\$ -</b>	<b>\$ -</b>

**NOTE 3 - RESTRICTED ASSETS**

**Tenant Security Deposits**

The Authority holds security deposits from tenants. Security deposits were \$14,278 as of December 31, 2017.

**NOTE 4 - CAPITAL ASSETS**

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

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Business-type Activities</b>				
<u>Capital Assets Not Being Depreciated</u>				
Land and Improvements	\$ 59,872	\$ 816	\$ -	\$ 60,688
Total Capital Assets Not Being Depreciated	59,872	816	-	60,688
<u>Capital Assets Being Depreciated</u>				
Buildings	1,780,134	1	-	1,780,135
Equipment and Other	40,505	1,116	-	41,621
Total Capital Assets Being Depreciated	1,820,639	1,117	-	1,821,756
Accumulated Depreciation	(1,395,788)	(59,464)	-	(1,455,252)
Total Capital Assets Being Depreciated, Net	424,851	(58,347)	-	366,504
Total Capital Assets, Net	<b>\$ 484,723</b>	<b>\$ (57,531)</b>	<b>\$ -</b>	<b>\$ 427,192</b>

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

Low Rent Public Housing	\$ 49,151
Business Activities	10,313
Total Depreciation Expense	<b>\$ 59,464</b>

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

**NOTE 5 - LIABILITIES**

Liabilities at year end consisted of the following:

Current Liabilities

Accounts Payable <= 90 Days	\$ 300
Accrued Wage / Payroll Tax Payable	855
Accrued Interest Payable	338
Accounts Payable - Other Government	6,025
Tenant Security Deposits	14,278
Current Portion of Long-term Debt - Capital	13,081
Accrued Liabilities - Other	5,357
Total Current Liabilities	<u>40,234</u>

Noncurrent Liabilities

Long-term Debt, Net of Current - Capital	172,698
Noncurrent Liabilities - Other	1,412
Total Noncurrent Liabilities	<u>174,110</u>
Total Liabilities	<u>\$ 214,344</u>

**NOTE 6 - LONG-TERM OBLIGATIONS**

**Note Payable**

In 2001, the Authority 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 \$1,416 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	<u>\$ 198,585</u>	<u>\$ -</u>	<u>\$ (12,806)</u>	<u>\$ 185,779</u>	<u>\$ 13,081</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	13,081	3,915	16,996
2019	28,403	3,177	31,580
2020	12,547	2,609	15,156
2021	12,785	2,371	15,156
2022	13,028	2,128	15,156
Thereafter	105,935	7,737	98,516
Total	<u>\$ 185,779</u>	<u>\$ 21,937</u>	<u>\$ 207,716</u>

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

**NOTE 7 - NET POSITION**

Net Position

Fund net position balances are classified as follows:

Net Investment in Capital Assets	\$ 241,413
Restricted	54,468
Unrestricted	<u>113,442</u>
Total Net Position	<u><u>\$ 409,323</u></u>

**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 Authority 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, 2017**

	Low Rent Public Housing	Capital Fund Program	Business Activities	ELIM	Total
<b>ASSETS</b>					
Current Assets					
Cash and Cash Equivalents	\$ 90,659	\$ -	\$ 24,959	\$ -	\$ 115,618
Cash and Cash Equivalents - Restricted	11,518	-	2,760	-	14,278
Accounts Receivable - Other, Net	572	-	55	-	627
Investments - Unrestricted	-	-	7,864	-	7,864
Investments - Restricted	54,468	-	-	-	54,468
Prepaid Expenses and Other Assets	500	-	3,120	-	3,620
Inter Program Due From	6,101	-	-	(6,101)	-
Total Current Assets	<u>163,818</u>	<u>-</u>	<u>38,758</u>	<u>(6,101)</u>	<u>196,475</u>
Noncurrent Assets					
Capital Assets					
Land	32,000	-	28,688	-	60,688
Building	1,523,466	-	256,669	-	1,780,135
Furniture, Equipment & Machinery	41,621	-	-	-	41,621
Accumulated Depreciation	(1,301,049)	-	(154,203)	-	(1,455,252)
Total Capital Assets, Net	<u>296,038</u>	<u>-</u>	<u>131,154</u>	<u>-</u>	<u>427,192</u>
Total Assets	<u>459,856</u>	<u>-</u>	<u>169,912</u>	<u>(6,101)</u>	<u>623,667</u>
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable	300	-	-	-	300
Accrued Payroll Liabilities	855	-	-	-	855
Accounts Payable - Other Government	4,381	-	1,644	-	6,025
Tenant Security Deposits	11,518	-	2,760	-	14,278
Long-term Debt - Current Portion	-	-	13,081	-	13,081
Inter Program - Due To	-	-	6,101	(6,101)	-
Other Liabilities	5,357	-	338	-	5,695
Total Current Liabilities	<u>22,411</u>	<u>-</u>	<u>23,924</u>	<u>(6,101)</u>	<u>40,234</u>
Noncurrent Liabilities					
Long-term Debt, Net of Current	-	-	172,698	-	172,698
Other Noncurrent Liabilities	1,412	-	-	-	1,412
Total Noncurrent Liabilities	<u>1,412</u>	<u>-</u>	<u>172,698</u>	<u>-</u>	<u>174,110</u>
Total Liabilities	<u>23,823</u>	<u>-</u>	<u>196,622</u>	<u>(6,101)</u>	<u>214,344</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	296,038	-	(54,625)	-	241,413
Restricted	54,468	-	-	-	54,468
Unrestricted	85,527	-	27,915	-	113,442
Total Net Position	<u>\$ 436,033</u>	<u>\$ -</u>	<u>\$ (26,710)</u>	<u>\$ -</u>	<u>\$ 409,323</u>

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

	<b>Low Rent Public Housing</b>	<b>Capital Fund Program</b>	<b>Business Activities</b>	<b>ELIM</b>	<b>Total</b>
<b>OPERATING REVENUES</b>					
Net Tenant Rental Revenue	\$ 93,275	\$ -	\$ 32,880	\$ -	\$ 126,155
Tenant Revenue - Other	188	-	480	-	668
Total Tenant Revenue	<u>93,463</u>	<u>-</u>	<u>33,360</u>	<u>-</u>	<u>126,823</u>
HUD PHA Operating Grants	44,057	-	-	-	44,057
Other Revenue	2,238	-	3,328	-	5,566
Total Operating Revenues	<u>139,758</u>	<u>-</u>	<u>36,688</u>	<u>-</u>	<u>176,446</u>
<b>OPERATING EXPENSES</b>					
Administrative	50,094	-	3,199	-	53,293
Tenant Services	7,126	-	-	-	7,126
Utilities	49,464	-	1,419	-	50,883
Ordinary Maintenance and Operations	36,643	-	2,679	-	39,322
Insurance Premiums	17,077	-	-	-	17,077
General Expenses	4,467	-	6,090	-	10,557
Depreciation Expense	49,151	-	10,313	-	59,464
Total Operating Expenses	<u>214,022</u>	<u>-</u>	<u>23,700</u>	<u>-</u>	<u>237,722</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(74,264)</u>	<u>-</u>	<u>12,988</u>	<u>-</u>	<u>(61,276)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment Income - Unrestricted	194	-	78	-	272
Investment Income - Restricted	129	-	-	-	129
Interest Expense	-	-	(4,167)	-	(4,167)
Casualty Losses - Non-capitalized	(9,318)	-	(17,403)	-	(26,721)
Total Nonoperating Revenues (Expenses)	<u>(8,995)</u>	<u>-</u>	<u>(21,492)</u>	<u>-</u>	<u>(30,487)</u>
<b>CHANGE IN NET POSITON</b>	<u>(83,259)</u>	<u>-</u>	<u>(8,504)</u>	<u>-</u>	<u>(91,763)</u>
Net Position - Beginning of Year	<u>519,292</u>	<u>-</u>	<u>(18,206)</u>	<u>-</u>	<u>501,086</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 436,033</u>	<u>\$ -</u>	<u>\$ (26,710)</u>	<u>\$ -</u>	<u>\$ 409,323</u>



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

	Low Rent Public Housing	Capital Fund Program	Business Activities	ELIM	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received from Rent	\$ 93,548	\$ -	\$ 33,360	\$ -	\$ 126,908
Operating Subsidies - HUD	44,057	-	-	-	44,057
Cash Received from Other Sources	2,266	-	3,332	-	5,598
Cash Paid to Other Suppliers of Goods or Services	(140,516)	-	(15,842)	-	(156,358)
Cash Payments to Employees for Services	(23,805)	-	(583)	-	(24,388)
Net Cash Provided (Used) by Operating Activities	(24,450)	-	20,267	-	(4,183)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Casualty Losses - Non-capitalized	(9,318)	-	(17,403)	-	(26,721)
Net Cash Provided (Used) By Noncapital And Related Financing Activities	(9,318)	-	(17,403)	-	(26,721)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of Capital Assets	(1,117)	-	(816)	-	(1,933)
Interest and Fiscal Charges Paid	-	-	(4,190)	-	(4,190)
Repayment of Long -Term Debt	-	-	(12,806)	-	(12,806)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,117)	-	(17,812)	-	(18,929)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Received	296	-	78	-	374
Net Cash Provided by Investing Activities	296	-	78	-	374
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
	(34,589)	-	(14,870)	-	(49,459)
Cash and Cash Equivalents - Beginning of Year	191,234	-	50,453	-	241,687
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 156,645</b>	<b>\$ -</b>	<b>\$ 35,583</b>	<b>\$ -</b>	<b>\$ 192,228</b>
<b>RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION</b>					
Cash and Cash Equivalents	\$ 90,659	\$ -	\$ 32,823	\$ -	\$ 123,482
Restricted Assets - Cash and Investments	65,986	-	2,760	-	68,746
Cash and Cash Equivalents - End of Year	<b>\$ 156,645</b>	<b>\$ -</b>	<b>\$ 35,583</b>	<b>\$ -</b>	<b>\$ 192,228</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ (74,264)	\$ -	\$ 12,988	\$ -	\$ (61,276)
Depreciation	49,151	-	10,313	-	59,464
(Increase) Decrease in Assets:					
Accounts Receivable	395	-	4	-	399
Prepayments	-	-	(1,707)	-	(1,707)
Increase (Decrease) in Liabilities:					
Accounts Payable	(2,974)	-	-	-	(2,974)
Accrued Payroll Liabilities	(10)	-	-	-	(10)
Due to other Governmental Units	(761)	-	-	-	(761)
Unearned Revenue	(282)	-	-	-	(282)
Tenants Security Deposits	1,614	-	-	-	1,614
Accrued Expenses	2,681	-	(1,331)	-	1,350
Net Cash Provided (Used) by Operating Activities	<b>\$ (24,450)</b>	<b>\$ -</b>	<b>\$ 20,267</b>	<b>\$ -</b>	<b>\$ (4,183)</b>

**WEBSTER HOUSING AND REDEVELOPMENT COMMISSION  
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS  
YEAR ENDED DECEMBER 31, 2017**

SD06P040501-17

The Actual modernization costs are as follows:

Funds Approved	\$	26,667
Funds Expended		-
Excess of Funds Approved	<u>\$</u>	<u>26,667</u>
Funds Advanced	\$	-
Funds Expended		-
Excess of Funds Advanced	<u>\$</u>	<u>-</u>
Received During Current Year	<u>\$</u>	<u>-</u>
Status		Not Complete

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

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>		
<u>Direct Awards:</u>		
Low Rent Public Housing	14.850	\$ 44,057
Total Expenditures of Federal Awards		<u>\$ 44,057</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, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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

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

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

Line Item#	Description	Low Rent Public Housing	Capital Fund Program	Business Activities	ELIM	Total
111	Cash - Unrestricted	\$ 90,659	\$ -	\$ 24,959	\$ -	\$ 115,618
114	Cash - Tenant Security Deposits	11,518	-	2,760	-	14,278
100	Total Cash	<u>102,177</u>	<u>-</u>	<u>27,719</u>	<u>-</u>	<u>129,896</u>
125	Accounts Receivable - Miscellaneous	415	-	55	-	470
129	Accrued Interest Receivable	157	-	-	-	157
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>572</u>	<u>-</u>	<u>55</u>	<u>-</u>	<u>627</u>
131	Investments - Unrestricted	-	-	7,864	-	7,864
132	Investments - Restricted	54,468	-	-	-	54,468
142	Prepaid Expenses and Other Assets	500	-	3,120	-	3,620
144	Inter Program Due From	6,101	-	-	(6,101)	-
150	Total Current Assets	<u>163,818</u>	<u>-</u>	<u>38,758</u>	<u>(6,101)</u>	<u>196,475</u>
161	Land	32,000	-	28,688	-	60,688
162	Buildings	1,523,466	-	256,669	-	1,780,135
163	Furniture, Equipment & Machinery - Dwellings	5,638	-	-	-	5,638
164	Furniture, Equipment & Machinery - Administration	35,983	-	-	-	35,983
166	Accumulated Depreciation	(1,301,049)	-	(154,203)	-	(1,455,252)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>296,038</u>	<u>-</u>	<u>131,154</u>	<u>-</u>	<u>427,192</u>
180	Total Non-Current Assets	<u>296,038</u>	<u>-</u>	<u>131,154</u>	<u>-</u>	<u>427,192</u>
290	Total Assets and Deferred Outflow of Resources	<u>459,856</u>	<u>-</u>	<u>169,912</u>	<u>(6,101)</u>	<u>623,667</u>
312	Accounts Payable <= 90 Days	300	-	-	-	300
321	Accrued Wage/Payroll Taxes Payable	855	-	-	-	855
325	Accrued Interest Payable	-	-	338	-	338
333	Accounts Payable - Other Government	4,381	-	1,644	-	6,025
341	Tenant Security Deposits	11,518	-	2,760	-	14,278
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	13,081	-	13,081
346	Accrued Liabilities - Other	5,357	-	-	-	5,357
347	Inter Program - Due To	-	-	6,101	(6,101)	-
310	Total Current Liabilities	<u>22,411</u>	<u>-</u>	<u>23,924</u>	<u>(6,101)</u>	<u>40,234</u>
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	172,698	-	172,698
353	Non-current Liabilities - Other	1,412	-	-	-	1,412
350	Total Non-Current Liabilities	<u>1,412</u>	<u>-</u>	<u>172,698</u>	<u>-</u>	<u>174,110</u>
300	Total Liabilities	<u>23,823</u>	<u>-</u>	<u>196,622</u>	<u>(6,101)</u>	<u>214,344</u>
508.4	Net Investment in Capital Assets	296,038	-	(54,625)	-	241,413
511.4	Restricted Net Position	54,468	-	-	-	54,468
512.4	Unrestricted Net Position	85,527	-	27,915	-	113,442
513	Total Equity - Net Assets / Position	<u>436,033</u>	<u>-</u>	<u>(26,710)</u>	<u>-</u>	<u>409,323</u>
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	<u>\$ 459,856</u>	<u>\$ -</u>	<u>\$ 169,912</u>	<u>\$ (6,101)</u>	<u>\$ 623,667</u>

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

Line Item#	Description	Low Rent Public Housing	Capital Fund Program	Business Activities	ELIM	Total
70300	Net Tenant Rental Revenue	\$ 93,275	\$ -	\$ 32,880	\$ -	\$ 126,155
70400	Tenant Revenue - Other	188	-	480	-	668
70500	Total Tenant Revenue	93,463	-	33,360	-	126,823
70600	HUD PHA Operating Grants	44,057	-	-	-	44,057
71100	Investment Income - Unrestricted	194	-	78	-	272
71500	Other Revenue	2,238	-	3,328	-	5,566
72000	Investment Income - Restricted	129	-	-	-	129
70000	Total Revenue	140,081	-	36,766	-	176,847
91200	Auditing Fees	3,200	-	-	-	3,200
91300	Management Fee	39,583	-	2,320	-	41,903
91600	Office Expenses	5,434	-	399	-	5,833
91900	Other	1,877	-	480	-	2,357
91000	Total Operating - Administrative	50,094	-	3,199	-	53,293
92100	Tenant Services - Salaries	4,395	-	-	-	4,395
92300	Employee Benefit Contributions - Tenant Services	391	-	-	-	391
92400	Tenant Services - Other	2,340	-	-	-	2,340
92500	Total Tenant Services	7,126	-	-	-	7,126
93100	Water	4,866	-	592	-	5,458
93200	Electricity	30,454	-	827	-	31,281
93600	Sewer	14,144	-	-	-	14,144
93000	Total Utilities	49,464	-	1,419	-	50,883
94100	Ordinary Maintenance and Operations - Labor	19,400	-	583	-	19,983
94200	Ordinary Maintenance and Operations - Materials and Other	8,152	-	676	-	8,828
94300	Ordinary Maintenance and Operations Contracts	7,640	-	1,375	-	9,015
94500	Employee Benefit Contributions - Ordinary Maintenance	1,451	-	45	-	1,496
94000	Total Maintenance	36,643	-	2,679	-	39,322
96110	Property Insurance	15,806	-	-	-	15,806
96120	Liability Insurance	1,000	-	-	-	1,000
96130	Workmen's Compensation	271	-	-	-	271
96100	Total insurance Premiums	17,077	-	-	-	17,077
96200	Other General Expenses	-	-	2,973	-	2,973
96300	Payments in Lieu of Taxes	4,381	-	3,117	-	7,498
96400	Bad debt - Tenant Rents	86	-	-	-	86
96000	Total Other General Expenses	4,467	-	6,090	-	10,557
96720	Interest on Notes Payable (Short and Long Term)	-	-	4,167	-	4,167
96700	Total Interest Expense and Amortization Cost	-	-	4,167	-	4,167
96900	Total Operating Expenses	164,871	-	17,554	-	182,425
97000	Excess of Operating Revenue over Operating Expenses	(24,790)	-	19,212	-	(5,578)
97200	Casualty Losses - Non-capitalized	9,318	-	17,403	-	26,721
97400	Depreciation Expense	49,151	-	10,313	-	59,464
90000	Total Expenses	223,340	-	45,270	-	268,610

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

Line Item#	Description	Low Rent Public Housing	Capital Fund Program	Business Activities	ELIM	Total
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (83,259)	\$ -	\$ (8,504)	\$ -	\$ (91,763)
11020	Required Annual Debt Principal Payments	-	-	12,806	-	12,806
11030	Beginning Equity	519,292	-	(18,206)	-	501,086
11190	Unit Months Available	384	-	48	-	432
11210	Number of Unit Months Leased	352	-	48	-	400
11270	Excess Cash	72,700	-	-	-	72,700

**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 Authority), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 7, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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.

Board of Commissioners  
Webster Housing and Redevelopment Commission

### **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.

A handwritten signature in blue ink that reads "Johnson Mattson Smail & Cavanaugh, PLLC".

Johnson, Mattson, Smail & Cavanaugh, PLLC  
St. Louis Park, Minnesota  
August 7, 2018