



Financial Statements
December 31, 2022 and 2021

The Housing and Redevelopment
Commission of the City of Aberdeen,
South Dakota

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

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Independent Auditor's Report

The Board of Commissioners
The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
(A Component Unit of the City of Aberdeen, South Dakota)
Aberdeen, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota (the "Commission"), a component unit of the City of Aberdeen, South Dakota, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota (the "Commission"), a component unit of the City of Aberdeen, South Dakota, as of December 31, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are required to be independent of the Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 10 and the Schedule of Net Pension Liability (Asset) and Schedule of Pension Contributions on pages 58 through 60 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 Financial Data Schedule and Schedule of Modernization Projects Completed, as required by U.S. Department of Housing and Urban Development along with the Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2023, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



Aberdeen, South Dakota
April 27, 2023

Introduction

This section of The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota's (the "Commission") annual financial report presents management's discussion and analysis of the Commission's financial performance during the years ended December 31, 2022 and 2021. This analysis is meant to provide additional insight into the Commission's significant financial issues and concerns and should be read in conjunction with the independent auditor's report, financial statements, notes to the financial statements, and supplementary information.

The Commission was established in 1969 for the purpose of providing housing and housing assistance to the low and very low income, elderly, family, and disabled, through low-rent housing programs designated to provide decent, safe, affordable, and sanitary housing. The Commission operates four separate programs for low-income housing. These programs are Public Housing, Section 8 Housing Choice Voucher Program, the Sherman Apartments, which is a Section 8 New Construction project, and Aberdeen Housing Management. The Commission also manages Lawson View Townhomes, Sunshine Park Townhomes, Meadow Wood Townhomes, Jackson Heights, and Central Villas. Lawson View Townhomes is also a multifamily HUD property which also has Tax Credits and Home Funds. Sunshine Park Townhomes, Meadow Wood Townhomes, Jackson Heights, and Central Villas are Tax Credit and Home Fund properties. Management fees derived from these properties are reflected in the AHA Management account. For a detailed description of each program, please see Note 1 of the notes to the financial statements. A breakdown of the individual programs' financial information can be found in the supplementary information section of the following financial statements.

These financial statements present the Commission and its blended component units, Aberdeen Housing, LLC; Lawson Developers, LLC; AHA Housing, LLC; and Meadow Wood Housing, LLC. These entities were created to assist in the development and management of the Lawson View Townhomes Limited Partnership, of which Aberdeen Housing, LLC is a special limited partner, Sunshine Park Limited Partnership, of which AHA Housing, LLC is a general partner, and Meadow Wood Townhomes Limited Partnership, of which Meadow Wood Housing, LLC is a general partner.

The financial statements also present the financial information of the aforementioned Lawson View Townhomes, LP, Sunshine Park, LP, Meadow Wood Townhomes, LP, Jackson Heights Apartments, LP, and Central Villas, LP, as discretely presented component units. For all five of these entities, the Commission or one of its blended component units is a partner and management agent for the limited partnership.

All of the Commission's core programs are accounted for as one enterprise fund for financial reporting purposes. The Commission's blended component units are also reported as enterprise funds. The Commission is a component unit of the City of Aberdeen, South Dakota, and its financial statements are included in the Annual Report of the City of Aberdeen.

Financial Highlights for 2022

- Total assets and deferred outflows of resources of the Commission decreased \$136,611 (or 2.1%) as of December 31, 2022.
- Total liabilities and deferred inflows of resources of the Commission decreased \$294,989 (or 46.92%) as of December 31, 2022.
- Net position of the Commission increased \$158,378 (or 2.7%) as of December 31, 2022.
- Unrestricted cash of the Commission increased \$170,305 (or 8.05%) as of December 31, 2022.
- Operating revenue of the Commission increased by \$410,969 (or 11.00%) from 2021 to 2022.
- Operating expenses of the Commission increased by \$526,038 (or 14.1%) from 2021 to 2022.
- Non-operating revenues and expenses decreased by \$250 (or 1.1%) from 2021 to 2022.
- Capital contributions increased by \$51,581 (or 25.75%) from 2021 to 2022.

Financial Highlights for 2021

- Total assets and deferred outflows of resources of the Commission increased \$455,693 (or 7.7%) as of December 31, 2021.
- Total liabilities and deferred inflows of resources of the Commission increased \$233,577 (or 59.11%) as of December 31, 2021.
- Net position of the Commission increased \$222,116 (or 4.0%) as of December 31, 2021.
- Unrestricted cash of the Commission increased \$650,456 (or 44.43%) as of December 31, 2021.
- Operating revenue of the Commission increased by \$62,715 (or 1.71%) from 2020 to 2021.
- Operating expenses of the Commission increased by \$69,635 (or 1.9%) from 2020 to 2021.
- Non-operating revenues and expenses increased by \$3,981 (or 22.0%) from 2020 to 2021.
- Capital contributions decreased by \$18,250 (or 8.35%) from 2020 to 2021.

Commission's Financial Statements

Enterprise Funds

The Commission is presenting its discussion and analysis based on the financial results of its enterprise funds in three basic financial statements: the statements of net position; the statements of revenues, expenses and changes in net position; and the statements of cash flows. The statements of net position report all financial and capital assets of the Commission and are presented in a format where assets equal liabilities plus net position and also serves as the basis for analysis of the soundness and liquidity of the Commission. Net position is broken down into the following three categories:

- Net Investment in Capital Assets – Consists of all capital assets net of accumulated depreciation, reduced by the outstanding balances of mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

- Restricted Net Position – Consists of assets that are restricted by constraints placed on the asset by external parties, such as creditors, grantors, contributors, laws, or regulations, reduced by liabilities payable from such assets.
- Unrestricted Net Position – Consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

The statements of revenues, expenses, and changes in net position include operating revenues, such as rental income and grant revenue; operating expenses, such as administrative, utilities, maintenance, and depreciation; non-operating revenues and expenses, such as investment income and interest expense; and capital contributions. The statements' focus is in the change in net position which is similar to net income and loss and summarizes the Commission's operating performance for the year.

Finally, the statements of cash flows are included, which disclose net cash flows from operating activities, capital and related financing activities, investing activities, and non-capital investing and financing activities.

These basic financial statements utilize the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period when they are incurred.

Fiduciary Fund

The financial statements also include a fiduciary fund that provides information about a financial relationship in which the Commission acts solely as a trustee or agent for the benefit of others to whom the resources held belong. The fiduciary fund of the Commission was an agency fund, which was closed in 2021. Agency funds are custodial in nature and do not involve measurement of results of operations.

Capital Assets

As of December 31, 2022 and 2021, the Commission's capital assets for its business-type activities were \$2,780,158 and \$2,813,951 (net of accumulated depreciation), respectively. Capital assets include land, buildings, improvements, and equipment.

Major capital asset purchases during the year ended December 31, 2022, include the following:

- Capital expenditures of \$64,474 for building improvements in Public Housing.
- Capital expenditures of \$29,180 for furniture and fixtures in Public Housing.
- Capital expenditures of \$41,866 for furniture and fixtures at the Sherman Apartments.
- Capital expenditures of \$33,260 for furniture and fixtures in Management.
- Capital expenditures of \$10,449 for furniture and fixtures in Section 8 Voucher.

Major capital assets purchases during the year ended December 31, 2021, include the following:

- Capital expenditures of \$128,374 for building improvements in Public Housing.
- Capital expenditures of \$5,033 for land improvements at the Sherman Apartments.
- Capital expenditures of \$8,967 for furniture and fixtures at the Sherman Apartments.
- Capital expenditures of \$29,109 for furniture and fixtures in Public Housing.
- Capital expenditures of \$2,077 for furniture and fixtures in Section 8 Voucher.

Additional information on the Commission's capital assets can be found in Note 3 of this report.

Long-Term Liabilities

As of December 31, 2022 and 2021, long-term liabilities totaled \$0 and \$0, respectively, which related to the financing on the Sherman Apartment Project. There was no new long-term debt issued during 2022 or 2021.

Program Revenues and Expenses by Major Source and Category

Aberdeen Housing Commission – Primary Government Enterprise Fund

Significant information relating to the revenues and expenses of the subfunds of the Aberdeen Housing Commission enterprise fund is presented below.

Aberdeen Housing Commission – Public Housing

Year Ended December 31, 2022:

Total operating revenue decreased by \$22,943 from 2021 to 2022. Total operating expenses increased by \$127,586. Capital contributions increased by \$51,581.

Year Ended December 31, 2021:

Total operating revenue increased by \$56,309 from 2020 to 2021. Total operating expenses decreased by \$31,318. Total non-operating revenues/expenses decreased by \$2,800. Capital contributions decreased by \$18,250.

Aberdeen Housing Commission – Section 8 Vouchers

Year Ended December 31, 2022:

Total operating revenue increased by \$394,727 from 2021 to 2022. Total operating expenses increased by \$294,915.

Year Ended December 31, 2021:

Total operating revenue decreased by \$46,753 from 2020 to 2021. Total operating expenses increased by \$173,927.

Aberdeen Housing Commission – Section 8 New Construction (Sherman Apartments)

Year Ended December 31, 2022:

Total operating revenue increased by \$8,453 from 2021 to 2022. Total operating expenses increased by \$35,971. Total non-operating revenue/expenses increased by \$622.

Year Ended December 31, 2021:

Total operating revenue increased by \$13,177 from 2020 to 2021. Total operating expenses decreased by \$57,601. Total non-operating revenues/expenses decreased by \$7,431, and the fund transferred \$506,291 to the Management Account in 2021.

Aberdeen Housing Commission – Management Account

Year Ended December 31, 2022:

Total operating revenue decreased by \$899 from 2021 to 2022. Total operating expenses increased by \$36,435. Total non-operating revenues decreased by \$398.

Year Ended December 31, 2021:

Total operating revenue increased by \$42,335 from 2020 to 2021. Total operating expenses decreased by \$13,020. Total non-operating revenues decreased by \$577, and the fund received \$506,291 from Section 8 New Construction in 2021.

Significant information pertaining to the four blended component units of the Aberdeen Housing Commission is presented below.

Aberdeen Housing, LLC

Aberdeen Housing, LLC had limited activity during 2021 and 2022. Total operating revenues were \$0. Total operating expenses were \$50 for the years ended December 31, 2022 and 2021.

Lawson Developers, LLC

Lawson Developers, LLC had limited activity during 2021 and 2022. Total operating revenues were \$0. Total operating expenses and transfers out were \$8,667 and \$17,334 for the years ended December 31, 2022 and 2021, respectively.

AHA Housing, LLC

Aberdeen Housing, LLC had limited activity during 2021 and 2022. Total operating revenues were \$0. Total operating expenses were \$50 for the years ended December 31, 2022 and 2021.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Management's Discussion and Analysis
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Meadow Wood Housing, LLC

Meadow Wood Housing, LLC had limited activity during 2021 and 2022. Total operating revenues were \$5,500 and \$5,000 for the years ended December 31, 2022 and 2021, respectively. Total operating expenses and transfers were \$5,450 and \$4,950 for the years ended December 31, 2022 and 2021, respectively.

Condensed Financial Information

	2022	2021	2020
Assets			
Current assets	\$ 2,374,762	\$ 2,227,236	\$ 1,577,566
Capital assets	2,780,158	2,813,951	2,846,535
Other assets	852,312	1,066,719	1,338,828
Total assets	6,007,232	6,107,906	5,762,929
Deferred Outflows of Resources	264,073	300,010	189,294
Total assets and deferred outflows	\$ 6,271,305	\$ 6,407,916	\$ 5,952,223
Liabilities			
Current liabilities	\$ 164,638	\$ 176,315	\$ 225,466
Total liabilities	164,638	176,315	225,466
Deferred Inflows of Resources	169,137	452,449	169,721
Net Position			
Net investment in capital assets	2,780,158	2,813,951	2,776,725
Restricted net position	60,907	14,137	649,276
Restricted for pension	97,839	81,590	20,867
Unrestricted net position	2,998,626	2,869,474	2,110,168
Total net position	5,937,530	5,779,152	5,557,036
Total liabilities, deferred inflows and net position	\$ 6,271,305	\$ 6,407,916	\$ 5,952,223

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Management's Discussion and Analysis
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	2022	2021	2020
Operating Revenues			
Dwelling rental income	\$ 868,630	\$ 865,040	\$ 820,685
HUD subsidies	2,956,567	2,562,297	2,544,065
Management and administration fees	305,756	293,963	289,844
Other	14,971	13,655	17,646
Total operating revenues	<u>4,145,924</u>	<u>3,734,955</u>	<u>3,672,240</u>
Operating Expenses			
Rental assistance payments	2,325,795	2,142,153	1,932,033
General and administrative	1,935,462	1,593,066	1,733,551
Total operating expenses	<u>4,261,257</u>	<u>3,735,219</u>	<u>3,665,584</u>
Operating Income (Loss)	(115,333)	(264)	6,656
Nonoperating Revenue (Expense)	21,810	22,060	18,079
Capital Contributions	<u>251,901</u>	<u>200,320</u>	<u>218,570</u>
Change in Net Position	158,378	222,116	243,305
Net Position, Beginning	<u>5,779,152</u>	<u>5,557,036</u>	<u>5,313,731</u>
Net Position, End of Year	<u><u>\$ 5,937,530</u></u>	<u><u>\$ 5,779,152</u></u>	<u><u>\$ 5,557,036</u></u>

Economic Factors and Future Development

Significant economic factors that can affect the Aberdeen Housing Authority are as follows:

- Federal funding appropriations provided by Congress to HUD
- Local labor supply and demand, which can affect salary and wage rates
- 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

Contacting the Commission's Financial Management

This report is presented to provide additional information regarding the operations of the Commission and to meet the requirements of GASB Statement No. 34.

The information in this report is intended to provide the reader with an overview of the Commission's operations, along with the Commission's accountability for those operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Aberdeen Housing Commission, 310 South Roosevelt Street, Aberdeen, South Dakota, 57401.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Statements of Net Position

December 31, 2022 and 2021

	2022					Aggregate Discretely Presented Component Units
	Primary Government	Aberdeen Housing, LLC	Blended Component Units Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC	Total
Assets						
Current Assets						
Cash and cash equivalents	\$ 2,235,941	\$ -	\$ -	\$ -	\$ -	\$ 2,235,941
Tenant accounts receivable	6,054	-	-	-	-	6,054
Funded security deposits	48,969	-	-	-	-	48,969
Other accounts receivable	37,683	-	-	-	-	37,683
Accrued interest receivable	21,930	-	-	-	-	21,930
Prepaid expenses	24,185	-	-	-	-	24,185
Total current assets	2,374,762	-	-	-	-	2,374,762
Property and Equipment						
Land and land improvements	540,961	-	-	-	-	540,961
Buildings and improvements	10,195,043	-	-	-	-	10,195,043
Furniture, equipment and machinery - dwellings	365,131	-	-	-	-	365,131
Furniture, equipment and machinery - nondwelling	419,871	-	-	-	-	419,871
	11,521,006	-	-	-	-	11,521,006
Less accumulated depreciation	(8,740,848)	-	-	-	-	(8,740,848)
Total property and equipment	2,780,158	-	-	-	-	2,780,158
Other Assets						
Restricted deposits and reserves	303,960	-	-	-	-	303,960
Note receivable - related party	389,159	-	-	-	-	389,159
Other non-current receivables - related party	-	-	17,329	-	-	17,329
Investment in limited partnerships	138,653	100	-	10	198	138,961
Net pension asset	2,903	-	-	-	-	2,903
Tax credit fees, at cost, net of accumulated amortization	-	-	-	-	-	-
Total other assets	834,675	100	17,329	10	198	852,312
Deferred Outflows of Resources						
Pension related deferred outflows	264,073	-	-	-	-	264,073
	\$ 6,253,668	\$ 100	\$ 17,329	\$ 10	\$ 198	\$ 6,271,305

See Notes to Financial Statements

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Statements of Net Position
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	2022					Aggregate Discretely Presented Component Units
	Primary Government	Aberdeen Housing, LLC	Blended Component Units Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC	
Liabilities and Net Position						
Current Liabilities						
Current portion of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 198,786
Accounts payable	8,118	-	-	-	-	36,974
Due to other governments	34,943	-	-	-	-	-
Tenant security deposits	48,969	-	-	-	-	92,700
Accrued liabilities:						
Wages and payroll taxes payable	33,123	-	-	-	-	-
Interest	-	-	-	-	-	30,889
Vacation pay	38,688	-	-	-	-	-
Unearned revenues	797	-	-	-	-	-
Other	-	-	-	-	-	71,121
Total current liabilities	164,638	-	-	-	-	430,470
Non-Current Liabilities						
Long-term debt, net of current portion and unamortized debt issuance costs	-	-	-	-	-	4,164,364
Other non-current payable	-	-	-	-	-	93,103
Total non-current liabilities	-	-	-	-	-	4,257,467
Total liabilities	164,638	-	-	-	-	4,687,937
Deferred Inflows of Resources						
Pension related deferred inflows	169,137	-	-	-	-	-
Net Position						
Net investment in capital assets	2,780,158	-	-	-	-	9,368,418
Restricted for HUD Voucher Program	60,907	-	-	-	-	-
Restricted for mortgage escrows	-	-	-	-	-	1,129,612
Restricted for pension (see Note 8)	97,839	-	-	-	-	-
Unrestricted net position	2,980,989	100	17,329	10	198	613,015
Total net position	5,919,893	100	17,329	10	198	11,111,045
	\$ 6,253,668	\$ 100	\$ 17,329	\$ 10	\$ 198	\$ 15,798,982

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
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	2021						Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units				Total	
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC		
Assets							
Current Assets							
Cash and cash equivalents	\$ 2,067,704	\$ -	\$ -	\$ -	\$ -	\$ 2,067,704	\$ 707,421
Tenant accounts receivable	5,798	-	-	-	-	5,798	17,708
Funded security deposits	46,901	-	-	-	-	46,901	92,313
Other accounts receivable	50,037	-	-	-	-	50,037	-
Accrued interest receivable	27,899	-	-	-	-	27,899	-
Prepaid expenses	28,897	-	-	-	-	28,897	27,877
Total current assets	2,227,236	-	-	-	-	2,227,236	845,319
Property and Equipment							
Land and land improvements	540,961	-	-	-	-	540,961	715,043
Buildings and improvements	10,130,569	-	-	-	-	10,130,569	20,790,090
Furniture, equipment and machinery - dwellings	343,017	-	-	-	-	343,017	1,249,056
Furniture, equipment and machinery - nondwelling	346,365	-	-	-	-	346,365	-
	11,360,912	-	-	-	-	11,360,912	22,754,189
Less accumulated depreciation	(8,546,961)	-	-	-	-	(8,546,961)	(8,151,769)
Total property and equipment	2,813,951	-	-	-	-	2,813,951	14,602,420
Other Assets							
Restricted deposits and funded reserves	277,246	-	-	-	-	277,246	1,053,881
Note receivable - related party	390,487	-	-	-	-	390,487	-
Other non-current receivables - related party	-	-	25,996	-	-	25,996	-
Investment in limited partnerships	138,653	100	-	10	198	138,961	-
Net pension asset	234,029	-	-	-	-	234,029	-
Tax credit fees, at cost, net of accumulated amortization	-	-	-	-	-	-	90,653
Total other assets	1,040,415	100	25,996	10	198	1,066,719	1,144,534
Deferred Outflows of Resources							
Pension related deferred outflows	300,010	-	-	-	-	300,010	-
	\$ 6,381,612	\$ 100	\$ 25,996	\$ 10	\$ 198	\$ 6,407,916	\$ 16,592,273

See Notes to Financial Statements

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Statements of Net Position
December 31, 2022 and 2021

	2021					
	Primary Government	Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC	Aggregate Discretely Presented Component Units
Liabilities and Net Position						
Current Liabilities						
Current portion of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 295,704
Accounts payable	27,470	-	-	-	-	25,215
Due to other governments	33,888	-	-	-	-	-
Tenant security deposits	46,901	-	-	-	-	92,309
Accrued liabilities:						
Wages and payroll taxes payable	29,802	-	-	-	-	-
Interest	-	-	-	-	-	36,957
Vacation pay	35,576	-	-	-	-	-
Unearned revenues	2,678	-	-	-	-	-
Other	-	-	-	-	-	68,571
Total current liabilities	176,315	-	-	-	-	518,756
Non-Current Liabilities						
Long-term debt, net of current portion and unamortized debt issuance costs	-	-	-	-	-	4,353,323
Other non-current payable - related party	-	-	-	-	-	132,678
Total non-current liabilities	-	-	-	-	-	4,486,001
Total liabilities	176,315	-	-	-	-	5,004,757
Deferred Inflows of Resources						
Pension related deferred inflows	452,449	-	-	-	-	-
Net Position						
Net investment in capital assets	2,813,951	-	-	-	-	9,853,161
Restricted for HUD Voucher Program	14,137	-	-	-	-	-
Restricted for mortgage escrows	-	-	-	-	-	1,053,881
Restricted for pension (see Note 8)	81,590	-	-	-	-	-
Unrestricted net position	2,843,170	100	25,996	10	198	680,474
Total net position	5,752,848	100	25,996	10	198	11,587,516
	\$ 6,381,612	\$ 100	\$ 25,996	\$ 10	\$ 198	\$ 16,592,273

See Notes to Financial Statements

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2022 and 2021

	2022					Aggregate Discretely Presented Component Units
	Primary Government	Aberdeen Housing, LLC	Blended Component Units Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC	
Operating Revenues						
Dwelling rental income	\$ 868,630	\$ -	\$ -	\$ -	\$ -	\$ 1,449,220
HUD subsidies	2,956,567	-	-	-	-	-
Management and administration fees	300,256	-	-	-	5,500	25,731
Other revenue	14,971	-	-	-	-	6,748
Total operating revenues	4,140,424	-	-	-	5,500	1,481,699
Operating Expenses						
Administrative	899,743	50	50	50	50	356,082
Tenant services	110,291	-	-	-	-	-
Utilities	133,587	-	-	-	-	197,327
Ordinary maintenance and operation	285,587	-	-	-	-	270,675
General expenses	92,051	-	-	-	-	71,178
Rental assistance payments	2,325,795	-	-	-	-	-
Depreciation and amortization	212,746	-	-	-	-	906,714
Extraordinary maintenance	201,257	-	-	-	-	-
Total operating expenses	4,261,057	50	50	50	50	1,801,976
Operating Income (Loss)	(120,633)	(50)	(50)	(50)	5,450	(320,277)
Nonoperating Revenue (Expense)						
Interest income	22,086	-	-	-	-	2,246
Interest expense	-	-	-	-	-	(131,860)
Loss on disposal of property and equipment	(276)	-	-	-	-	-
Total nonoperating revenue (expense)	21,810	-	-	-	-	(129,614)
Income (Loss) Before Other Revenues, Expenses, and Transfers	(98,823)	(50)	(50)	(50)	5,450	(449,891)
Capital contributions	251,901	-	-	-	-	-
Capital distributions	-	-	-	-	-	(26,580)
Transfer to (from) blended component units	13,967	50	(8,617)	50	(5,450)	-
Change in Net Position	167,045	-	(8,667)	-	-	(476,471)
Net Position, Beginning of Year	5,752,848	100	25,996	10	198	11,587,516
Net Position, End of Year	\$ 5,919,893	\$ 100	\$ 17,329	\$ 10	\$ 198	\$ 11,111,045

See Notes to Financial Statements

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2022 and 2021

	2021					Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units			Total	
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC	
Operating Revenues						
Dwelling rental income	\$ 865,040	\$ -	\$ -	\$ -	\$ -	\$ 1,440,987
HUD subsidies	2,562,297	-	-	-	-	-
Management and administration fees	288,963	-	-	-	5,000	28,385
Other revenue	13,655	-	-	-	-	6,208
Total operating revenues	3,729,955	-	-	-	5,000	1,475,580
Operating Expenses						
Administrative	732,600	50	50	50	50	329,041
Tenant services	68,264	-	-	-	-	-
Utilities	129,433	-	-	-	-	174,660
Ordinary maintenance and operation	256,633	-	-	-	-	263,045
General expenses	76,764	-	-	-	-	67,962
Rental assistance payments	2,142,153	-	-	-	-	-
Depreciation and amortization	206,141	-	-	-	-	928,439
Extraordinary maintenance	123,031	-	-	-	-	-
Total operating expenses	3,735,019	50	50	50	50	1,763,147
Operating Income (Loss)	(5,064)	(50)	(50)	(50)	4,950	(287,567)
Nonoperating Revenue (Expense)						
Interest income	23,054	-	-	-	-	340
Interest expense	(994)	-	-	-	-	(135,929)
Total nonoperating revenue (expense)	22,060	-	-	-	-	(135,589)
Income (Loss) Before Other Revenues, Expenses, and Transfers	16,996	(50)	(50)	(50)	4,950	(423,156)
Capital contributions	200,320	-	-	-	-	-
Capital distributions	-	-	-	-	-	(13,162)
Transfer to (from) blended component units	22,134	50	(17,284)	50	(4,950)	-
Change in Net Position	239,450	-	(17,334)	-	-	(436,318)
Net Position, Beginning of Year	5,513,398	100	43,330	10	198	12,023,834
Net Position, End of Year	\$ 5,752,848	\$ 100	\$ 25,996	\$ 10	\$ 198	\$ 11,587,516

See Notes to Financial Statements

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	2022					Aggregate Discretely Presented Component Units
	Primary Government	Aberdeen Housing, LLC	Blended Component Units Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC	Total
Operating Activities						
Receipts from tenant payments	\$ 868,561	\$ -	\$ -	\$ -	\$ -	\$ 868,561
Receipts for management fees and other	327,581	-	8,667	-	5,500	341,748
Receipts from HUD subsidies	2,956,567	-	-	-	-	2,956,567
Payments to employees	(768,304)	-	-	-	-	(768,304)
Housing assistance payments	(2,325,795)	-	-	-	-	(2,325,795)
Payments to suppliers and others	(977,613)	(50)	(50)	(50)	(50)	(977,813)
Net Cash from (used for) Operating Activities	80,997	(50)	8,617	(50)	5,450	94,964
Noncapital Financing Activities						
Transfers from (to) blended component unit	14,167	-	(8,667)	-	(5,500)	-
Transfers from (to) blended component unit	(200)	50	50	50	50	-
HUD capital contributions	251,901	-	-	-	-	251,901
Net Cash from (used for) Noncapital Financing Activities	265,868	50	(8,617)	50	(5,450)	251,901
Capital and Related Financing Activities						
Purchase of property and equipment	(179,229)	-	-	-	-	(179,229)
Purchase of other assets	-	-	-	-	-	-
Payment on other liabilities	-	-	-	-	-	-
Payments for interest	-	-	-	-	-	-
Principal payments on long-term debt	-	-	-	-	-	-
Equity distributions	-	-	-	-	-	-
Net Cash used for Capital and Related Financing Activities	(179,229)	-	-	-	-	(179,229)
Investing Activities						
Payments received on notes receivable	1,328	-	-	-	-	1,328
Interest received	28,055	-	-	-	-	28,055
Net Cash from Investing Activities	29,383	-	-	-	-	29,383
Net Change in Cash and Cash Equivalents	197,019	-	-	-	-	197,019
Cash and Cash Equivalents, Beginning of Year	2,391,851	-	-	-	-	2,391,851
Cash and Cash Equivalents, End of Year	\$ 2,588,870	\$ -	\$ -	\$ -	\$ -	\$ 2,588,870

See Notes to Financial Statements

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Statements of Cash Flows Years Ended December 31, 2022 and 2021

	2022						Aggregate Discretely Presented Component Units
	Primary Government	Aberdeen Housing, LLC	Blended Component Units Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC	Total	
Cash consists of:							
Cash	\$ 2,235,941	\$ -	\$ -	\$ -	\$ -	\$ 2,235,941	\$ 690,157
Funded security deposits	48,969	-	-	-	-	48,969	92,972
Restricted deposits	303,960	-	-	-	-	303,960	1,129,612
	<u>\$ 2,588,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,588,870</u>	<u>\$ 1,912,741</u>
Operating Activities							
Operating income (loss)	\$ (120,633)	\$ (50)	\$ (50)	\$ (50)	\$ 5,450	\$ (115,333)	\$ (320,277)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:							
Depreciation and amortization	212,746	-	-	-	-	212,746	906,714
Change in assets and liabilities:							
Rental accounts receivable	(256)	-	-	-	-	(256)	(2,982)
Other receivables	12,354	-	8,667	-	-	21,021	-
Prepaid expenses	4,712	-	-	-	-	4,712	(1,383)
Accounts payable and other accrued liabilities	(11,864)	-	-	-	-	(11,864)	8,243
Tenant security deposits	2,068	-	-	-	-	2,068	391
Pension asset/liability, deferred inflows and outflows	(16,249)	-	-	-	-	(16,249)	-
Unearned revenues	(1,881)	-	-	-	-	(1,881)	-
Net Cash from (used for) Operating Activities	<u>\$ 80,997</u>	<u>\$ (50)</u>	<u>\$ 8,617</u>	<u>\$ (50)</u>	<u>\$ 5,450</u>	<u>\$ 94,964</u>	<u>\$ 590,706</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Statements of Cash Flows Years Ended December 31, 2022 and 2021

	2021					Aggregate Discretely Presented Component Units
	Primary Government	Aberdeen Housing, LLC	Blended Component Units Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC	Total
Operating Activities						
Receipts from tenant payments	\$ 874,507	\$ -	\$ -	\$ -	\$ -	\$ 874,507
Receipts for management fees and other	290,671	-	17,334	-	5,000	313,005
Receipts from HUD subsidies	2,562,297	-	-	-	-	2,562,297
Payments to employees	(707,522)	-	-	-	-	(707,522)
Housing assistance payments	(2,142,153)	-	-	-	-	(2,142,153)
Payments to suppliers and others	(730,163)	(50)	(50)	(50)	(50)	(730,363)
Net Cash from (used for) Operating Activities	147,637	(50)	17,284	(50)	4,950	169,771
Noncapital Financing Activities						
Transfers from (to) blended component unit	22,334	-	(17,334)	-	(5,000)	-
Transfers from (to) blended component unit	(200)	50	50	50	50	-
HUD capital contributions	200,320	-	-	-	-	200,320
Net Cash from (used for) Noncapital Financing Activities	222,454	50	(17,284)	50	(4,950)	200,320
Capital and Related Financing Activities						
Purchase of property and equipment	(173,557)	-	-	-	-	(173,557)
Purchase of other assets	-	-	-	-	-	-
Payments on other liabilities	-	-	-	-	-	-
Payments for interest	(1,488)	-	-	-	-	(1,488)
Principal payments on long-term debt	(69,810)	-	-	-	-	(69,810)
Equity distributions	-	-	-	-	-	-
Net Cash used for Capital and Related Financing Activities	(244,855)	-	-	-	-	(244,855)
Investing Activities						
Interest received	37,710	-	-	-	-	37,710
Net Cash from Investing Activities	37,710	-	-	-	-	37,710
Net Change in Cash and Cash Equivalents	162,946	-	-	-	-	162,946
Cash and Cash Equivalents, Beginning of Year	2,228,905	-	-	-	-	2,228,905
Cash and Cash Equivalents, End of Year	\$ 2,391,851	\$ -	\$ -	\$ -	\$ -	\$ 2,391,851

See Notes to Financial Statements

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Statements of Cash Flows Years Ended December 31, 2022 and 2021

	2021					Aggregate Discretely Presented Component Units
	Primary Government	Aberdeen Housing, LLC	Blended Component Units Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC	Total
Cash consists of						
Cash	\$ 2,067,704	\$ -	\$ -	\$ -	\$ -	\$ 2,067,704
Funded security deposits	46,901	-	-	-	-	46,901
Restricted deposits	277,246	-	-	-	-	277,246
	<u>\$ 2,391,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,391,851</u>
Operating Activities						
Operating income (loss)	\$ (5,064)	\$ (50)	\$ (50)	\$ (50)	\$ 4,950	\$ (264)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:						
Depreciation and amortization	206,141	-	-	-	-	206,141
Change in assets and liabilities:						
Rental accounts receivable	8,046	-	-	-	-	8,046
Other receivables	(11,947)	-	17,334	-	-	5,387
Prepaid expenses	(9,969)	-	-	-	-	(9,969)
Accounts payable and other accrued liabilities	19,732	-	-	-	-	19,732
Tenant security deposits	(798)	-	-	-	-	(798)
Pension asset/liability, deferred inflows and outflows	(60,723)	-	-	-	-	(60,723)
Unearned revenues	2,219	-	-	-	-	2,219
Net Cash from (used for) Operating Activities	<u>\$ 147,637</u>	<u>\$ (50)</u>	<u>\$ 17,284</u>	<u>\$ (50)</u>	<u>\$ 4,950</u>	<u>\$ 169,771</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Net Position – Discretely Presented Component Units
December 31, 2022 and 2021

	2022					
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Total
Assets						
Current Assets						
Cash	\$ 179,715	\$ 193,130	\$ 201,211	\$ 52,758	\$ 63,343	\$ 690,157
Tenant accounts receivable	2,739	14,446	1,008	2,063	432	20,688
Funded security deposits	16,266	8,547	17,985	26,164	24,010	92,972
Prepaid expenses	6,366	10,219	2,158	7,496	3,021	29,260
Total current assets	<u>205,086</u>	<u>226,342</u>	<u>222,362</u>	<u>88,481</u>	<u>90,806</u>	<u>833,077</u>
Property and Equipment						
Land	100,774	40,369	142,900	292,500	138,500	715,043
Buildings and improvements	3,528,353	3,314,049	4,174,624	4,602,162	5,192,458	20,811,646
Furniture, equipment and machinery - dwellings	191,858	358,260	228,548	221,949	276,817	1,277,432
	<u>3,820,985</u>	<u>3,712,678</u>	<u>4,546,072</u>	<u>5,116,611</u>	<u>5,607,775</u>	<u>22,804,121</u>
Less accumulated depreciation	<u>(1,933,248)</u>	<u>(2,107,738)</u>	<u>(1,946,388)</u>	<u>(1,702,213)</u>	<u>(1,355,131)</u>	<u>(9,044,718)</u>
Total property and equipment	<u>1,887,737</u>	<u>1,604,940</u>	<u>2,599,684</u>	<u>3,414,398</u>	<u>4,252,644</u>	<u>13,759,403</u>
Other Assets						
Restricted deposits and funded reserves	304,308	202,797	216,232	254,996	151,279	1,129,612
Tax credit fees, at cost, net of accumulated amortization	<u>7,875</u>	<u>1,317</u>	<u>16,302</u>	<u>19,384</u>	<u>32,012</u>	<u>76,890</u>
Total other assets	<u>312,183</u>	<u>204,114</u>	<u>232,534</u>	<u>274,380</u>	<u>183,291</u>	<u>1,206,502</u>
	<u>\$ 2,405,006</u>	<u>\$ 2,035,396</u>	<u>\$ 3,054,580</u>	<u>\$ 3,777,259</u>	<u>\$ 4,526,741</u>	<u>\$ 15,798,982</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Net Position – Discretely Presented Component Units
December 31, 2022 and 2021

	2022					
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Total
Liabilities and Net Position						
Current Liabilities						
Current portion of long-term debt	\$ 25,771	\$ 86,797	\$ -	\$ 53,119	\$ 33,099	\$ 198,786
Accounts payable	7,069	8,017	6,877	8,157	6,854	36,974
Tenant security deposits	16,263	8,545	18,322	25,488	24,082	92,700
Accrued liabilities:						
Interest	11,630	13,560	-	2,527	3,172	30,889
Other	9,825	16,739	15,037	14,962	14,558	71,121
Total current liabilities	70,558	133,658	40,236	104,253	81,765	430,470
Non-Current Liabilities						
Long-term debt, net of current portion and unamortized debt issuance costs	1,007,982	719,102	-	1,214,542	1,222,738	4,164,364
Other non-current payable	-	17,329	-	75,774	-	93,103
Total non-current liabilities	1,007,982	736,431	-	1,290,316	1,222,738	4,257,467
Total liabilities	1,078,540	870,089	40,236	1,394,569	1,304,503	4,687,937
Net Position						
Net investment in capital assets	844,345	791,972	2,599,684	2,140,956	2,991,461	9,368,418
Restricted for mortgage escrows	304,308	202,797	216,232	254,996	151,279	1,129,612
Unrestricted net position (deficit)	177,813	170,538	198,428	(13,262)	79,498	613,015
Total net position	1,326,466	1,165,307	3,014,344	2,382,690	3,222,238	11,111,045
	<u>\$ 2,405,006</u>	<u>\$ 2,035,396</u>	<u>\$ 3,054,580</u>	<u>\$ 3,777,259</u>	<u>\$ 4,526,741</u>	<u>\$ 15,798,982</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Combining Statements of Net Position – Discretely Presented Component Units

December 31, 2022 and 2021

	2021					
	<u>Sunshine Park, LP</u>	<u>Lawson View Townhomes, LP</u>	<u>Meadow Wood Townhomes, LP</u>	<u>Jackson Heights Apartments, LP</u>	<u>Central Villas, LP</u>	<u>Total</u>
Assets						
Current Assets						
Cash	\$ 160,587	\$ 212,668	\$ 218,433	\$ 46,771	\$ 68,962	\$ 707,421
Tenant accounts receivable	179	16,610	-	917	2	17,708
Funded security deposits	14,916	9,892	18,737	24,961	23,807	92,313
Prepaid expenses	5,922	9,073	1,998	8,072	2,812	27,877
Total current assets	<u>181,604</u>	<u>248,243</u>	<u>239,168</u>	<u>80,721</u>	<u>95,583</u>	<u>845,319</u>
Property and Equipment						
Land	100,774	40,369	142,900	292,500	138,500	715,043
Buildings and improvements	3,528,353	3,292,493	4,174,624	4,602,162	5,192,458	20,790,090
Furniture, equipment and machinery - dwellings	186,750	353,036	218,374	214,079	276,817	1,249,056
	<u>3,815,877</u>	<u>3,685,898</u>	<u>4,535,898</u>	<u>5,108,741</u>	<u>5,607,775</u>	<u>22,754,189</u>
Less accumulated depreciation	<u>(1,784,460)</u>	<u>(1,960,381)</u>	<u>(1,769,420)</u>	<u>(1,516,253)</u>	<u>(1,121,255)</u>	<u>(8,151,769)</u>
Total property and equipment	<u>2,031,417</u>	<u>1,725,517</u>	<u>2,766,478</u>	<u>3,592,488</u>	<u>4,486,520</u>	<u>14,602,420</u>
Other Assets						
Restricted deposits and funded reserves	287,880	196,550	201,609	235,466	132,376	1,053,881
Tax credit fees, at cost, net of accumulated amortization	10,655	2,754	19,575	22,328	35,341	90,653
Total other assets	<u>298,535</u>	<u>199,304</u>	<u>221,184</u>	<u>257,794</u>	<u>167,717</u>	<u>1,144,534</u>
	<u>\$ 2,511,556</u>	<u>\$ 2,173,064</u>	<u>\$ 3,226,830</u>	<u>\$ 3,931,003</u>	<u>\$ 4,749,820</u>	<u>\$ 16,592,273</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Net Position – Discretely Presented Component Units
December 31, 2022 and 2021

	2021					
	<u>Sunshine Park, LP</u>	<u>Lawson View Townhomes, LP</u>	<u>Meadow Wood Townhomes, LP</u>	<u>Jackson Heights Apartments, LP</u>	<u>Central Villas, LP</u>	<u>Total</u>
Liabilities and Net Position						
Current Liabilities						
Current portion of long-term debt	\$ 23,525	\$ 123,976	\$ 63,724	\$ 51,894	\$ 32,585	\$ 295,704
Accounts payable	4,397	4,326	4,560	4,958	6,974	25,215
Tenant security deposits	14,915	9,892	18,736	24,960	23,806	92,309
Accrued liabilities:						
Interest	17,599	13,463	-	2,582	3,313	36,957
Other	8,277	19,511	13,850	13,676	13,257	68,571
Total current liabilities	<u>68,713</u>	<u>171,168</u>	<u>100,870</u>	<u>98,070</u>	<u>79,935</u>	<u>518,756</u>
Non-Current Liabilities						
Long-term debt, net of current portion and unamortized debt issuance costs	1,028,009	803,598	-	1,266,939	1,254,777	4,353,323
Other non-current payable	-	25,996	-	106,682	-	132,678
Total non-current liabilities	<u>1,028,009</u>	<u>829,594</u>	<u>-</u>	<u>1,373,621</u>	<u>1,254,777</u>	<u>4,486,001</u>
Total liabilities	<u>1,096,722</u>	<u>1,000,762</u>	<u>100,870</u>	<u>1,471,691</u>	<u>1,334,712</u>	<u>5,004,757</u>
Net Position						
Net investment in capital assets	962,164	738,360	2,702,754	2,256,438	3,193,445	9,853,161
Restricted for mortgage escrows	287,880	196,550	201,609	235,466	132,376	1,053,881
Unrestricted net position (deficit)	164,790	237,392	221,597	(32,592)	89,287	680,474
Total net position	<u>1,414,834</u>	<u>1,172,302</u>	<u>3,125,960</u>	<u>2,459,312</u>	<u>3,415,108</u>	<u>11,587,516</u>
	<u>\$ 2,511,556</u>	<u>\$ 2,173,064</u>	<u>\$ 3,226,830</u>	<u>\$ 3,931,003</u>	<u>\$ 4,749,820</u>	<u>\$ 16,592,273</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Revenues, Expenses and Changes in Net Position – Discretely Presented Component Units
Years Ended December 31, 2022 and 2021

	2022					
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Total
Operating Revenues						
Dwelling rental income	\$ 204,527	\$ 367,508	\$ 237,606	\$ 343,382	\$ 296,197	\$ 1,449,220
Management and administration fees	2,145	11,546	6,967	3,674	1,399	25,731
Other revenue	338	2,585	3,485	145	195	6,748
Total operating revenues	<u>207,010</u>	<u>381,639</u>	<u>248,058</u>	<u>347,201</u>	<u>297,791</u>	<u>1,481,699</u>
Operating Expenses						
Administrative	49,890	66,512	80,448	67,908	91,324	356,082
Utilities	27,719	36,143	29,704	67,067	36,694	197,327
Ordinary maintenance and operation	34,139	73,846	52,493	56,214	53,983	270,675
General expenses	20,122	10,514	14,305	13,739	12,498	71,178
Depreciation and amortization	151,568	148,794	180,241	188,906	237,205	906,714
Total operating expenses	<u>283,438</u>	<u>335,809</u>	<u>357,191</u>	<u>393,834</u>	<u>431,704</u>	<u>1,801,976</u>
Operating Income (Loss)	<u>(76,428)</u>	<u>45,830</u>	<u>(109,133)</u>	<u>(46,633)</u>	<u>(133,913)</u>	<u>(320,277)</u>
Nonoperating Revenue (Expense)						
Interest income	36	30	13	1,533	634	2,246
Interest expense	(11,976)	(49,855)	-	(31,522)	(38,507)	(131,860)
Total nonoperating revenue (expense)	<u>(11,940)</u>	<u>(49,825)</u>	<u>13</u>	<u>(29,989)</u>	<u>(37,873)</u>	<u>(129,614)</u>
Income (Loss) Before Other Revenues, Expenses, Gains, Losses, and Transfers	<u>(88,368)</u>	<u>(3,995)</u>	<u>(109,120)</u>	<u>(76,622)</u>	<u>(171,786)</u>	<u>(449,891)</u>
Capital distributions	<u>-</u>	<u>(3,000)</u>	<u>(2,496)</u>	<u>-</u>	<u>(21,084)</u>	<u>(26,580)</u>
Change in Net Position	<u>(88,368)</u>	<u>(6,995)</u>	<u>(111,616)</u>	<u>(76,622)</u>	<u>(192,870)</u>	<u>(476,471)</u>
Net Position, Beginning of Year	<u>1,414,834</u>	<u>1,172,302</u>	<u>3,125,960</u>	<u>2,459,312</u>	<u>3,415,108</u>	<u>11,587,516</u>
Net Position, End of Year	<u>\$ 1,326,466</u>	<u>\$ 1,165,307</u>	<u>\$ 3,014,344</u>	<u>\$ 2,382,690</u>	<u>\$ 3,222,238</u>	<u>\$ 11,111,045</u>

See Notes to Financial Statements

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Revenues, Expenses and Changes in Net Position – Discretely Presented Component Units
Years Ended December 31, 2022 and 2021

	2021					
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Total
Operating Revenues						
Dwelling rental income	\$ 201,875	\$ 367,758	\$ 243,276	\$ 337,053	\$ 291,025	\$ 1,440,987
Management and administration fees	5,631	12,143	3,784	4,456	2,371	28,385
Other revenue	392	4,506	948	265	97	6,208
Total operating revenues	<u>207,898</u>	<u>384,407</u>	<u>248,008</u>	<u>341,774</u>	<u>293,493</u>	<u>1,475,580</u>
Operating Expenses						
Administrative	45,621	67,908	61,982	66,704	86,826	329,041
Utilities	25,335	26,063	27,395	61,783	34,084	174,660
Ordinary maintenance and operation	35,994	77,188	43,492	59,725	46,646	263,045
General expenses	19,566	9,983	13,313	13,494	11,606	67,962
Depreciation and amortization	151,802	151,785	179,138	186,228	259,486	928,439
Total operating expenses	<u>278,318</u>	<u>332,927</u>	<u>325,320</u>	<u>387,934</u>	<u>438,648</u>	<u>1,763,147</u>
Operating Income (Loss)	<u>(70,420)</u>	<u>51,480</u>	<u>(77,312)</u>	<u>(46,160)</u>	<u>(145,155)</u>	<u>(287,567)</u>
Nonoperating Revenue (Expense)						
Interest income	28	28	11	171	102	340
Interest expense	(12,641)	(50,783)	-	(32,422)	(40,083)	(135,929)
Total nonoperating revenue (expense)	<u>(12,613)</u>	<u>(50,755)</u>	<u>11</u>	<u>(32,251)</u>	<u>(39,981)</u>	<u>(135,589)</u>
Income (Loss) Before Other Revenues, Expenses, Gains, Losses, and Transfers	(83,033)	725	(77,301)	(78,411)	(185,136)	(423,156)
Capital distributions	-	(6,000)	(1,089)	-	(6,073)	(13,162)
Change in Net Position	(83,033)	(5,275)	(78,390)	(78,411)	(191,209)	(436,318)
Net Position, Beginning of Year	<u>1,497,867</u>	<u>1,177,577</u>	<u>3,204,350</u>	<u>2,537,723</u>	<u>3,606,317</u>	<u>12,023,834</u>
Net Position, End of Year	<u>\$ 1,414,834</u>	<u>\$ 1,172,302</u>	<u>\$ 3,125,960</u>	<u>\$ 2,459,312</u>	<u>\$ 3,415,108</u>	<u>\$ 11,587,516</u>

See Notes to Financial Statements

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Cash Flows – Discretely Presented Component Units
Years Ended December 31, 2022 and 2021

	2022					
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Total
Operating Activities						
Receipts from tenant payments	\$ 204,112	\$ 381,218	\$ 243,563	\$ 345,910	\$ 297,166	\$ 1,471,969
Receipts for management fees and other	338	2,585	3,485	145	195	6,748
Payments to suppliers and others	(132,715)	(188,492)	(174,018)	(199,394)	(193,392)	(888,011)
Net Cash from Operating Activities	71,735	195,311	73,030	146,661	103,969	590,706
Capital and Related Financing Activities						
Purchase of property and equipment	(5,108)	(26,781)	(10,174)	(7,870)	-	(49,933)
Developer fee paid	-	-	-	(30,908)	-	(30,908)
Payment for other liabilities	-	(8,667)	-	-	-	(8,667)
Payments for interest	(11,629)	(47,834)	-	(30,804)	(38,140)	(128,407)
Principal payments on long-term debt	(18,128)	(123,695)	(63,724)	(51,892)	(31,892)	(289,331)
Equity distributions	-	(3,000)	(2,496)	-	(21,084)	(26,580)
Net Cash used for Capital and Related Financing Activities	(34,865)	(209,977)	(76,394)	(121,474)	(91,116)	(533,826)
Investing Activities						
Interest received	36	30	13	1,533	634	2,246
Net Cash from Investing Activities	36	30	13	1,533	634	2,246
Net Change in Cash	36,906	(14,636)	(3,351)	26,720	13,487	59,126
Cash, Beginning of Year	463,383	419,110	438,779	307,198	225,145	1,853,615
Cash, End of Year	\$ 500,289	\$ 404,474	\$ 435,428	\$ 333,918	\$ 238,632	\$ 1,912,741

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Cash Flows – Discretely Presented Component Units
Years Ended December 31, 2022 and 2021

	2022					
	<u>Sunshine Park, LP</u>	<u>Lawson View Townhomes, LP</u>	<u>Meadow Wood Townhomes, LP</u>	<u>Jackson Heights Apartments, LP</u>	<u>Central Villas, LP</u>	<u>Total</u>
Cash consists of:						
Cash	\$ 179,715	\$ 193,130	\$ 201,211	\$ 52,758	\$ 63,343	\$ 690,157
Funded security deposits	16,266	8,547	17,985	26,164	24,010	92,972
Restricted deposits	304,308	202,797	216,232	254,996	151,279	1,129,612
	<u>\$ 500,289</u>	<u>\$ 404,474</u>	<u>\$ 435,428</u>	<u>\$ 333,918</u>	<u>\$ 238,632</u>	<u>\$ 1,912,741</u>
Operating Activities						
Operating income (loss)	\$ (76,428)	\$ 45,830	\$ (109,133)	\$ (46,633)	\$ (133,913)	\$ (320,277)
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	151,568	148,794	180,241	188,906	237,205	906,714
Change in assets and liabilities:						
Rental accounts receivable	(2,560)	2,164	(1,010)	(1,146)	(430)	(2,982)
Prepaid expenses	(444)	(1,146)	(160)	576	(209)	(1,383)
Accounts payable and other accrued liabilities	(1,749)	1,016	3,506	4,430	1,040	8,243
Tenant security deposits	1,348	(1,347)	(414)	528	276	391
Net Cash from Operating Activities	<u>\$ 71,735</u>	<u>\$ 195,311</u>	<u>\$ 73,030</u>	<u>\$ 146,661</u>	<u>\$ 103,969</u>	<u>\$ 590,706</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Cash Flows – Discretely Presented Component Units
Years Ended December 31, 2022 and 2021

	2021					
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Total
Operating Activities						
Receipts from tenant payments	\$ 208,106	\$ 376,480	\$ 249,645	\$ 343,025	\$ 294,421	\$ 1,471,677
Receipts for management fees and other	392	4,506	948	265	97	6,208
Payments to suppliers and others	(147,522)	(179,627)	(144,390)	(202,367)	(177,391)	(851,297)
Net Cash from Operating Activities	60,976	201,359	106,203	140,923	117,127	626,588
Capital and Related Financing Activities						
Purchase of property and equipment	-	-	-	(10,553)	-	(10,553)
Developer fee paid	-	-	-	(24,450)	-	(24,450)
Payment for other payable	-	(17,334)	-	-	-	(17,334)
Payments for interest	(12,295)	(48,763)	-	(31,700)	(39,716)	(132,474)
Principal payments on long-term debt	(22,200)	(55,463)	(145,182)	(50,560)	(36,325)	(309,730)
Equity distributions	-	(6,000)	(1,089)	-	(6,073)	(13,162)
Net Cash used for Capital and Related Financing Activities	(34,495)	(127,560)	(146,271)	(117,263)	(82,114)	(507,703)
Investing Activities						
Interest received	28	28	11	171	102	340
Net Cash from Investing Activities	28	28	11	171	102	340
Net Change in Cash	26,509	73,827	(40,057)	23,831	35,115	119,225
Cash, Beginning of Year	436,874	345,283	478,836	283,367	190,030	1,734,390
Cash, End of Year	\$ 463,383	\$ 419,110	\$ 438,779	\$ 307,198	\$ 225,145	\$ 1,853,615

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Cash Flows – Discretely Presented Component Units
Years Ended December 31, 2022 and 2021

	2021					
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Total
Cash consists of						
Cash	\$ 160,587	\$ 212,668	\$ 218,433	\$ 46,771	\$ 68,962	\$ 707,421
Funded security deposits	14,916	9,892	18,737	24,961	23,807	92,313
Restricted deposits	287,880	196,550	201,609	235,466	132,376	1,053,881
	<u>\$ 463,383</u>	<u>\$ 419,110</u>	<u>\$ 438,779</u>	<u>\$ 307,198</u>	<u>\$ 225,145</u>	<u>\$ 1,853,615</u>
Operating Activities						
Operating income (loss)	\$ (70,420)	\$ 51,480	\$ (77,312)	\$ (46,160)	\$ (145,155)	\$ (287,567)
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	151,802	151,785	179,138	186,228	259,486	928,439
Change in assets and liabilities:						
Rental accounts receivable	600	(3,421)	2,585	1,516	1,025	2,305
Prepaid expenses	(120)	(438)	(206)	(560)	(268)	(1,592)
Accounts payable and other accrued liabilities	(20,216)	676	2,072	(159)	2,052	(15,575)
Tenant security deposits	(670)	1,277	(74)	58	(13)	578
Net Cash from Operating Activities	<u>\$ 60,976</u>	<u>\$ 201,359</u>	<u>\$ 106,203</u>	<u>\$ 140,923</u>	<u>\$ 117,127</u>	<u>\$ 626,588</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Statements of Fiduciary Net Position – Fiduciary Fund

December 31, 2022 and 2021

	Custodial Fund	
	2022	2021
Assets		
Cash and cash equivalents	\$ -	\$ -
Receivables	-	-
	<u>\$ -</u>	<u>\$ -</u>
Liabilities		
Accounts payable	\$ -	\$ -
Due to other funds	-	-
Security deposits	-	-
Amounts held for others	-	-
	<u>-</u>	<u>-</u>
Net Position		
Unrestricted net position	-	-
	<u>\$ -</u>	<u>\$ -</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Statements of Changes in Fiduciary Net Position – Fiduciary Fund
December 31, 2022 and 2021

	Custodial Fund	
	2022	2021
Operating Revenues		
Dwelling rental income	\$ -	\$ 6,659
Total operating revenues	-	6,659
Operating Expenses		
Rent to owner	-	5,950
Management fee	-	709
Total operating expenses	-	6,659
Change in Net Position	-	-
Net Position, Beginning of Year	-	-
Net Position, End of Year	\$ -	\$ -

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota (the "Commission"), a public housing authority (PHA), was established on November 24, 1969. The Commission was organized for the purpose of providing housing and housing assistance to the low and very low income, elderly, family, and disabled, through low-rent housing programs designed to provide decent, safe, affordable, and sanitary housing. The Commission has been determined to be a component unit of the City of Aberdeen, South Dakota. The City of Aberdeen, South Dakota, has legal authority to impose its will on the Commission.

The Commission is managed by a Board of Directors, which is composed of five members who are appointed to staggered five-year terms of office.

Blended Component Units

The Commission has four single-member LLCs: Aberdeen Housing, LLC; Lawson Developers, LLC; AHA Housing, LLC; and Meadow Wood Housing, LLC. As such, these financial statements present The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota (the primary government), and its blended component units, Aberdeen Housing, LLC; Lawson Developers, LLC; AHA Housing, LLC; and Meadow Wood Housing, LLC. As defined by GASB No. 61, component units are legally separate entities that are included in the Commission's reporting entity because of the significance of their operating or financial relationships with the Commission. These entities were created to assist in the development and management of the Lawson View Townhomes Limited Partnership, of which Aberdeen Housing, LLC is a special limited partner; Sunshine Park Limited Partnership, of which AHA Housing, LLC is a co-general partner; and Meadow Wood Townhomes Limited Partnership, of which Meadow Wood Housing, LLC is a co-general partner. The Commission's Board of Directors serves as the board of the component units. Although legally separate, these entities are reported as major enterprise funds of the Commission. Separate financial statements for the blended component units are not issued.

Discretely Presented Component Units

The aggregate discretely presented component units column of the combined financial statements includes the financial data of the Commission's discretely presented component units as of December 31, 2022 and 2021. These units are reported in a separate column to emphasize that they are legally separate from the Commission.

Lawson View Townhomes, LP (Lawson View) was formed for the purpose of owning and operating a low-income tax credit housing complex in Aberdeen, South Dakota. The Commission's blended component unit, Aberdeen Housing, LLC, is a special limited partner of Lawson View. Aberdeen Housing, LLC has an ownership percentage of 0.005% in the partnership.

Sunshine Park, LP (Sunshine Park) was formed for the purpose of owning and operating a low-income tax credit housing complex in Aberdeen, South Dakota. The Commission's blended component unit, AHA Housing, LLC, is a co-general partner of Sunshine Park. AHA Housing, LLC has an ownership percentage of 0.005% in the partnership.

Meadow Wood Townhomes, LP (Meadow Wood) was formed for the purpose of owning and operating a low-income tax credit housing complex in Aberdeen, South Dakota. The Commission's blended component unit, Meadow Wood Housing, LLC, is a co-general partner of Meadow Wood. Meadow Wood Housing, LLC has an ownership percentage of 0.005% in the partnership.

Jackson Heights Apartments, LP (Jackson Heights) was formed for the purpose of owning and operating a low-income tax credit housing complex in Aberdeen, South Dakota. The Commission is the general partner of Jackson Heights. The Commission has an ownership percentage of 0.01% in the partnership.

Central Villas, LP (Central Villas) was formed for the purpose of owning and operating a low-income tax credit housing complex in Aberdeen, South Dakota. The Commission is the general partner of Central Villas. The Commission has an ownership percentage of 0.01% in the partnership.

Primary Government

The Commission owns and operates the following low-income housing programs:

- a) HUD Project SD 034, the public housing program, consists of a 75-unit low-rent housing facility for the elderly and disabled and 25 separate single-family low-rent units.
- b) The Section 8 Housing Choice Voucher Program is a federally subsidized housing program designed to assist very low-income families in finding in the local market decent, safe, affordable, and sanitary rental housing suitable for their needs and desires. If the unit and rental rate are acceptable, the PHA enters into a housing assistance payments (HAP) contract with the owner of the unit to make up the difference between what the family can afford to pay, based on HUD guidelines, and the total contracted rent. Housing units leased under the Section 8 programs must meet housing quality standards as determined by the Commission; this is accomplished through unit inspections that must be conducted initially and on an annual basis thereafter.
- c) The Section 8 Housing Choice Voucher Program Administration derives its income from administration of the Section 8 Housing Choice Voucher low-rent housing program; this program provides for an administrative fee based on a unit fair market rental rate and the number of rental units administered for each program.
- d) The Sherman Apartments, Project No. SD 99-H001-089, a Section 8 South Dakota Housing Development Authority (SDHDA) project, consists of a 51 unit hi-rise, low-rent housing facility for elderly and disabled occupants.
- e) The management account derives its income from management of the Sherman Apartments project, management of other Section 8 multi-family projects, grant programs passed through SDHDA, and other general revenues not program related of the Commission.

The management agreement for the Sherman Apartments Project, approved by the SDHDA, provides for a management fee of 7% of the annual gross rental collections.

The low-rent programs are regulated by HUD as to rental charges and operating methods. The Commission receives subsidies from HUD to assist in covering the costs of the Commission's low-rent housing programs. The Commission is required to prepare, adopt and submit to the regulatory agency annual operating budgets for each of its HUD programs.

Low-income families who participate in subsidized or housing assistance programs and tenants or participants of the projects or programs typically pay a portion of their housing costs, which generally amounts to the higher of either 30% of their adjusted gross income, based on HUD guidelines, or 10% of their gross income; the remaining portion of the rent for the units is paid by HUD either through public housing program annual contributions, subsidies or housing assistance payments, or through SDHDA in the form of housing assistance payments.

The reporting entity of the Commission also consists of a fund for which the primary government has a fiduciary responsibility, even though that fiduciary fund may represent organizations that do not meet the criteria for inclusion in the financial reporting entity.

Basis of Presentation

Proprietary Fund

Except for its fiduciary funds, all of the Commission's programs are accounted for as a business-type activity for financial reporting purposes. The Commission's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Commission's ongoing operations. Principal operating revenues are dwelling rentals, HUD subsidies and management fees. Operating expenses include administration, maintenance, insurance, payments in lieu of taxes, depreciation, and utilities, as well as housing assistance payments. All other revenues and expenses are reported as non-operating.

Fiduciary Fund

Custodial Fund: The project management fund is used to account for funds generated through the Commission's management of one rental property on behalf of its owners. The Commission holds the fund's assets in a custodial capacity. Custodial funds are accounted for using the accrual basis of accounting. This fund was closed in 2021.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Commission considers all highly liquid investments with a term to maturity of three months or less when purchased to be cash equivalents. Restricted cash, deposits and funded reserves that meet the definition are considered to be cash equivalents for purposes of the statements of cash flows.

Restricted Cash, Deposits and Funded Reserves

Restricted cash consists of the balance of HAP equity for the voucher program as well as any HAP payments that are received prior to year-end and reported as unearned revenue. Restricted deposits and funded reserves include amounts restricted by lenders or by agreement to be set aside for specific purposes such as mortgage payments, insurance, payments in lieu of taxes, and property and equipment replacement. Restricted deposits and funded reserves also include amounts required to be set aside by the Commission as part of its guarantee agreement related to Jackson Heights and Central Villas as disclosed in Note 11.

Notes Receivable

Notes receivable represent amounts from discretely presented component units due under extended payment terms exceeding one year. The notes carry interest rates varying from 5.15% to 6% with annual interest payments and principal payments due based upon cash flows. The Commission evaluates the collectability of the balances based upon specific circumstances of the individual notes, with an allowance for uncollectible amounts being provided, if necessary. The allowance as of December 31, 2022 and 2021 was \$0.

Capital Assets

Capital assets, which include land, buildings and equipment, are reported in the basic financial statements. The Commission defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

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

<u>Major Asset Category</u>	<u>Estimated Useful Life</u>
Land	N/A
Land improvements	5-15 years
Buildings and improvements	5-50 years
Furniture, equipment and machinery - dwelling	3-20 years
Furniture, equipment and machinery - non-dwelling	3-20 years

The Commission reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment at December 31, 2022 and 2021.

Investment in Limited Partnerships

The Commission, through its blended component unit Aberdeen Housing, LLC, has a 0.005% Class B limited partnership interest in Lawson View Townhomes Limited Partnership. The investment is recorded at cost and, pursuant to the partnership agreement, there is no participation in the earnings or losses of the partnership. This partnership is reflected in the financial statements as a discretely presented component unit.

The Commission, through its blended component unit AHA Housing, LLC, has a 0.005% co-general partnership (non-managing) interest in Sunshine Park Limited Partnership. The investment is recorded at cost and, pursuant to the partnership agreement, there is no participation in the earnings or losses of the partnership. This partnership is reflected in the financial statements as a discretely presented component unit.

The Commission, through its blended component unit Meadow Wood Housing, LLC, has a 0.005% co-general partnership (non-managing) interest in Meadow Wood Townhomes Limited Partnership. The investment is recorded at cost and, pursuant to the partnership agreement, there is no participation in the earnings or losses of the partnership. Meadow Wood Housing, LLC's assets and/or credit are not available to satisfy the debts of the Commission or any other entity or person. This partnership is reflected in the financial statements as a discretely presented component unit.

The Commission has a 0.01% general partnership interest in Jackson Heights Limited Partnership. The investment is recorded at cost and, pursuant to the partnership agreement, the Commission participates in the earnings and losses of the partnership in accordance with its ownership percentage. This partnership is reflected in the financial statements as a discretely presented component unit.

The Commission has a 0.01% general partnership interest in Central Villas Limited Partnership. The investment is recorded at cost and, pursuant to the partnership agreement, the Commission participates in the earnings and losses of the partnership in accordance with its ownership percentage. This partnership is reflected in the financial statements as a discretely presented component unit.

Income Taxes

The Commission is a governmental entity exempt from federal income taxes.

Compensated Absences

Paid time off is earned by employees at the rate of eight to twenty-five days per year. Upon termination, employees are entitled to receive compensation for their accrued paid time off balance based on the current rate of pay.

Application of Net Position

It is the Commission's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Equity Classifications

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

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable), and 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.
2. Restricted Net Position – Consists of net position with constraints placed on their use either by, (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Estimates

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

Presentation of Sales Tax

The State of South Dakota and cities within the state impose a sales tax on certain sales to non-exempt customers. The Commission collects that sales tax from customers and remits the entire amount to the State. The Commission's accounting policy is to exclude the tax collected and remitted to the State from revenue and operating expenses.

Deferred Outflows and Inflows of Resources

In addition to assets, the balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Commission has two items that qualify for reporting in this category. The Commission reports contributions made to the pension plan after the measurement date and prior to the fiscal year-end and changes in the net pension liability (asset) not included in pension expense (revenue) reported in the statements of net position as deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has one item that qualifies for reporting in this category. The Commission reports changes in the net pension liability (asset) not included in pension expense (revenue) reported in the statements of net position as deferred inflows of resources.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows/inflows of resources, and pension expense/(revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, plan contributions are recognized as of employer payroll paid dates, and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 - Deposits and Funded Reserves

Primary Government

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

Deposits

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

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to Financial Statements
December 31, 2022 and 2021

The Commission's policy is to credit all income from deposits to the fund which makes the deposits.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a failure of a depository financial institution, the Commission's deposits may not be returned. The Commission does not have a formal investment policy in regard to custodial credit risk. All deposits are held in the Commission's name by US Bank.

At December 31, the actual bank balances of the Commission were as follows:

	2022	2021
Insured (FDIC)	\$ 500,000	\$ 500,000
Uninsured, collateral held by the Commission or the Commission's agent in the Commission's name	2,140,654	1,946,224
Total deposits	<u>\$ 2,640,654</u>	<u>\$ 2,446,224</u>
The Commission's carrying amount of deposits at December 31	<u>\$ 2,588,870</u>	<u>\$ 2,391,851</u>

Funded Reserves

The Commission does not have a formal policy that addresses custodial credit risk, interest rate risk or credit risk.

Sherman Apartments was required, under the regulatory agreement with SDHDA, to maintain various mortgage escrows and reserve deposits for mortgage payments, payments in lieu of taxes (PILOT-property taxes), hazard insurance, property and equipment replacements, and residual receipts. In addition, development cost and amount to make the project operational (AMPO) funds, and certain of the proceeds from the mortgage identified in Note 5, were held in trust by SDHDA. These funds were held by SDHDA, which grouped these funds together with funds of other similar multi-family housing entities for purposes of protecting SDHDA's collateral interest in the project and could be released to the project only with the approval of SDHDA. The mortgage subject to the regulatory agreement was paid in full in 2021 and all amounts held in escrow were released to the Commission.

In general, SDCL 4-5-6 permits public funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or (c) 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. In addition, SDCL 11-7-31 permits the Commission to invest its reserve and debt service funds in property or securities in which savings banks may legally invest funds subject to their control.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to Financial Statements
December 31, 2022 and 2021

The escrow and reserve accounts or restricted deposits that were held by SDHDA were stated at estimated fair value. Interest earned on the mortgage escrow accounts and funded reserve accounts was credited to the residual receipts account. Interest earned on the development cost escrow account was credited to that account as earned. SDHDA invested these restricted deposits in securities limited to direct general obligations of the U.S. Government, U.S. Government Agencies, direct and general obligations of any state within the United States rated in the two highest categories by a national rating agency, mutual funds invested in securities mentioned above, and investment agreements secured by securities mentioned above. Investments issued by, or explicitly guaranteed by, the U.S. Government were not considered to have a credit risk. The total amount of restricted deposits released to the Commission when the mortgage was settled in 2021 was \$583,336.

Discretely Presented Component Units

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the deposits of Lawson View, Sunshine Park, Meadow Wood, Jackson Heights, and Central Villas may not be returned to the entities. The discretely presented component units do not have a formal policy in regard to custodial credit risk. As of December 31, 2022 and 2021, all deposits are held in the discretely presented component units' names by US Bank or Horizon Bank.

At December 31, the actual bank balances of the discretely presented component units were as follows:

	2022	2021
Insured (FDIC)	\$ 1,322,920	\$ 1,286,956
Uninsured	598,297	586,771
Total deposits	<u>\$ 1,921,217</u>	<u>\$ 1,873,727</u>
The discretely presented component units carrying amount of deposits at December 31	<u>\$ 1,912,741</u>	<u>\$ 1,853,615</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to Financial Statements

December 31, 2022 and 2021

Note 3 - Capital Assets

Primary Government

Capital asset activity for the years ended December 31, 2022 and 2021, were as follows:

	Balance 01/01/22	Additions	Deletions	Balance 12/31/22
Capital assets, not being depreciated				
Land	\$ 355,122	\$ -	\$ -	\$ 355,122
Total capital assets, not being depreciated	355,122	-	-	355,122
Capital assets, being depreciated:				
Land improvements	185,839	-	-	185,839
Buildings and improvements	10,130,569	64,474	-	10,195,043
Furniture, equipment and machinery - dwelling	343,017	27,702	(5,588)	365,131
Furniture, equipment and machinery - non-dwelling	346,365	87,053	(13,547)	419,871
Total capital assets, being depreciated	11,005,790	179,229	(19,135)	11,165,884
Less accumulated depreciation for:				
Buildings, improvements and land improvements	(8,001,281)	(170,947)	-	(8,172,228)
Furniture, equipment and machinery - dwelling	(275,792)	(14,671)	5,312	(285,151)
Furniture, equipment and machinery - non-dwelling	(269,888)	(27,128)	13,547	(283,469)
Total accumulated depreciation	(8,546,961)	(212,746)	18,859	(8,740,848)
Total capital assets being depreciated, net	2,458,829	(33,517)	(276)	2,425,036
Capital assets, net	<u>\$ 2,813,951</u>	<u>\$ (33,517)</u>	<u>\$ (276)</u>	<u>\$ 2,780,158</u>
	Balance 01/01/21	Additions	Deletions	Balance 12/31/21
Capital assets, not being depreciated				
Land	\$ 350,089	\$ 5,033	\$ -	\$ 355,122
Total capital assets, not being depreciated	350,089	5,033	-	355,122
Capital assets, being depreciated:				
Land improvements	185,839	-	-	185,839
Buildings and improvements	10,002,195	128,374	-	10,130,569
Furniture, equipment and machinery - dwelling	320,760	36,459	(14,202)	343,017
Furniture, equipment and machinery - non-dwelling	345,729	3,691	(3,055)	346,365
Total capital assets, being depreciated	10,854,523	168,524	(17,257)	11,005,790
Less accumulated depreciation for:				
Buildings, improvements and land improvements	(7,823,524)	(177,757)	-	(8,001,281)
Furniture, equipment and machinery - dwelling	(278,790)	(11,204)	14,202	(275,792)
Furniture, equipment and machinery - non-dwelling	(255,763)	(17,180)	3,055	(269,888)
Total accumulated depreciation	(8,358,077)	(206,141)	17,257	(8,546,961)
Total capital assets being depreciated, net	2,496,446	(37,617)	-	2,458,829
Capital assets, net	<u>\$ 2,846,535</u>	<u>\$ (32,584)</u>	<u>\$ -</u>	<u>\$ 2,813,951</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to Financial Statements

December 31, 2022 and 2021

Discretely Presented Component Units

Capital asset activity for the years ended December 31, 2022 and 2021, were as follows:

	Balance 01/01/22	Additions	Deletions	Balance 12/31/22
Capital assets, not being depreciated				
Land	\$ 715,043	\$ -	\$ -	\$ 715,043
Total capital assets, not being depreciated	715,043	-	-	715,043
Capital assets, being depreciated:				
Buildings and improvements	20,790,090	21,556	-	20,811,646
Furniture, equipment and machinery - dwelling	1,249,056	28,376	-	1,277,432
Total capital assets, being depreciated	22,039,146	49,932	-	22,089,078
Less accumulated depreciation for:				
Buildings and improvements	(6,993,650)	(832,883)	-	(7,826,533)
Furniture, equipment and machinery - dwelling	(1,158,119)	(60,066)	-	(1,218,185)
Total accumulated depreciation	(8,151,769)	(892,949)	-	(9,044,718)
Total capital assets being depreciated, net	13,887,377	(843,017)	-	13,044,360
Capital assets, net	\$ 14,602,420	\$ (843,017)	\$ -	\$ 13,759,403
	Balance 01/01/21	Additions	Deletions	Balance 12/31/21
Capital assets, not being depreciated				
Land	\$ 715,043	\$ -	\$ -	\$ 715,043
Total capital assets, not being depreciated	715,043	-	-	715,043
Capital assets, being depreciated:				
Buildings and improvements	20,790,090	-	-	20,790,090
Furniture, equipment and machinery - dwelling	1,238,503	10,553	-	1,249,056
Total capital assets, being depreciated	22,028,593	10,553	-	22,039,146
Less accumulated depreciation for:				
Buildings and improvements	(6,162,210)	(831,440)	-	(6,993,650)
Furniture, equipment and machinery - dwelling	(1,074,881)	(83,238)	-	(1,158,119)
Total accumulated depreciation	(7,237,091)	(914,678)	-	(8,151,769)
Total capital assets being depreciated, net	14,791,502	(904,125)	-	13,887,377
Capital assets, net	\$ 15,506,545	\$ (904,125)	\$ -	\$ 14,602,420

Note 4 - Related Party Notes Receivable

During 2007, the Commission entered into a note receivable with Lawson View Townhomes Limited Partnership to provide partial funding for the purchase of a HUD Housing Project with the purpose of rehabilitating the project. This note of \$200,000 bears interest at the rate of 5.15%. The note matures in December 2037, at which time the entire principal balance and all outstanding accrued interest will be due and payable. Interest is to be paid throughout the term of the loan as the project's cash flows will allow. Interest income was \$10,300 for the years ended December 31, 2022 and 2021. The amount of interest receivable at December 31, 2022 and 2021, was \$10,300. The note is secured by a real estate mortgage; however, this mortgage is subordinated to the partnership's primary lender.

In February 2009, the Commission sold land to Sunshine Park Limited Partnership at the price of \$100,600 in exchange for a note receivable with an interest rate of 3%. In December 2009, the receivable was combined with additional receivables from the partnership to provide partial funding to construct the project. This final note of \$242,000 bears interest at the rate of 6%. The note matures in December 2039, at which time the entire principal balance and all outstanding accrued interest will be due and payable. Interest and principal is to be paid throughout the term of the loan as the project's cash flows will allow starting April 30, 2011. As of December 31, 2022 and 2021, the outstanding principal balance due to the Commission was \$189,159. Interest income was \$11,630 and \$12,295 for the years ended December 31, 2022 and 2021, respectively. The amount of interest receivable at December 31, 2022 and 2021, was \$11,630 and \$17,599, respectively. The note is secured by a real estate mortgage; however, this mortgage is subordinated to the partnership's primary lender.

Note 5 - Long-Term Debt

Primary Government

The debt for the Sherman Apartment was paid in full in 2021. The interest rate was at 8.5% and required monthly payments of \$14,295 and the total amount of principal paid in 2021 was \$69,810.

The note payable for Sherman Apartments was payable to SDHDA. An agreement has been entered into with the United States Department of Housing and Urban Development, which provides monthly housing assistance payments on behalf of eligible tenants. Such payments were applied by SDHDA to the monthly mortgage note payments, required project escrow, and reserve deposits, with the remaining funds being forwarded to the project. The note was secured by project property and equipment together with an assignment of rents and leases thereon and the escrow accounts (restricted deposits) held by SDHDA.

Interest costs charged to expense for operations in 2022 and 2021 were \$-0- and \$994, respectively.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to Financial Statements

December 31, 2022 and 2021

Discretely Presented Component Units

At December 31, 2022 and 2021, long-term debt of the discretely presented component units consisted of the following:

	2022	2021
Lawson View - 6.76% mortgage note payable to Richman Mortgage Assets Company, due in monthly installments of \$4,545, including interest, matures August 2026, secured by first position in substantially all Partnership assets, net of unamortized debt issuance costs of \$7,069 in 2022 and \$9,089 in 2021 (based upon effective interest rate of 7.30%).	\$ 537,394	\$ 552,474
Lawson View - 0% mortgage note payable to South Dakota Housing Development Authority, due in annual installments of varying amounts based upon cash flows, matures July 2039, secured by second position in substantially all Partnership assets.	68,505	175,100
Lawson View - 5.15% note payable to Aberdeen Housing Authority, interest and principal to be paid from net operating income, with the entire balance due December 2037, secured by third position in substantially all Partnership assets.	200,000	200,000
Sunshine Park - 0% mortgage note payable to South Dakota Housing Development Authority, due in varying monthly installments beginning July 2011 through March 2035, secured by a mortgage on all property and equipment.	160,400	177,200
Sunshine Park - 6% mortgage note payable to The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota, annual payments beginning April 2011, to the extent of available cash flow, with entire balance due December 2039, secured by a mortgage and assignment of rents and leases.	189,159	190,487
Sunshine Park - 0% NSP loan from South Dakota Housing Development Authority, principal due July 2040, secured by a mortgage and assignment of rents and leases.	361,991	361,991
Sunshine Park - 0% TCAP mortgage note payable to South Dakota Housing Development Authority, principal due March 2050, secured by a mortgage and assignment of rents and leases, net of unamortized debt issuance costs of \$9,639 in 2022 and \$9,985 in 2021 (based upon an effective interest rate of 0.11%).	322,202	321,856

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Notes to Financial Statements

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Meadow Wood - 0% mortgage note payable to South Dakota Housing Development Authority, annual payments beginning July 2014, to the extent of available cash flow, with entire balance due July 2033, secured by a mortgage on all property and equipment and an assignment of rents and leases.	-	63,724
Jackson Heights - 5.8% mortgage note payable to First Dakota National Bank, due in varying monthly installments, including interest, beginning March 2015 through February 2031, secured by a mortgage on all property and equipment, net of unamortized debt issuance costs of \$5,781 in 2022 and \$6,503 in 2021 (based upon effective interest rate of 6.39%).	467,602	510,374
Jackson Heights - 0% note payable to South Dakota Housing Development Authority, due in varying annual installments beginning January 2015 through August 2038, secured by a mortgage on all property and equipment.	800,059	808,459
Central Villas - 6% note payable to Horizon Bank through February 2036, due in varying monthly installments, secured by a mortgage on all property and equipment, net of unamortized debt issuance costs of \$5,346 in 2022 and \$5,713 in 2021 (based upon effective interest rate of 6.40%).	609,455	636,180
Central Villas - 0% mortgage note payable to South Dakota Housing Development Authority, with varying monthly installments beginning January 2018 through December 2042, secured by a mortgage on all property and equipment and an assignment of rents and leases.	646,383	651,182
	<u>4,363,150</u>	<u>4,649,027</u>
Less current portion	<u>(198,786)</u>	<u>(295,704)</u>
Total long-term debt less current portion and net of unamortized debt issuance costs	<u>\$ 4,164,364</u>	<u>\$ 4,353,323</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to Financial Statements

December 31, 2022 and 2021

The following is a schedule of changes in long-term debt for the years ended December 31, 2022 and 2021:

Balance, January 1, 2021	\$ 4,955,303
Decreases	<u>(306,276)</u>
Balance, December 31, 2021	4,649,027
Decreases	<u>(285,877)</u>
Balance, December 31, 2022	<u><u>\$ 4,363,150</u></u>

Interest costs charged to expense for operations for the years ended December 31, 2022 and 2021, were \$131,860 and \$135,929, respectively.

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

<u>Year Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 198,786	\$ 121,712	\$ 320,498
2024	126,023	115,799	241,822
2025	131,271	109,351	240,622
2026	598,939	92,015	690,954
2027	116,538	64,746	181,284
2028-2032	754,505	234,152	988,657
2033-2037	1,161,720	129,383	1,291,103
2038-2042	971,362	21,623	992,985
2043-2047	-	-	-
2048-2052	331,841	-	331,841
Less unamortized debt issuance costs	<u>(27,835)</u>	<u>-</u>	<u>(27,835)</u>
	<u><u>\$ 4,363,150</u></u>	<u><u>\$ 888,781</u></u>	<u><u>\$ 5,251,931</u></u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to Financial Statements

December 31, 2022 and 2021

Note 6 - Payments in Lieu of Taxes

Public housing authorities are not required to pay property taxes based on the normal property value assessment and tax levy procedures on real property owned; but, rather, make payments in lieu of (property) taxes (PILOT). State law requires that the amount due is the lower of 10% of gross rents less utilities or 5% of gross rents.

Payments in lieu of taxes, by program, for the years ended December 31, 2022 and 2021, were determined as follows:

	2022	
	Public Housing	Sherman Apartments
Rental income	\$ 399,797	\$ 202,305
Excess utilities	-	288
Non-dwelling rental charges to tenants	-	60
	399,797	202,653
Less allowable utilities	-	53,122
Net shelter rent	\$ 399,797	\$ 149,531
5% of gross shelter rent (PILOT)	\$ 19,990	\$ -
10% of net shelter rent (PILOT)	\$ -	\$ 14,953
	2021	
	Public Housing	Sherman Apartments
Rental income	\$ 395,415	\$ 189,589
Excess utilities	-	210
Non-dwelling rental charges to tenants	-	15
	395,415	189,814
Less allowable utilities	-	48,641
Net shelter rent	\$ 395,415	\$ 141,173
5% of gross shelter rent (PILOT)	\$ 19,771	\$ -
10% of net shelter rent (PILOT)	\$ -	\$ 14,117

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to Financial Statements

December 31, 2022 and 2021

Note 7 - Interfund Transactions

Interfund transfers for the years ended December 31, 2022 and 2021, were as follows:

2022 Transfers From	Transfers To					
	Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC	Primary Government	Total
Primary Government	\$ 50	\$ -	\$ -	\$ -	\$ -	\$ 50
Primary Government	-	50	-	-	-	50
Primary Government	-	-	50	-	-	50
Primary Government	-	-	-	50	-	50
Lawson Developers, LLC	-	-	-	-	8,667	8,667
Meadow Wood Housing, LLC	-	-	-	-	5,500	5,500

2021 Transfers From	Transfers To					
	Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC	Primary Government	Total
Primary Government	\$ 50	\$ -	\$ -	\$ -	\$ -	\$ 50
Primary Government	-	50	-	-	-	50
Primary Government	-	-	50	-	-	50
Primary Government	-	-	-	50	-	50
Lawson Developers, LLC	-	-	-	-	17,334	17,334
Meadow Wood Housing, LLC	-	-	-	-	5,000	5,000

The transfers from the primary government to the blended component units were to supplement operations, and the transfers from the blended component unit to the primary government were to transfer funds to be spent out of the primary government.

Note 8 - Pension Plan

Plan Information

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

Benefits Provided

SDRS has four classes of members: Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund Members, and Class D Department of Labor and Regulation members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85, or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on/after July 1, 2017 are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60% joint and survivor benefit, or a 100% joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5% of compensation funded by part of the employer contribution. The VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

Legislation enacted in 2021 reduced the minimum COLA from 0.5% to 0.0%.

All benefits except those depending on the member's accumulated contributions are annually increased by the Cost-of-Living Adjustment.

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6% of salary; Class B judicial members, 9% of salary; and, Class B public safety members, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Commission's share of contributions to the SDRS for the fiscal years ended December 31, 2022, 2021, and 2020, equal to the required contributions each year, were \$46,219, \$42,624, and \$40,130, respectively.

Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At June 30, 2022 and 2021, SDRS is 100.10% and 105.53%, respectively, funded and, accordingly, has a net pension asset in 2022 and 2021. The proportionate shares of the components of the net pension liability (asset) of SDRS for the Commission as of this measurement period and reported by the Commission as of December 31, 2022 and 2021, are as follows:

	2022	2021
Proportionate share of total pension liability	\$ 4,335,496	\$ 4,237,424
Less proportionate share of net position restricted for pension benefits	<u>4,338,399</u>	<u>4,471,453</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (2,903)</u></u>	<u><u>\$ (234,029)</u></u>

At December 31, 2022 and 2021, the Commission reported an asset of \$(2,903) and \$(234,029), respectively, for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022 and 2021, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Commission's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the Commission's proportion was 0.030712%, which was an increase of 0.0001530% from its proportion measured as of June 30, 2021. At June 30, 2021, the Commission's proportion was 0.030559%, which was an increase of 0.0007524% from its proportion measured as of June 30, 2020, of 0.0298066%.

For the years ended December 31, 2022 and 2021, the Commission recognized pension expense (reduction of pension expense) of (\$16,245) and (\$60,724), respectively.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to Financial Statements

December 31, 2022 and 2021

At December 31, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 55,251	\$ 188
Changes in assumption	184,473	161,666
Net difference between projected and actual earnings on pension plan investments	-	6,956
Changes in proportion and difference between Commission contributions and proportionate share of contributions	267	327
Projected contributions subsequent to the measurement date	24,082	-
	<u>\$ 264,073</u>	<u>\$ 169,137</u>

At December 31, 2022, there is \$24,082 reported as deferred outflow of resources related to pensions resulting from Commission contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2023.

At December 31, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,402	\$ 614
Changes in assumption	269,132	117,199
Net difference between projected and actual earnings on pension plan investments	-	334,316
Changes in proportion and difference between Commission contributions and proportionate share of contributions	611	320
Projected contributions subsequent to the measurement date	21,865	-
	<u>\$ 300,010</u>	<u>\$ 452,449</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to Financial Statements
December 31, 2022 and 2021

At December 31, 2021, there was \$21,865 reported as deferred outflow of resources related to pensions resulting from Commission contributions subsequent to the measurement date that was recognized as a decrease of the net pension liability in the year ending December 31, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2022, will be recognized in pension expense/(reduction of pension expense) as follows:

Year Ended December 31:	Amount
2023	\$ 19,101
2024	40,311
2025	(46,036)
2026	57,478
	<u>\$ 70,854</u>

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount rate	6.50%, net of plan investment expense, composed of average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

Mortality Rates

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Members: PubS-2010, 102% of rates at all ages

Beneficiaries:

Pub G-2010 contingent survivor mortality table

Disabled Members

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to Financial Statements
December 31, 2022 and 2021

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

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

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

The following presents the Commission's proportionate share of net pension liability (asset) as of December 31, 2022, calculated using the discount rate of 6.5%, as well as what the Commission's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
The Commission's proportionate share of the net pension liability (asset)	\$ 602,673	\$ (2,903)	\$ (497,817)

Pension Plan Fiduciary Net Position

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

Note 9 - Current Vulnerability Due to Certain Concentrations

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

Note 10 - Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the years ended December 31, 2022 and 2021, the Commission managed its risks by purchasing liability insurance from a commercial carrier for risks related to torts, theft or damage of property, and errors and omissions; and liability insurance for workers' compensation. The Commission provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

Note 11 - Related Party Transactions and Guarantees

The Commission provides management services to Lawson View Townhomes Limited Partnership. Management fees earned by the Commission for this project are 6% of the gross rents plus an annual salary of \$7,250. Management fees earned by the Commission from this partnership were \$33,648 and \$33,141 for the years ended December 31, 2022 and 2021, respectively. The Commission also charges maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$26,652 and \$17,094 for the years ended December 31, 2022 and 2021, respectively. The total amount due from Lawson View Townhomes Limited Partnership was \$2,035 and \$2,014 as of December 31, 2022 and 2021, respectively. During the years ended December 31, 2022 and 2021, the Commission paid Lawson View \$3,723 and \$4,129, respectively, for voucher housing assistance payments on behalf of residents of the complex.

During 2009, the Commission advanced Lawson View Townhomes Limited Partnership an additional \$130,000 for a property tax abatement reserve, which was required to be set up pursuant to the partnership agreement. Beginning in 2010, the Commission will receive annual payments of \$8,667 as long as the partnership operated without a deficit for that year. The funds are required to be maintained until the Commission is able to prove the project qualifies for the PILOT Program. The total amount outstanding as of December 31, 2022 and 2021, was \$17,329 and \$25,996, respectively.

The Commission provides management services to Sunshine Park Limited Partnership. Management fees earned by the Commission for this project are 9% of the gross rents. The management fee earned by the Commission from this partnership was \$24,113 and \$24,235 for the years ended December 31, 2022 and 2021, respectively. The Commission also charges maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$12,447 and \$7,732 for the years ended December 31, 2022 and 2021, respectively. The total amount due from Sunshine Park Limited Partnership was \$3,203 and \$2,591 as of December 31, 2022 and 2021, respectively. During the years ended December 31, 2022 and 2021, the Commission paid Sunshine Park \$83,662 and \$90,171, respectively, for voucher housing assistance payments on behalf of residents of the complex.

The Commission provides management services to Meadow Wood Townhomes Limited Partnership. Management fees earned by the Commission for this project are 8% of gross rents. The management fee earned by the Commission from this partnership was \$26,346 and \$26,232 for the years ended December 31, 2022 and 2021, respectively. The Commission also charges maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$15,788 and \$7,958 for the years ended December 31, 2022 and 2021, respectively. The total amount due from Meadow Wood Townhomes Limited Partnership was \$2,812 and \$1,871 as of December 31, 2022 and 2021, respectively. During the years ended December 31, 2022 and 2021, the Commission paid Meadow Wood \$106,106 and \$101,770, respectively, for voucher housing assistance payments on behalf of residents of the complex. During 2022 and 2021, Meadow Wood Housing LLC earned management fees pursuant to the partnership agreement of \$5,500 and \$5,000, respectively.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to Financial Statements
December 31, 2022 and 2021

The Commission provides management services to Jackson Heights Apartments Limited Partnership. Management fees earned by the Commission for this project are 8% of gross rents. The management fee earned by the Commission from this partnership was \$38,197 and \$37,103 for the years ended December 31, 2022 and 2021, respectively. The Commission also charges maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$20,011 and \$17,523 for the years ended December 31, 2022 and 2021, respectively. The total amount due from Jackson Height Apartments Limited Partnership was \$3,058 and \$2,392 as of December 31, 2022 and 2021, respectively. During the years ended December 31, 2022 and 2021, the Commission paid Jackson Heights \$124,630 and \$117,851, respectively, for voucher housing assistance payments on behalf of residents of the complex.

The Commission provides management services to Central Villas Limited Partnership. Management fees earned by the Commission for this project are 9% of gross rents. The management fee earned by the Commission from this partnership was \$35,498 and \$34,788 for the years ended December 31, 2022 and 2021, respectively. The Commission also charges maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$12,706 and \$9,375 for the years ended December 31, 2022 and 2021, respectively. The total amount due from Central Villas Limited Partnership was \$1,862 and \$159 as of December 31, 2022 and 2021, respectively. During the years ended December 31, 2022 and 2021, the Commission paid Central Villas \$82,322 and \$88,375, respectively, for voucher housing assistance payments on behalf of residents of the complex. During 2022, Central Villas Limited Partnership paid the Commission an incentive management fee of \$20,002.

During 2013, the Commission entered into a development agreement with the Jackson Height Limited Partnership. Services performed under this agreement include assisting with the completion of all the necessary applications for federal tax credits and state housing authority assistance and the management of the entire construction process. The total due to the Commission was \$12,125 and \$17,070 as of December 31, 2022 and 2021, respectively.

For Lawson View Townhomes Limited Partnership, Sunshine Park Limited Partnership, Meadow Woods Townhomes Limited Partnership, Jackson Heights Limited Partnership, and Central Villas Limited Partnership, to induce the tax credit partners to become partners in the projects, the Commission signed unconditional guarantees of the debts, obligations of the general partner, completion of construction of the projects, a repurchase obligation to the tax credit partners should projects fail certain qualifying tests, and the guarantee of ultimate performance of the projects. In essence, the Commission would be the responsible party should the projects not succeed or operate as intended.

The terms of the Jackson Heights and Central Villas partnership agreements require the Commission to always have on hand in the management account \$200,000 in liquid assets in total between Jackson Heights and Central Villas that are available in the event short-term operating deficit loans are needed by either project. This is reported under restricted cash.



Required Supplementary Information
December 31, 2022 and 2021

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Schedule of Net Pension Liability (Asset) and Schedule of Pension Contributions
Year Ended December 31, 2022

Schedule of Net Pension Liability (Asset)

Pension Plan	Fiscal Year Ending	Employer's Percentage of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
SDRS	6/30/2022	0.0307%	\$ (2,903)	\$ 733,358	-0.4%	100.10%
SDRS	6/30/2021	0.0306%	(234,029)	690,379	-33.9%	105.52%
SDRS	6/30/2020	0.0298%	(1,294)	654,163	-0.2%	100.04%
SDRS	6/30/2019	0.0302%	(3,201)	642,426	-0.5%	100.09%
SDRS	6/30/2018	0.0300%	(699)	622,890	-0.1%	100.02%
SDRS	6/30/2017	0.0303%	(2,746)	614,971	-0.4%	100.10%
SDRS	6/30/2016	0.0308%	104,171	586,405	17.8%	96.89%
SDRS	6/30/2015	0.0295%	(125,027)	538,207	-23.2%	104.10%
SDRS	6/30/2014	0.0309%	(222,501)	540,064	-41.2%	107.30%

*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30.

Schedule of Pension Contributions

Pension Plan	Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
SDRS	12/31/2022	\$ 46,219	\$ 46,219	\$ -	\$ 770,314	6.0%
SDRS	12/31/2021	42,624	42,624	-	707,292	6.0%
SDRS	12/31/2020	40,130	40,130	-	668,832	6.0%
SDRS	12/31/2019	39,471	39,471	-	657,843	6.0%
SDRS	12/31/2018	38,227	38,227	-	637,113	6.0%
SDRS	12/31/2017	36,891	36,891	-	614,854	6.0%
SDRS	12/31/2016	36,013	36,013	-	600,220	6.0%
SDRS	12/31/2015	33,866	33,866	-	564,424	6.0%
SDRS	12/31/2014	31,310	31,310	-	523,852	6.0%

**GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

Changes from Prior Valuation

The June 30, 2022 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021 Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

The details of the changes since the last valuation are as follows:

Benefit Provision Changes

During the 2022 legislative session no significant SDRS benefit changes were made and gaming enforcement agents became Class B public safety members.

Actuarial Assumption Changes

As a result of an experience analysis covering the period from July 1, 2016 to June 30, 2021 and presented to the SDRS Board of Trustees in April and June 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees, first effective for this June 30, 2022 actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification, and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that, if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021 Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027 Actuarial Valuation, and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

Actuarial Method Changes

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.



Supplementary Information
December 31, 2022 and 2021

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Financial Data Schedule
December 31, 2022

Line Item #	Account Description	Low Rent 14.850	14.231 Emergency Shelter Grant Program	Section 8 Housing Choice Voucher Program 14.871	14.879 Mainstream Vouchers	Capital Fund 14.872	Sherman Apartments Section 8 New	Management Account
Assets								
Current Assets								
Cash								
111	Cash - unrestricted	\$ 164,359	\$ 17,799	\$ 382,796	\$ 6,962	\$ -	\$ 217,353	\$ 1,385,765
113	Cash - other restricted	-	-	60,907	-	-	103,960	200,000
114	Cash - tenant security deposits	32,661	-	-	-	-	16,308	-
100	Total cash	197,020	17,799	443,703	6,962	-	337,621	1,585,765
Receivables								
122	Accounts receivable - HUD other projects	729	-	-	-	-	-	27,604
124	Accounts receivable - other governments	-	8,057	-	-	-	-	-
125	Accounts receivable - miscellaneous	-	-	-	-	-	-	1,293
126	Accounts receivable - tenants - dwelling rents	2,834	-	-	-	-	-	-
128	Fraud recovery	3,220	-	-	-	-	-	-
129	Accrued interest receivable	-	-	-	-	-	-	21,930
120	Total receivables, net of allowances for doubtful accounts	6,783	8,057	-	-	-	-	50,827
142	Prepaid expenses and other assets	11,816	-	960	-	-	8,478	2,931
144	Interprogram receivables	8,061	-	-	-	-	3,274	18,166
150	Total current assets	223,680	25,856	444,663	6,962	-	349,373	1,657,689

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Financial Data Schedule
December 31, 2022

Line Item #	Account Description	Low Rent 14.850	14.231 Emergency Shelter Grant Program	Section 8 Housing Choice Voucher Program 14.871	14.879 Mainstream Vouchers	Capital Fund 14.872	Sherman Apartments Section 8 New	Management Account
Fixed Assets								
161	Land	122,600	-	-	-	-	418,361	-
162	Buildings	5,607,016	-	-	-	-	4,588,027	-
163	Furniture, equipment and machinery - dwellings	233,726	-	-	-	-	131,405	-
164	Furniture, equipment and machinery - administration	212,919	-	56,630	-	-	50,314	100,008
165	Leasehold improvements	-	-	-	-	-	-	-
166	Accumulated depreciation	(5,284,159)	-	(46,511)	-	-	(3,351,392)	(58,786)
160	Total fixed assets, net of accumulated depreciation	892,102	-	10,119	-	-	1,836,715	41,222
171	Notes, loans, and mortgages receivable - noncurrent	-	-	-	-	-	-	389,159
174	Other assets	924	-	862	-	-	219	898
176	Investments	-	-	-	-	-	-	138,653
180	Total noncurrent assets	893,026	-	10,981	-	-	1,836,934	569,932
190	Total assets	1,116,706	25,856	455,644	6,962	-	2,186,307	2,227,621
200	Deferred outflows of resources	83,929	-	78,446	-	-	19,954	81,744
290	Total assets and deferred outflows of resources	<u>\$ 1,200,635</u>	<u>\$ 25,856</u>	<u>\$ 534,090</u>	<u>\$ 6,962</u>	<u>\$ -</u>	<u>\$ 2,206,261</u>	<u>\$ 2,309,365</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Financial Data Schedule
December 31, 2022

Line Item #	Account Description	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Fiduciary Fund	Eliminations	Total
Assets							
Current Assets							
Cash							
111	Cash - unrestricted	\$ -	\$ -	\$ 690,429	\$ -	\$ -	\$ 2,865,463
113	Cash - other restricted	-	-	-	-	-	364,867
114	Cash - tenant security deposits	-	-	92,700	-	-	141,669
100	Total cash	-	-	783,129	-	-	3,371,999
Receivables							
122	Accounts receivable - HUD other projects	-	-	-	-	-	28,333
124	Accounts receivable - other governments	-	-	-	-	-	8,057
125	Accounts receivable - miscellaneous	-	-	-	-	-	1,293
126	Accounts receivable - tenants - dwelling rents	-	-	20,688	-	-	23,522
128	Fraud recovery	-	-	-	-	-	3,220
129	Accrued interest receivable	-	-	-	-	-	21,930
120	Total receivables, net of allowances for doubtful accounts	-	-	20,688	-	-	86,355
142	Prepaid expenses and other assets	-	-	29,260	-	-	53,445
144	Interprogram receivables	-	-	-	-	(29,501)	-
150	Total current assets	-	-	833,077	-	(29,501)	3,511,799

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Financial Data Schedule
December 31, 2022

Line Item #	Account Description	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Fiduciary Fund	Eliminations	Total
Fixed Assets							
161	Land	-	-	715,043	-	-	1,256,004
162	Buildings	-	-	20,811,646	-	-	31,006,689
163	Furniture, equipment and machinery - dwellings	-	-	1,277,432	-	-	1,642,563
164	Furniture, equipment and machinery - administration	-	-	-	-	-	419,871
165	Leasehold improvements	-	-	-	-	-	-
166	Accumulated depreciation	-	-	(9,044,718)	-	-	(17,785,566)
160	Total fixed assets, net of accumulated depreciation	-	-	13,759,403	-	-	16,539,561
171	Notes, loans, and mortgages receivable - noncurrent	-	17,329	-	-	-	406,488
174	Other assets	-	-	1,206,502 ⁽¹⁾	-	-	1,209,405
176	Investments	-	308	-	-	-	138,961
180	Total noncurrent assets	-	17,637	14,965,905	-	-	18,294,415
190	Total assets	-	17,637	15,798,982	-	(29,501)	21,806,214
200	Deferred outflows of resources	-	-	-	-	-	264,073
290	Total assets and deferred outflows of resources	\$ -	\$ 17,637	\$ 15,798,982	\$ -	\$ (29,501)	\$ 22,070,287

1. Included in this amount is the restricted cash amounts of \$1,129,612 which are considered cash and cash equivalents for statement of cash flows purposes.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Financial Data Schedule
December 31, 2022

Line Item #	Account Description	Low Rent 14.850	14.231 Emergency Shelter Grant Program	Section 8 Housing Choice Voucher Program 14.871	14.879 Mainstream Vouchers	Capital Fund 14.872	Sherman Apartments Section 8 New	Management Account
Liabilities and Equity								
Liabilities								
Current Liabilities								
312	Accounts payable ≤ 90 days	\$ 4,180	\$ -	\$ 1,410	\$ -	\$ -	\$ 602	\$ 1,926
321	Accrued wage/payroll taxes payable	9,984	-	8,005	-	-	3,851	11,283
322	Accrued compensated absences	12,272	-	13,542	-	-	4,114	8,760
325	Accrued interest payable	-	-	-	-	-	-	-
333	Accounts payable - other government	19,990	-	-	-	-	14,953	-
341	Tenant security deposits	32,661	-	-	-	-	16,308	-
342	Unearned revenues	471	-	-	-	-	326	-
343	Current portion of long-term debt - capital projects	-	-	-	-	-	-	-
345	Other current liabilities	-	-	-	-	-	-	-
347	Interprogram payables	-	26,068	3,433	-	-	-	-
310	Total current liabilities	79,558	26,068	26,390	-	-	40,154	21,969

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Financial Data Schedule
Year Ended December 31, 2022

Line Item #	Account Description	Low Rent 14.850	14.231 Emergency Shelter Grant Program	Section 8 Housing Choice Voucher Program 14.871	14.879 Mainstream Vouchers	Capital Fund 14.872	Sherman Apartments Section 8 New	Management Account
Noncurrent Liabilities								
351	Long-term debt, net of current - capital projects	-	-	-	-	-	-	-
353	Non-current liabilities - other	-	-	-	-	-	-	-
350	Total noncurrent liabilities	-	-	-	-	-	-	-
300	Total liabilities	79,558	26,068	26,390	-	-	40,154	21,969
400	Deferred inflows of resources	53,756	-	50,244	-	-	12,780	52,357
508.4	Net investment in capital assets	892,102	-	10,119	-	-	1,836,715	41,222
511.4	Restricted net position	31,097	-	89,971 ⁽²⁾	-	-	7,393	30,285
512.4	Unrestricted net position	144,122	(212)	357,366	6,962	-	309,219	2,163,532
513	Total equity/net position	1,067,321	(212)	457,456	6,962	-	2,153,327	2,235,039
600	Total liabilities, deferred inflows and equity/net position	<u>\$ 1,200,635</u>	<u>\$ 25,856</u>	<u>\$ 534,090</u>	<u>\$ 6,962</u>	<u>\$ -</u>	<u>\$ 2,206,261</u>	<u>\$ 2,309,365</u>

2. Included in this amount is the restricted net position for housing assistance payment equity of \$60,907 and restricted net position for SDRS pension of \$29,064.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Financial Data Schedule

Year Ended December 31, 2022

Line Item #	Account Description	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Fiduciary Fund	Eliminations	Total
Liabilities and Equity							
Liabilities							
Current Liabilities							
312	Accounts payable ≤ 90 days	\$ -	\$ -	\$ 91,525	\$ -	\$ -	\$ 99,643
321	Accrued wage/payroll taxes payable	-	-	-	-	-	33,123
322	Accrued compensated absences	-	-	-	-	-	38,688
325	Accrued interest payable	-	-	30,889	-	-	30,889
333	Accounts payable - other government	-	-	-	-	-	34,943
341	Tenant security deposits	-	-	92,700	-	-	141,669
342	Unearned revenues	-	-	-	-	-	797
343	Current portion of long-term debt - capital projects	-	-	198,786	-	-	198,786
345	Other current liabilities	-	-	16,570	-	-	16,570
347	Interprogram payables	-	-	-	-	(29,501)	-
310	Total current liabilities	-	-	430,470	-	(29,501)	595,108

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Financial Data Schedule

Year Ended December 31, 2022

Line Item #	Account Description	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Fiduciary Fund	Eliminations	Total
Noncurrent Liabilities							
351	Long-term debt, net of current - capital projects	-	-	4,164,364	-	-	4,164,364
353	Non-current liabilities - other	-	-	93,103	-	-	93,103
350	Total noncurrent liabilities	-	-	4,257,467	-	-	4,257,467
300	Total liabilities	-	-	4,687,937	-	(29,501)	4,852,575
400	Deferred inflows of resources	-	-	-	-	-	169,137
508.4	Net investment in capital assets	-	-	9,368,418	-	-	12,148,576
511.4	Restricted net position	-	-	1,129,612	-	-	1,288,358
512.4	Unrestricted net position	-	17,637	613,015	-	-	3,611,641
513	Total equity/net position	-	17,637	11,111,045	-	-	17,048,575
600	Total liabilities, deferred inflows and equity/net position	\$ -	\$ 17,637	\$ 15,798,982	\$ -	\$ (29,501)	\$ 22,070,287

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Financial Data Schedule

Year Ended December 31, 2022

Line Item #	Account Description	Low Rent 14.850	14.231 Emergency Shelter Grant Program	Section 8 Housing Choice Voucher Program 14.871	14.879 Mainstream Vouchers	Capital Fund 14.872	Sherman Apartments Section 8 New	Management Account
Revenues								
703	Net tenant rental revenue	\$ 399,797	\$ -	\$ -	\$ -	\$ -	\$ 206,267	\$ -
704	Tenant revenue - other	17,449	-	-	-	-	4,283	-
705	Total tenant revenue	417,246	-	-	-	-	210,550	-
706	HUD PHA operating grants	144,263	60,117	2,575,744	147,825	251,901	-	-
706	Housing Assistance Payments	-	-	-	-	-	236,946	-
708	Other government grants	-	-	-	-	-	-	-
711	Investment income - unrestricted	2	-	27	-	-	-	22,055
714	Fraud recovery	-	-	13,700	-	-	-	-
715	Other revenue	3,888	-	-	-	-	1,271	300,256
716	Gain/loss on the sale of fixed assets	(276)	-	-	-	-	-	-
720	Investment income - restricted	-	-	-	-	-	-	-
700	Total revenues	565,123	60,117	2,589,471	147,825	251,901	448,767	322,311

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Financial Data Schedule

Year Ended December 31, 2022

Line Item #	Account Description	Low Rent 14.850	14.231 Emergency Shelter Grant Program	Section 8 Housing Choice Voucher Program 14.871	14.879 Mainstream Vouchers	Capital Fund 14.872	Sherman Apartments Section 8 New	Management Account
Expenses								
Administrative								
911	Administrative salaries	178,536	-	248,942	12,494	-	-	185,026
912	Auditing fees	6,120	-	11,930	-	-	6,120	6,105
913	Management fees	-	-	-	-	-	31,221	-
914	Advertising and marketing	-	-	-	-	-	2,840	-
915	Employee benefit contributions - administrative	23,601	-	27,218	2,019	-	-	29,092
916	Office expense	21,072	34	45,404	2,113	-	11,753	-
917	Legal expense	-	-	-	-	-	-	-
918	Travel	-	28	-	392	-	2,716	-
919	Other operating - administrative	-	64	-	215	-	-	53,316
Tenant services								
921	Tenant services - salaries	6,342	-	-	-	-	19,081	6,532
923	Employee benefit contributions - tenant services	839	-	-	-	-	2,628	1,027
924	Tenant services - other	4,500	60,203	-	-	-	4,868	-
Utilities								
931	Water	19,363	-	-	-	-	6,374	-
932	Electricity	36,977	-	-	-	-	41,213	-
933	Gas	26,512	-	-	-	-	3,148	-
Ordinary maintenance and operation								
941	Ordinary maintenance and operations - labor	63,928	-	-	-	-	40,351	48,598
942	Ordinary maintenance and operations - materials and other	40,121	-	-	-	-	4,856	4,471
943	Ordinary maintenance and operations - contract costs	45,840	-	-	-	-	32,193	118
945	Employee benefit contributions-ordinary maintenance	8,448	-	-	-	-	5,558	7,641

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Financial Data Schedule

Year Ended December 31, 2022

Line Item #	Account Description	Low Rent 14.850	14.231 Emergency Shelter Grant Program	Section 8 Housing Choice Voucher Program 14.871	14.879 Mainstream Vouchers	Capital Fund 14.872	Sherman Apartments Section 8 New	Management Account
	Protective services							
951	Protective services - labor	-	-	-	-	-	1,050	-
952	Protective services - other contract costs	2,556	-	-	-	-	1,345	-
	General expenses							
961.1	Property insurance	32,272	-	-	-	-	6,516	-
961.2	Liability insurance	-	-	493	-	-	-	49
961.3	Workmen's compensation	-	-	1,378	-	-	2,395	3,018
961.4	All other insurance	-	-	914	135	-	-	4,699
962	Other general expenses	-	-	-	-	-	852	-
963	Payments in lieu of taxes	19,990	-	-	-	-	15,111	-
964	Bad debt - tenant rents	4,228	-	-	-	-	-	-
967	Interest expense	-	-	-	-	-	-	-
969	Total operating expenses	541,245	60,329	336,279	17,368	-	242,189	349,692
970	Excess (deficiency) operating revenue over (under) operating expenses	23,878	(212)	2,253,192	130,457	251,901	206,578	(27,381)

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Financial Data Schedule
Year Ended December 31, 2022

Line Item #	Account Description	Low Rent 14.850	14.231 Emergency Shelter Grant Program	Section 8 Housing Choice Voucher Program 14.871	14.879 Mainstream Vouchers	Capital Fund 14.872	Sherman Apartments Section 8 New	Management Account
	Other expenses							
971	Extraordinary maintenance	166,482	-	-	-	-	32,444	-
972	Casualty losses - non-capitalized	2,331	-	-	-	-	-	-
973	Housing assistance payments	-	-	2,163,597	136,353	-	-	-
974	Depreciation expense	80,628	-	4,112	-	-	121,109	6,897
900	Total expenses	790,686	60,329	2,503,988	153,721	-	395,742	356,589
1001	Operating transfers in	251,901	-	-	-	-	-	28,618
1002	Operating transfers out	-	-	-	-	(251,901)	-	-
1004	Operating transfers from/to component unit	-	-	-	-	-	-	13,967
1010	Total other financing sources (uses)	251,901	-	-	-	(251,901)	-	42,585
1000	Excess (deficiency) of operating revenue over (under) expenses	\$ 26,338	\$ (212)	\$ 85,483	\$ (5,896)	\$ -	\$ 53,025	\$ 8,307
	Memo account information							
1103	Beginning equity	1,040,983	-	371,973	12,858	-	2,100,302	2,226,732
1104	Prior period adjustments and equity transfers	-	-	-	-	-	-	-
1117	Administrative fee equity	-	-	396,549	-	-	-	-
1118	Housing assistance payments equity	-	-	60,907	-	-	-	-
1119	Unit months available	1,200	-	6,540	440	-	612	-
1121	Number of unit months leased	1,123	-	5,255	387	-	610	-
1127	Excess cash	87,208	-	-	-	-	-	-

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Financial Data Schedule

Year Ended December 31, 2022

Line Item #	Account Description	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Fiduciary Fund	Eliminations	Total
Revenues							
703	Net tenant rental revenue	\$ -	\$ -	\$ 1,474,951	\$ -	\$ -	\$ 2,081,015
704	Tenant revenue - other	-	-	-	-	-	21,732
705	Total tenant revenue	-	-	1,474,951	-	-	2,102,747
706	HUD PHA operating grants	-	-	-	-	-	3,179,850
706	Housing Assistance Payments	-	-	-	-	-	236,946
708	Other government grants	28,618	-	-	-	-	28,618
711	Investment income - unrestricted	-	-	-	-	-	22,084
714	Fraud recovery	-	-	-	-	-	13,700
715	Other revenue	-	5,500	6,748	-	(31,221)	286,442
716	Gain/loss on the sale of fixed assets	-	-	-	-	-	(276)
720	Investment income - restricted	-	-	2,246	-	-	2,246
700	Total revenues	28,618	5,500	1,483,945	-	(31,221)	5,872,357

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Financial Data Schedule
Year Ended December 31, 2022

Line Item #	Account Description	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Fiduciary Fund	Eliminations	Total
Expenses							
Administrative							
911	Administrative salaries	-	-	45,337	-	-	670,335
912	Auditing fees	-	-	48,485	-	-	78,760
913	Management fees	-	-	162,222	-	(31,221)	162,222
914	Advertising and marketing	-	-	3,852	-	-	6,692
915	Employee benefit contributions - administrative	-	-	-	-	-	81,930
916	Office expense	-	-	42,737	-	-	123,113
917	Legal expense	-	-	1,572	-	-	1,572
918	Travel	-	-	13,402	-	-	16,538
919	Other operating - administrative	-	200	38,206	-	-	92,001
Tenant services							
921	Tenant services - salaries	-	-	-	-	-	31,955
923	Employee benefit contributions - tenant services	-	-	-	-	-	4,494
924	Tenant services - other	-	-	2,548	-	-	72,119
Utilities							
931	Water	-	-	60,088	-	-	85,825
932	Electricity	-	-	75,486	-	-	153,676
933	Gas	-	-	44,336	-	-	73,996
Ordinary maintenance and operation							
941	Ordinary maintenance and operations - labor	-	-	-	-	-	152,877
942	Ordinary maintenance and operations - materials and other	-	-	24,495	-	-	73,943
943	Ordinary maintenance and operations - contract costs	-	-	225,493	-	-	303,644
945	Employee benefit contributions-ordinary maintenance	-	-	-	-	-	21,647

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Financial Data Schedule

Year Ended December 31, 2022

Line Item #	Account Description	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Fiduciary Fund	Eliminations	Total
	Protective services						
951	Protective services - labor	-	-	-	-	-	1,050
952	Protective services - other contract costs	-	-	-	-	-	3,901
	General expenses						
961.1	Property insurance	-	-	29,393	-	-	68,181
961.2	Liability insurance	-	-	29,393	-	-	29,935
961.3	Workmen's compensation	-	-	-	-	-	6,791
961.4	All other insurance	-	-	-	-	-	5,748
962	Other general expenses	-	-	27,760	-	-	28,612
963	Payments in lieu of taxes	-	-	2,713	-	-	37,814
964	Bad debt - tenant rents	-	-	7,403	-	-	11,631
967	Interest expense	-	-	131,860	-	-	131,860
969	Total operating expenses	-	200	1,016,781	-	(31,221)	2,532,862
970	Excess (deficiency) operating revenue over (under) operating expenses	28,618	5,300	467,164	-	-	3,339,495

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Financial Data Schedule

Year Ended December 31, 2022

Line Item #	Account Description	HOME Investment Partnerships Program 14.239	Component Units	Discretely Presented Component Units	Fiduciary Fund	Eliminations	Total
	Other expenses						
971	Extraordinary maintenance	-	-	36,921	-	-	235,847
972	Casualty losses - non-capitalized	-	-	-	-	-	2,331
973	Housing assistance payments	-	-	-	-	-	2,299,950
974	Depreciation expense	-	-	906,714	-	-	1,119,460
900	Total expenses	-	200	1,960,416	-	(31,221)	6,190,450
1001	Operating transfers in	-	-	-	-	(280,519)	-
1002	Operating transfers out	(28,618)	-	-	-	280,519	-
1004	Operating transfers from/to component unit	-	(13,967)	-	-	-	-
1010	Total other financing sources (uses)	(28,618)	(13,967)	-	-	-	-
1000	Excess (deficiency) of operating revenue over (under) expenses	\$ -	\$ (8,667)	\$ (476,471)	\$ -	\$ -	\$ (318,093)
	Memo account information						
1103	Beginning equity	-	26,304	11,587,516	-	-	17,366,668
1104	Prior period adjustments and equity transfers	-	-	-	-	-	-
1117	Administrative fee equity	-	-	-	-	-	396,549
1118	Housing assistance payments equity	-	-	-	-	-	60,907
1119	Unit months available	-	-	2,076	-	-	10,868
1121	Number of unit months leased	-	-	2,018	-	-	9,393
1127	Excess cash	-	-	-	-	-	87,208

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Schedule of Modernization Projects Completed
Year Ended December 31, 2022

<u>Classification</u>	<u>Project # SD01P034501-22</u>
1406 Operations	<u>\$ 251,901</u>
Total capital fund project expenditures	<u><u>\$ 251,901</u></u>
Capital Fund Advances Received Through December 31, 2022	<u>\$ 251,901</u>
Total capital fund amount approved	<u><u>\$ 251,901</u></u>



**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***

The Board of Commissioners
The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Aberdeen, South Dakota

We have audited, 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, the financial statements of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota, a component unit of the City of Aberdeen, South Dakota (the "Commission"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated April 27, 2023. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component units.

Report on 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) as a basis for designing 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Commission's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Commission's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Commission's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
April 27, 2023



Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Commissioners
The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Aberdeen, South Dakota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota, a component unit of the City of Aberdeen, South Dakota's (the "Commission") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Commission's major federal program for the year ended December 31, 2022. The Commission's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Commission's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Commission's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Commission's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Aberdeen, South Dakota
April 27, 2023

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Housing and Urban Development			
Direct Federal Funding			
Public and Indian Housing	14.850	N/A	\$ 144,256
Public Housing Capital Fund	14.872	N/A	251,901
Housing Voucher Cluster			
Section 8 Housing Choice Vouchers	14.871	N/A	2,519,145
COVID-19 Mainstream Voucher	14.879	N/A	153,721
Total Housing Voucher Cluster			<u>2,672,866</u>
Pass Through South Dakota Housing Development Authority			
HOME Investment Partnerships Program	14.239	*	28,618
COVID-19 Emergency Solutions Grant Program	14.231	*	<u>60,264</u>
Total U.S. Department of Housing and Urban Development			<u>3,157,905</u>
Total Federal Financial Assistance			<u>\$ 3,157,905</u>

* No Pass Through Entity Identifying Number Given

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Commission under programs of the federal government for the year ended December 31, 2022. The information 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). Because the schedule presents only a selected portion of the operations of the Commission, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the Commission. The Commission received federal awards both directly from federal agencies and indirectly through pass-through entities.

The accompanying schedule of expenditures of federal awards presents only the activity of federal award programs of the Commission and excludes any federal awards of discretely presented component units.

Note B – Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, 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. The Commission's summary of significant accounting policies is presented in Note 1 in the Commission's basic financial statements. No federal financial assistance has been provided to a subrecipient.

Note C – Indirect Cost Rate

The Commission does not draw for indirect administrative expenses and has not elected to use the 10% *de minimus* cost rate.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Schedule of Findings and Questioned Costs
Year Ended December 31, 2022

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing</u>
Housing Voucher Cluster:	
COVID-19 Mainstream Voucher	14.879
Section 8 Housing Choice Voucher	14.871
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2022-001 - Financial Statements, Footnotes, and the Schedule of Expenditures of Federal Awards Are Prepared by the Auditor, Which, at Times, Includes Material Proposed Adjustments

Material Weakness

Criteria: An organization's internal control structure should provide for the recording of all necessary material adjustments and the preparation of financial statements, footnotes, and schedule of expenditures of federal awards in accordance with generally accepted accounting principles and Uniform Guidance.

Condition: The Commission does not have an internal control system designed to provide for the preparation of the financial statements including required footnotes, disclosures, and schedule of expenditures of federal awards including, at times, all necessary material audit adjustments to the Commission's financial statements. During the course of our engagement, we were requested to draft the financial statements, accompanying notes to those financial statements, and schedule of expenditures of federal awards and, at times, we proposed material audit adjustments to the Commission's recorded account balances.

Cause: The Commission does not have adequate staff trained to prepare the financial statements, footnotes, and schedule of expenditures of federal awards.

Effect: The preparation of financial statements as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by Commission personnel. The need for proposed audit adjustments indicates that the Commission's interim financial information is not materially correct, which may affect management decisions made during the course of the year.

Recommendation: It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials: Management agrees with finding.

Section III – Federal Award Findings and Questioned Costs

2022-002 Section 8 Housing Choice Voucher Cluster
Federal Financial Assistance Listing 14.879 COVID-19 Mainstream Voucher Program
Federal Financial Assistance Listing 14.871 Section 8 Housing Choice Voucher Program

Reporting

Significant Deficiency in internal control over Compliance

Criteria: The Uniform Financial Reporting Standards (24 CFR section 5.801) require public housings agencies (PHAs) to submit timely GAAP-based unaudited information electronically to HUD with a deadline of two months after the PHAs year-end.

Condition: The Commission did not have a tracking and review control in place to ensure that reporting was completed by the deadline, which resulted in the submission being completed after the deadline. Submission was completed on March 10, 2023.

Cause: The Commission experienced significant turnover in staff at the end of 2022 and the new staff were not aware of the requirement or the deadline. The staff attempted to complete the submission by the deadline but were unable to validate the submission.

Effect: Based on HUD notice PIH-2021-08, late submissions will result in a 1 point deduction from the PHA's FASS score for every 15 days the submission is late.

Questioned Costs: None

Repeat Finding from Prior Year(s): No

Recommendation: With the turnover in staffing, we realize the new staff were not aware of the deadlines. We recommend that a tracking system be implemented to includes all HUD reporting requirements, deadlines, what is required to be submitted, and to whom items are required to be submitted which is kept in a location to which all accounting staff have access in order to monitor the upcoming deadlines. We also recommend a control process be in place so review of the submission can occur prior to submission for any noticeable errors.

Views of Responsible Officials: Management agrees with finding.



Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan

December 31, 2022

Prepared by Management of
The Housing and Redevelopment Commission of
Aberdeen, South Dakota



Summary Schedule of Prior Audit Findings

Financial Statement Finding

Finding 2021-001 – Financial statements, footnotes and the schedule of expenditures of federal awards are prepared by the auditor, which at times includes material proposed adjustments to the financial statements.

Initial Fiscal Year Finding Occurred: 2008

Finding Summary: Eide Bailly LLP prepared our draft financial statements and accompanying notes to the financial statements.

Status: Ongoing. Due to cost considerations, we will continue to have Eide Bailly LLP prepare our draft financial statements and accompanying notes to the financial statements.

Corrective Action Plan

Finding 2022-001

Finding Summary: Eide Bailly LLP prepared our draft financial statements, accompanying notes to the financial statements and the schedule of expenditures of federal awards. They also proposed audit adjustments that would not have been identified because of our existing controls and, therefore, could have resulted in a material misstatement of our financial statements.

Responsible Individuals: Jody Zueger, Executive Director

Corrective Action Plan: It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements and accompanying notes. We requested that our auditors, Eide Bailly LLP, prepared the financial statements and the accompanying notes to the financial statements as a part of their annual audit. We have designated a member of management to review the drafted financial statements and accompanying notes, and we have reviewed with and agree with the material adjustments proposed during the audit.

Anticipated Completion Date: Ongoing

Finding 2022-002

Finding Summary: The Commission did not have a tracking and review control in place to ensure that reporting of GAAP-based unaudited information was electronically submitted to HUD within the two-month deadline of the PHA's year end resulting in a late submission.

Responsible Individuals: Jody Zueger, Executive Director

Corrective Action Plan: Based on significant turnover in the accounting and finance departments, the staff were not aware of the deadline for submission. The Commission will develop a tracking system to ensure that deadlines are known and can be met in the future.

Anticipated Completion Date: 5/31/2023