

Financial Statements
December 31, 2025 and 2024

**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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December 31, 2025 and 2024

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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, and each major fund 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, 2025 and 2024, 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, and each major fund 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, 2025 and 2024, and the respective changes in financial position, and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 54 through 55 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 GAAS, 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, 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 GAAS. 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 30, 2026, 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 30, 2026

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, 2025 and 2024. 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, Central Villas, and Housing Plus. 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; Central Villas, LP; and Housing Plus, Inc., as discretely presented component units. For all six of these entities, the Commission or one of its blended component units is a partner and management agent for the limited partnership or has a majority interest in board members.

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 2025

- Total assets and deferred outflows of resources of the Commission increased \$173,580 (or 2.7%) as of December 31, 2025.
- Total liabilities and deferred inflows of resources of the Commission decreased \$45,394 (or 12.24%) as of December 31, 2025.
- Net position of the Commission increased \$128,186 (or 2.1%) as of December 31, 2025.
- Unrestricted cash of the Commission decreased \$664,603 (or 31.33%) as of December 31, 2025.
- Operating revenue of the Commission decreased \$30,809 (or 0.63%) from 2024 to 2025.
- Operating expenses of the Commission decreased \$8,468 (or 0.2%) from 2024 to 2025.
- Non-operating revenues and expenses decreased \$12,048 (or 33.4%) from 2024 to 2025.
- Capital contributions increased \$32,401 (or 11.64%) from 2024 to 2025.

Financial Highlights for 2024

- Total assets and deferred outflows of resources of the Commission increased \$140,603 (or 2.3%) as of December 31, 2024.
- Total liabilities and deferred inflows of resources of the Commission increased \$10,429 (or 2.89%) as of December 31, 2024.
- Net position of the Commission increased \$130,174 (or 2.2%) as of December 31, 2024.
- Unrestricted cash of the Commission decreased \$185,413 (or 8.04%) as of December 31, 2024.
- Operating revenue of the Commission increased \$383,675 (or 8.5%) from 2023 to 2024.
- Operating expenses of the Commission increased \$347,688 (or 7.3%) from 2023 to 2024.
- Non-operating revenues and expenses increased \$996 (or 2.8%) from 2023 to 2024.
- Capital contributions increased \$191,050 (or 218.55%) from 2023 to 2024.

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 and deferred outflows of resources equal liabilities and deferred inflows of resources 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.

Capital Assets

As of December 31, 2025 and 2024, the Commission's capital assets for its business-type activities were \$2,329,202 and \$2,469,022 (net of accumulated depreciation), respectively. Capital assets include land, buildings, improvements, and equipment.

Major capital asset purchases during the year ended December 31, 2025, include the following:

- Capital expenditures of \$21,112 for furniture and fixtures in Public Housing.
- Capital expenditures of \$30,116 for building improvements in Public Housing.
- Capital expenditures of \$24,336 for furniture and fixtures at the Sherman Apartments.

Major capital assets purchases during the year ended December 31, 2024, include the following:

- Capital expenditures of \$45,535 for furniture and fixtures in Public Housing.
- Capital expenditures of \$17,420 for building improvements at the Sherman Apartments.
- Capital expenditures of \$7,967 for furniture and fixtures at the Sherman Apartments.

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

Long-Term Liabilities

As of December 31, 2025 and 2024, long-term liabilities totaled \$0 and \$0, respectively. There was no new long-term debt issued during 2025 or 2024.

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 (Low Rent)

Year Ended December 31, 2025:

Total operating revenue decreased by \$12,776 from 2024 to 2025. Total operating expenses increased by \$48,412. Capital contributions increased by \$32,401.

Year Ended December 31, 2024:

Total operating revenue increased by \$21,328 from 2024 to 2025. Total operating expenses decreased by \$127,491. Capital contributions increased by \$191,050.

Aberdeen Housing Commission – Section 8 Vouchers

Year Ended December 31, 2025:

Total operating revenue decreased by \$63,956 from 2024 to 2025. Total operating expenses decreased by \$105,819.

Year Ended December 31, 2024:

Total operating revenue increased by \$383,273 from 2024 to 2025. Total operating expenses increased by \$307,507.

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

Year Ended December 31, 2025:

Total operating revenue increased by \$9,352 from 2024 to 2025. Total operating expenses increased by \$11,683. Total non-operating revenue/expenses decreased by \$325.

Year Ended December 31, 2024:

Total operating revenue increased by \$21,067 from 2024 to 2025. Total operating expenses increased by \$15,723. Total non-operating revenue/expenses increased by \$131.

Aberdeen Housing Commission – Management Account

Year Ended December 31, 2025:

Total operating revenue increased by \$33,489 from 2024 to 2025. Total operating expenses decreased by \$3,858. Total non-operating revenues decreased by \$8,826.

Year Ended December 31, 2024:

Total operating revenue decreased by \$41,993 from 2024 to 2025. Total operating expenses decreased by \$102,943. Total non-operating revenues increased by \$971.

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 2024 and 2025. Total operating revenues were \$0. Total operating expenses were \$0 and \$60 for the years ended December 31, 2025 and 2024, respectively.

Lawson Developers, LLC

Lawson Developers, LLC had limited activity during 2024 and 2025. Total operating revenues were \$0. Total operating expenses and transfers out were \$0 and \$8,662 for the years ended December 31, 2025 and 2024, respectively.

AHA Housing, LLC

AHA Housing, LLC had limited activity during 2024 and 2025. Total operating revenues were \$0. Total operating expenses were \$0 for the years ended December 31, 2025 and 2024.

Meadow Wood Housing, LLC

Meadow Wood Housing, LLC had limited activity during 2024 and 2025. Total operating revenues were \$6,050 and \$5,500 for the years ended December 31, 2025 and 2024, respectively. Total operating expenses and transfers were \$6,050 and \$5,440 for the years ended December 31, 2025 and 2024, respectively.

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Management's Discussion and Analysis
December 31, 2025 and 2024

Condensed Financial Information

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Assets			
Current assets	\$ 3,049,861	\$ 2,768,157	\$ 2,494,021
Capital assets	2,329,202	2,469,022	2,614,913
Other assets	<u>874,779</u>	<u>856,679</u>	<u>850,027</u>
 Total assets	 <u>6,253,842</u>	 <u>6,093,858</u>	 <u>5,958,961</u>
 Deferred Outflows of Resources	 <u>260,313</u>	 <u>246,717</u>	 <u>241,011</u>
 Total assets and deferred outflows	 <u>\$ 6,514,155</u>	 <u>\$ 6,340,575</u>	 <u>\$ 6,199,972</u>
Liabilities			
Current liabilities	\$ 266,337	\$ 175,742	\$ 207,565
 Total liabilities	 <u>266,337</u>	 <u>175,742</u>	 <u>207,565</u>
 Deferred Inflows of Resources	 <u>149,787</u>	 <u>194,988</u>	 <u>152,736</u>
Net Position			
Net investment in capital assets	2,329,202	2,469,022	2,614,913
Restricted net position	210,533	42,691	18,632
Restricted for pension	2,708	1,480	91,313
Unrestricted net position	<u>3,555,588</u>	<u>3,456,652</u>	<u>3,114,813</u>
 Total net position	 <u>6,098,031</u>	 <u>5,969,845</u>	 <u>5,839,671</u>
 Total liabilities, deferred inflows and net position	 <u>\$ 6,514,155</u>	 <u>\$ 6,340,575</u>	 <u>\$ 6,199,972</u>

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

Management's Discussion and Analysis

December 31, 2025 and 2024

	2025	2024	2023
Operating Revenues			
Dwelling rental income	\$ 973,935	\$ 966,795	\$ 900,061
HUD subsidies	3,536,830	3,592,988	3,292,994
Management and administration fees	322,139	315,658	305,836
Other	33,527	21,799	14,674
Total operating revenues	4,866,431	4,897,240	4,513,565
Operating Expenses			
Rental assistance payments	2,750,454	2,904,505	2,620,880
General and administrative	2,322,640	2,177,057	2,112,994
Total operating expenses	5,073,094	5,081,562	4,733,874
Operating Income (Loss)	(206,663)	(184,322)	(220,309)
Nonoperating Revenue (Expense)	23,981	36,029	35,033
Capital Contributions	310,868	278,467	87,417
Change in Net Position	128,186	130,174	(97,859)
Net Position, Beginning	5,969,845	5,839,671	5,937,530
Net Position, End of Year	\$ 6,098,031	\$ 5,969,845	\$ 5,839,671

Economic Factors and Future Development

Significant economic factors that can affect the Commission 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

Statement of Net Position

December 31, 2025

	2025					Total	Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units			Meadow Wood Housing, LLC		
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC			
Assets							
Current Assets							
Cash and cash equivalents	\$ 1,405,428	\$ -	\$ -	\$ -	\$ -	\$ 1,405,428	\$ 423,196
Tenant accounts receivable	7,205	-	-	-	-	7,205	20,682
Funded security deposits	51,443	-	-	-	-	51,443	90,484
Other accounts receivable	176,390	-	-	-	-	176,390	491
Accrued interest receivable	37,296	-	-	-	-	37,296	-
Notes receivable - related party	1,355,856	-	-	-	-	1,355,856	-
Prepaid expenses	16,243	-	-	-	-	16,243	63,192
Total current assets	3,049,861	-	-	-	-	3,049,861	598,045
Property and Equipment							
Land and land improvements	540,961	-	-	-	-	540,961	806,475
Buildings and improvements	10,255,610	-	-	-	-	10,255,610	21,630,516
Furniture, equipment and machinery - dwellings	466,938	-	-	-	-	466,938	1,448,423
Furniture, equipment and machinery - nondwelling	420,823	-	-	-	-	420,823	-
Construction in progress	-	-	-	-	-	-	448,328
	11,684,332	-	-	-	-	11,684,332	24,333,742
Less accumulated depreciation	(9,355,130)	-	-	-	-	(9,355,130)	(11,520,384)
Total property and equipment	2,329,202	-	-	-	-	2,329,202	12,813,358
Other Assets							
Restricted deposits and reserves	352,924	-	-	-	-	352,924	1,325,321
Notes receivable - related party	380,186	-	-	-	-	380,186	-
Investment in limited partnerships	138,653	100	-	10	198	138,961	-
Net pension asset	2,708	-	-	-	-	2,708	-
Tax credit fees, at cost, net of accumulated amortization	-	-	-	-	-	-	39,062
Total other assets	874,471	100	-	10	198	874,779	1,364,383
Deferred Outflows of Resources							
Pension related deferred outflows	260,313	-	-	-	-	260,313	-
	\$ 6,513,847	\$ 100	\$ -	\$ 10	\$ 198	\$ 6,514,155	\$ 14,775,786

See Notes to Financial Statements

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Statement of Net Position
December 31, 2025

	2025						Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units				Total	
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC		
Liabilities and Net Position							
Current Liabilities							
Current portion of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 597,062
Accounts payable	62,778	-	-	-	-	62,778	43,024
Due to other governments	39,264	-	-	-	-	39,264	-
Tenant security deposits	51,443	-	-	-	-	51,443	90,484
Due to related party	-	-	-	-	-	-	1,466,889
Accrued liabilities							
Wages and payroll taxes payable	13,799	-	-	-	-	13,799	-
Interest	-	-	-	-	-	-	44,498
Compensated absences	95,841	-	-	-	-	95,841	-
Unearned revenues	3,212	-	-	-	-	3,212	-
Other	-	-	-	-	-	-	58,446
Total current liabilities	<u>266,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>266,337</u>	<u>2,300,403</u>
Non-Current Liabilities							
Long-term debt, net of current portion and unamortized debt issuance costs	-	-	-	-	-	-	3,322,471
Other non-current payable	-	-	-	-	-	-	44,317
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,366,788</u>
Total liabilities	<u>266,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>266,337</u>	<u>5,667,191</u>
Deferred Inflows of Resources							
Pension related deferred inflows	<u>149,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,787</u>	<u>-</u>
Net Position							
Net investment in capital assets	2,329,202	-	-	-	-	2,329,202	7,520,499
Restricted for HUD Voucher Program	210,533	-	-	-	-	210,533	-
Restricted for mortgage escrows	-	-	-	-	-	-	1,325,321
Restricted for pension (see Note 8)	2,708	-	-	-	-	2,708	-
Unrestricted net position	<u>3,555,280</u>	<u>100</u>	<u>-</u>	<u>10</u>	<u>198</u>	<u>3,555,588</u>	<u>262,775</u>
Total net position	<u>6,097,723</u>	<u>100</u>	<u>-</u>	<u>10</u>	<u>198</u>	<u>6,098,031</u>	<u>9,108,595</u>
	<u>\$ 6,513,847</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 198</u>	<u>\$ 6,514,155</u>	<u>\$ 14,775,786</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Statement of Net Position
December 31, 2024

	2024						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	\$ 2,070,675	\$ -	\$ -	\$ -	\$ -	\$ 2,070,675	\$ 626,151
Tenant accounts receivable	2,986	-	-	-	-	2,986	17,876
Funded security deposits	50,799	-	-	-	-	50,799	87,432
Other accounts receivable	63,670	-	-	-	-	63,670	-
Accrued interest receivable	33,913	-	-	-	-	33,913	-
Notes receivable - related party	521,101	-	-	-	-	521,101	-
Prepaid expenses	25,013	-	-	-	-	25,013	31,834
Total current assets	<u>2,768,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,768,157</u>	<u>763,293</u>
Property and Equipment							
Land and land improvements	540,961	-	-	-	-	540,961	715,043
Buildings and improvements	10,230,144	-	-	-	-	10,230,144	20,836,355
Furniture, equipment and machinery - dwellings	444,586	-	-	-	-	444,586	1,401,187
Furniture, equipment and machinery - nondwelling	420,823	-	-	-	-	420,823	-
Construction in progress	-	-	-	-	-	-	521,101
	<u>11,636,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,636,514</u>	<u>23,473,686</u>
Less accumulated depreciation	<u>(9,167,492)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,167,492)</u>	<u>(10,760,671)</u>
Total property and equipment	<u>2,469,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,469,022</u>	<u>12,713,015</u>
Other Assets							
Restricted deposits and funded reserves	336,052	-	-	-	-	336,052	1,265,068
Notes receivable - related party	380,186	-	-	-	-	380,186	-
Investment in limited partnerships	138,653	100	-	10	198	138,961	-
Net pension asset	1,480	-	-	-	-	1,480	-
Tax credit fees, at cost, net of accumulated amortization	-	-	-	-	-	-	50,924
Total other assets	<u>856,371</u>	<u>100</u>	<u>-</u>	<u>10</u>	<u>198</u>	<u>856,679</u>	<u>1,315,992</u>
Deferred Outflows of Resources							
Pension related deferred outflows	<u>246,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,717</u>	<u>-</u>
	<u>\$ 6,340,267</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 198</u>	<u>\$ 6,340,575</u>	<u>\$ 14,792,300</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Statements of Net Position
December 31, 2024

	2024					Total	Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units			Meadow Wood Housing, LLC		
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC			
Liabilities and Net Position							
Current Liabilities							
Current portion of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,270
Accounts payable	11,650	-	-	-	-	11,650	30,366
Due to other governments	39,466	-	-	-	-	39,466	-
Tenant security deposits	50,799	-	-	-	-	50,799	87,432
Due to related party	-	-	-	-	-	-	536,101
Accrued liabilities							
Wages and payroll taxes payable	8,268	-	-	-	-	8,268	-
Interest	-	-	-	-	-	-	41,672
Compensated absences	61,363	-	-	-	-	61,363	-
Unearned revenues	4,196	-	-	-	-	4,196	-
Other	-	-	-	-	-	-	78,539
Prepaid revenue	-	-	-	-	-	-	2,439
Total current liabilities	175,742	-	-	-	-	175,742	907,819
Non-Current Liabilities							
Long-term debt, net of current portion and unamortized debt issuance costs	-	-	-	-	-	-	3,915,490
Other non-current payable - related party	-	-	-	-	-	-	47,987
Total non-current liabilities	-	-	-	-	-	-	3,963,477
Total liabilities	175,742	-	-	-	-	175,742	4,871,296
Deferred Inflows of Resources							
Pension related deferred inflows	194,988	-	-	-	-	194,988	-
Net Position							
Net investment in capital assets	2,469,022	-	-	-	-	2,469,022	8,124,228
Restricted for HUD Voucher Program	42,691	-	-	-	-	42,691	-
Restricted for mortgage escrows	-	-	-	-	-	-	1,265,068
Restricted for pension (see Note 8)	1,480	-	-	-	-	1,480	-
Unrestricted net position	3,456,344	100	-	10	198	3,456,652	531,708
Total net position	5,969,537	100	-	10	198	5,969,845	9,921,004
	\$ 6,340,267	\$ 100	\$ -	\$ 10	\$ 198	\$ 6,340,575	\$ 14,792,300

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2025

	2025					Total	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	\$ 973,935	\$ -	\$ -	\$ -	\$ -	\$ 973,935	\$ 1,378,366
Grant income	3,536,830	-	-	-	-	3,536,830	-
Management and administration fees	316,089	-	-	-	6,050	322,139	22,364
Other revenue	33,527	-	-	-	-	33,527	30,793
Total operating revenues	4,860,381	-	-	-	6,050	4,866,431	1,431,523
Operating Expenses							
Administrative	1,255,204	-	-	-	-	1,255,204	414,154
Tenant services	88,642	-	-	-	-	88,642	-
Utilities	160,668	-	-	-	-	160,668	238,727
Ordinary maintenance and operation	386,296	-	-	-	-	386,296	475,371
General expenses	111,673	-	-	-	-	111,673	96,950
Rental assistance payments	2,750,454	-	-	-	-	2,750,454	-
Depreciation and amortization	211,081	-	-	-	-	211,081	883,452
Extraordinary maintenance	109,076	-	-	-	-	109,076	-
Total operating expenses	5,073,094	-	-	-	-	5,073,094	2,108,654
Operating Income (Loss)	(212,713)	-	-	-	6,050	(206,663)	(677,131)
Nonoperating Revenue (Expense)							
Interest income	28,284	-	-	-	-	28,284	11,410
Interest expense	-	-	-	-	-	-	(114,257)
Loss on disposal of property and equipment	(4,303)	-	-	-	-	(4,303)	-
Total nonoperating revenue (expense)	23,981	-	-	-	-	23,981	(102,847)
Income (Loss) Before Other Revenues, Expenses, and Transfers	(188,732)	-	-	-	6,050	(182,682)	(779,978)
Capital contributions	310,868	-	-	-	-	310,868	-
Capital distributions	-	-	-	-	-	-	(32,431)
Transfer to (from) blended component units	6,050	-	-	-	(6,050)	-	-
Change in Net Position	128,186	-	-	-	-	128,186	(812,409)
Net Position, Beginning of Year	5,969,537	100	-	10	198	5,969,845	9,921,004
Net Position, End of Year	\$ 6,097,723	\$ 100	\$ -	\$ 10	\$ 198	\$ 6,098,031	\$ 9,108,595

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2024

	2024					Total	Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units			Meadow Wood Housing, LLC		
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC			
Operating Revenues							
Dwelling rental income	\$ 966,795	\$ -	\$ -	\$ -	\$ -	\$ 966,795	\$ 1,413,857
Grant income	3,592,988	-	-	-	-	3,592,988	-
Management and administration fees	310,158	-	-	-	5,500	315,658	47,871
Other revenue	21,799	-	-	-	-	21,799	43,020
Total operating revenues	<u>4,891,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,500</u>	<u>4,897,240</u>	<u>1,504,748</u>
Operating Expenses							
Administrative	1,246,231	60	-	-	60	1,246,351	432,275
Tenant services	64,084	-	-	-	-	64,084	-
Utilities	134,073	-	-	-	-	134,073	186,621
Ordinary maintenance and operation	342,062	-	-	-	-	342,062	364,219
General expenses	102,109	-	-	-	-	102,109	72,402
Rental assistance payments	2,904,505	-	-	-	-	2,904,505	-
Depreciation and amortization	216,039	-	-	-	-	216,039	872,954
Extraordinary maintenance	72,339	-	-	-	-	72,339	-
Total operating expenses	<u>5,081,442</u>	<u>60</u>	<u>-</u>	<u>-</u>	<u>60</u>	<u>5,081,562</u>	<u>1,928,471</u>
Operating Income (Loss)	<u>(189,702)</u>	<u>(60)</u>	<u>-</u>	<u>-</u>	<u>5,440</u>	<u>(184,322)</u>	<u>(423,723)</u>
Nonoperating Revenue (Expense)							
Interest income	36,803	-	-	-	-	36,803	12,868
Interest expense	-	-	-	-	-	-	(120,272)
Loss on disposal of property and equipment	(774)	-	-	-	-	(774)	(3,157)
Total nonoperating revenue (expense)	<u>36,029</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,029</u>	<u>(110,561)</u>
Income (Loss) Before Other Revenues, Expenses, and Transfers	(153,673)	(60)	-	-	5,440	(148,293)	(534,284)
Capital contributions	278,467	-	-	-	-	278,467	-
Capital distributions	-	-	-	-	-	-	(9,592)
Transfer to (from) blended component units	14,042	60	(8,662)	-	(5,440)	-	-
Change in Net Position	138,836	-	(8,662)	-	-	130,174	(543,876)
Net Position, Beginning of Year	5,830,701	100	8,662	10	198	5,839,671	10,464,880
Net Position, End of Year	<u>\$ 5,969,537</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 198</u>	<u>\$ 5,969,845</u>	<u>\$ 9,921,004</u>

See Notes to Financial Statements

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

Statement of Cash Flows
Year Ended December 31, 2025

	2025					Total	Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units			Meadow Wood Housing, LLC		
	Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC				
Operating Activities							
Receipts from tenant payments	\$ 969,376	\$ -	\$ -	\$ -	\$ -	\$ 969,376	\$ 1,395,485
Receipts for management fees and other	236,896	-	-	-	6,050	242,946	30,302
Receipts from HUD subsidies	3,536,830	-	-	-	-	3,536,830	-
Payments to employees	(1,071,497)	-	-	-	-	(1,071,497)	-
Housing assistance payments	(2,750,454)	-	-	-	-	(2,750,454)	-
Payments to suppliers and others	(1,000,382)	-	-	-	-	(1,000,382)	(1,162,085)
Net Cash from (used for) Operating Activities	(79,231)	-	-	-	6,050	(73,181)	263,702
Noncapital Financing Activities							
Transfers from blended component unit	6,050	-	-	-	(6,050)	-	-
HUD capital contributions	310,868	-	-	-	-	310,868	-
Net Cash from (used for) Noncapital Financing Activities	316,918	-	-	-	(6,050)	310,868	-
Capital and Related Financing Activities							
Purchase of property and equipment	(75,564)	-	-	-	-	(75,564)	(971,932)
Purchase of other assets	-	-	-	-	-	-	(3,670)
Payments for interest	-	-	-	-	-	-	(110,803)
Principal payments on long-term debt	-	-	-	-	-	-	(130,681)
Proceeds from construction note payable	-	-	-	-	-	-	834,755
Equity distributions	-	-	-	-	-	-	(32,431)
Net Cash used for Capital and Related Financing Activities	(75,564)	-	-	-	-	(75,564)	(414,762)
Investing Activities							
Advance to Housing Plus, Inc. note receivable	(834,755)	-	-	-	-	(834,755)	-
Interest received	24,901	-	-	-	-	24,901	11,410
Net Cash from (used for) Investing Activities	(809,854)	-	-	-	-	(809,854)	11,410
Net Change in Cash and Cash Equivalents	(647,731)	-	-	-	-	(647,731)	(139,650)
Cash and Cash Equivalents, Beginning of Year	2,457,526	-	-	-	-	2,457,526	1,978,651
Cash and Cash Equivalents, End of Year	\$ 1,809,795	\$ -	\$ -	\$ -	\$ -	\$ 1,809,795	\$ 1,839,001

See Notes to Financial Statements

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

Statement of Cash Flows
Year Ended December 31, 2025

	2025					Total	Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units			Meadow Wood Housing, LLC		
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC			
Cash and cash equivalents consists of							
Cash	\$ 1,405,428	\$ -	\$ -	\$ -	\$ -	\$ 1,405,428	\$ 423,196
Funded security deposits	51,443	-	-	-	-	51,443	90,484
Restricted deposits	352,924	-	-	-	-	352,924	1,325,321
	<u>\$ 1,809,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,809,795</u>	<u>\$ 1,839,001</u>
Operating Activities							
Operating income (loss)	\$ (212,713)	\$ -	\$ -	\$ -	\$ 6,050	\$ (206,663)	\$ (677,131)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities							
Depreciation and amortization	211,081	-	-	-	-	211,081	883,452
Change in assets and liabilities							
Rental accounts receivable	(4,219)	-	-	-	-	(4,219)	(5,245)
Other receivables	(112,720)	-	-	-	-	(112,720)	(491)
Prepaid expenses	8,770	-	-	-	-	8,770	(31,358)
Accounts payable and other accrued liabilities	90,935	-	-	-	-	90,935	91,423
Tenant security deposits	644	-	-	-	-	644	3,052
Pension asset/liability, deferred inflows and outflows	(60,025)	-	-	-	-	(60,025)	-
Unearned revenues	(984)	-	-	-	-	(984)	-
Net Cash from (used for) Operating Activities	<u>\$ (79,231)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,050</u>	<u>\$ (73,181)</u>	<u>\$ 263,702</u>

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

Statement of Cash Flows
Year Ended December 31, 2024

	2024					Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units			Total	
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC		
Operating Activities						
Receipts from tenant payments	\$ 969,193	\$ -	\$ -	\$ -	\$ 969,193	\$ 1,466,249
Receipts for management fees and other	404,235	-	8,662	-	418,397	47,857
Receipts from HUD subsidies	3,592,988	-	-	-	3,592,988	-
Payments to employees	(1,089,844)	-	-	-	(1,089,844)	-
Housing assistance payments	(2,904,505)	-	-	-	(2,904,505)	-
Payments to suppliers and others	(866,331)	(60)	-	(60)	(866,451)	(1,069,246)
Net Cash from (used for) Operating Activities	105,736	(60)	8,662	5,440	119,778	444,860
Noncapital Financing Activities						
Transfers from blended component unit	14,162	-	(8,662)	(5,500)	-	-
Transfers (to) blended component unit	(120)	60	-	60	-	-
HUD capital contributions	278,467	-	-	-	278,467	-
Net Cash from (used for) Noncapital Financing Activities	292,509	60	(8,662)	(5,440)	278,467	-
Capital and Related Financing Activities						
Purchase of property and equipment	(70,922)	-	-	-	(70,922)	(570,934)
Payments on other liabilities	-	-	-	-	-	(8,662)
Payments for interest	-	-	-	-	-	(116,818)
Principal payments on long-term debt	-	-	-	-	-	(125,237)
Proceeds from construction note payable	-	-	-	-	-	521,101
Equity distributions	-	-	-	-	-	(9,594)
Net Cash used for Capital and Related Financing Activities	(70,922)	-	-	-	(70,922)	(310,144)
Investing Activities						
Advance to Housing Plus, Inc. note receivable	(521,101)	-	-	-	(521,101)	-
Interest received	25,237	-	-	-	25,237	12,868
Net Cash from (used for) Investing Activities	(495,864)	-	-	-	(495,864)	12,868
Net Change in Cash and Cash Equivalents	(168,541)	-	-	-	(168,541)	147,584
Cash and Cash Equivalents, Beginning of Year	2,626,067	-	-	-	2,626,067	1,831,067
Cash and Cash Equivalents, End of Year	\$ 2,457,526	\$ -	\$ -	\$ -	\$ 2,457,526	\$ 1,978,651

See Notes to Financial Statements

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

Statement of Cash Flows
Year Ended December 31, 2024

	2024					Total	Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units			Meadow Wood Housing, LLC		
		Aberdeen Housing, LLC	Lawson Devlopers, LLC	AHA Housing, LLC			
Cash and cash equivalents consists of							
Cash	\$ 2,070,675	\$ -	\$ -	\$ -	\$ -	\$ 2,070,675	\$ 626,151
Funded security deposits	50,799	-	-	-	-	50,799	87,432
Restricted deposits	336,052	-	-	-	-	336,052	1,265,068
	<u>\$ 2,457,526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,457,526</u>	<u>\$ 1,978,651</u>
Operating Activities							
Operating income (loss)	\$ (189,702)	\$ (60)	\$ -	\$ -	\$ 5,440	\$ (184,322)	\$ (423,723)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities							
Depreciation and amortization	216,039	-	-	-	-	216,039	872,954
Change in assets and liabilities							
Rental accounts receivable	553	-	-	-	-	553	4,521
Other receivables	72,278	-	8,662	-	-	80,940	4,837
Prepaid expenses	287	-	-	-	-	287	(1,257)
Accounts payable and other accrued liabilities	(33,668)	-	-	-	-	(33,668)	(12,571)
Tenant security deposits	(798)	-	-	-	-	(798)	99
Pension asset/liability, deferred inflows and outflows	38,104	-	-	-	-	38,104	-
Unearned revenues	2,643	-	-	-	-	2,643	-
Net Cash from (used for) Operating Activities	<u>\$ 105,736</u>	<u>\$ (60)</u>	<u>\$ 8,662</u>	<u>\$ -</u>	<u>\$ 5,440</u>	<u>\$ 119,778</u>	<u>\$ 444,860</u>

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

Combining Statement of Net Position – Discretely Presented Component Units

December 31, 2025

	2025						
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Housing Plus, Inc.	Total
Assets							
Current Assets							
Cash	\$ 33,380	\$ 105,889	\$ 231,149	\$ 18,975	\$ 32,969	\$ 834	\$ 423,196
Tenant accounts receivable	1,006	12,791	3,292	2,907	686	-	20,682
Funded security deposits	13,923	8,700	19,096	21,633	23,229	3,903	90,484
Other accounts receivable	-	-	-	-	-	491	491
Prepaid expenses	9,414	15,400	3,606	9,728	4,473	20,571	63,192
Total current assets	57,723	142,780	257,143	53,243	61,357	25,799	598,045
Property and Equipment							
Land	100,774	40,369	142,900	292,500	138,500	91,432	806,475
Buildings and improvements	3,554,696	3,349,738	4,174,624	4,616,663	5,192,458	742,337	21,630,516
Furniture, equipment and machinery - dwellings	244,806	327,376	261,910	243,810	286,319	84,202	1,448,423
Construction in progress	-	-	-	-	-	448,328	448,328
	3,900,276	3,717,483	4,579,434	5,152,973	5,617,277	1,366,299	24,333,742
Less accumulated depreciation	(2,376,913)	(2,426,004)	(2,478,626)	(2,266,155)	(1,961,027)	(11,659)	(11,520,384)
Total property and equipment	1,523,363	1,291,479	2,100,808	2,886,818	3,656,250	1,354,640	12,813,358
Other Assets							
Restricted deposits and funded reserves	359,016	259,308	249,026	236,368	221,603	-	1,325,321
Tax credit fees, at cost, net of accumulated amortization	-	-	6,486	10,551	22,025	-	39,062
Total other assets	359,016	259,308	255,512	246,919	243,628	-	1,364,383
	\$ 1,940,102	\$ 1,693,567	\$ 2,613,463	\$ 3,186,980	\$ 3,961,235	\$ 1,380,439	\$ 14,775,786

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statement of Net Position – Discretely Presented Component Units
December 31, 2025

	2025						
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Housing Plus, Inc.	Total
Liabilities and Net Position							
Current Liabilities							
Current portion of long-term debt	\$ 14,400	\$ 484,660	\$ -	\$ 62,368	\$ 35,634	\$ -	\$ 597,062
Accounts payable	3,736	8,844	8,594	7,807	6,822	7,221	43,024
Tenant security deposits	13,923	8,700	19,096	21,633	23,229	3,903	90,484
Due to related party	-	-	-	-	-	1,466,889	1,466,889
Accrued liabilities							
Interest	26,996	13,036	-	1,764	2,702	-	44,498
Other	7,385	10,543	12,339	15,347	12,832	-	58,446
Total current liabilities	66,440	525,783	40,029	108,919	81,219	1,478,013	2,300,403
Non-Current Liabilities							
Long-term debt, net of current portion and unamortized debt issuance costs	961,018	200,000	-	1,039,316	1,122,137	-	3,322,471
Other non-current payable	-	-	-	44,317	-	-	44,317
Total non-current liabilities	961,018	200,000	-	1,083,633	1,122,137	-	3,366,788
Total liabilities	1,027,458	725,783	40,029	1,192,552	1,203,356	1,478,013	5,667,191
Net Position							
Net investment in capital assets	539,345	605,809	2,100,808	1,781,520	2,494,233	(1,216)	7,520,499
Restricted for mortgage escrows	359,016	259,308	249,026	236,368	221,603	-	1,325,321
Unrestricted net position (deficit)	14,283	102,667	223,600	(23,460)	42,043	(96,358)	262,775
Total net position	912,644	967,784	2,573,434	1,994,428	2,757,879	(97,574)	9,108,595
	\$ 1,940,102	\$ 1,693,567	\$ 2,613,463	\$ 3,186,980	\$ 3,961,235	\$ 1,380,439	\$ 14,775,786

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

Combining Statement of Net Position – Discretely Presented Component Units

December 31, 2024

	2024						
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Housing Plus, Inc.	Total
Assets							
Current Assets							
Cash	\$ 154,084	\$ 155,494	\$ 231,357	\$ 28,267	\$ 47,205	\$ 9,744	\$ 626,151
Tenant accounts receivable	3,507	10,883	66	2,797	623	-	17,876
Funded security deposits	14,715	7,681	19,529	23,199	22,308	-	87,432
Prepaid expenses	6,549	11,147	2,334	8,240	3,564	-	31,834
Total current assets	178,855	185,205	253,286	62,503	73,700	9,744	763,293
Property and Equipment							
Land	100,774	40,369	142,900	292,500	138,500	-	715,043
Buildings and improvements	3,528,353	3,324,257	4,174,624	4,616,663	5,192,458	-	20,836,355
Furniture, equipment and machinery - dwellings	215,688	412,608	254,368	232,204	286,319	-	1,401,187
Construction in progress	-	-	-	-	-	521,101	521,101
	3,844,815	3,777,234	4,571,892	5,141,367	5,617,277	521,101	23,473,686
Less accumulated depreciation	(2,229,081)	(2,395,834)	(2,302,840)	(2,076,476)	(1,756,440)	-	(10,760,671)
Total property and equipment	1,615,734	1,381,400	2,269,052	3,064,891	3,860,837	521,101	12,713,015
Other Assets							
Restricted deposits and funded reserves	345,199	229,004	232,856	260,835	197,174	-	1,265,068
Tax credit fees, at cost, net of accumulated amortization	2,316	-	9,758	13,495	25,355	-	50,924
Total other assets	347,515	229,004	242,614	274,330	222,529	-	1,315,992
	\$ 2,142,104	\$ 1,795,609	\$ 2,764,952	\$ 3,401,724	\$ 4,157,066	\$ 530,845	\$ 14,792,300

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statement of Net Position – Discretely Presented Component Units
December 31, 2024

	2024						Total
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Housing Plus, Inc.	
Liabilities and Net Position							
Current Liabilities							
Current portion of long-term debt	\$ 16,800	\$ 20,932	\$ -	\$ 59,088	\$ 34,450	\$ -	\$ 131,270
Accounts payable	3,988	5,302	5,857	7,136	5,271	2,812	30,366
Tenant security deposits	14,715	7,681	19,529	23,199	22,308	-	87,432
Due to related party	-	-	-	-	-	536,101	536,101
Accrued liabilities							
Interest	23,613	13,154	-	2,035	2,870	-	41,672
Other	14,067	12,553	20,246	15,426	16,247	-	78,539
Unearned revenue	-	2,439	-	-	-	-	2,439
Total current liabilities	73,183	62,061	45,632	106,884	81,146	538,913	907,819
Non-Current Liabilities							
Long-term debt, net of current portion and unamortized debt issuance costs	975,072	682,641	-	1,100,962	1,156,815	-	3,915,490
Other non-current payable	-	-	-	47,987	-	-	47,987
Total non-current liabilities	975,072	682,641	-	1,148,949	1,156,815	-	3,963,477
Total liabilities	1,048,255	744,702	45,632	1,255,833	1,237,961	538,913	4,871,296
Net Position							
Net investment in capital assets	614,915	674,797	2,269,052	1,900,505	2,664,959	-	8,124,228
Restricted for mortgage escrows	345,199	229,004	232,856	260,835	197,174	-	1,265,068
Unrestricted net position (deficit)	133,735	147,106	217,412	(15,449)	56,972	(8,068)	531,708
Total net position	1,093,849	1,050,907	2,719,320	2,145,891	2,919,105	(8,068)	9,921,004
	\$ 2,142,104	\$ 1,795,609	\$ 2,764,952	\$ 3,401,724	\$ 4,157,066	\$ 530,845	\$ 14,792,300

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statement of Revenues, Expenses and Changes in Net Position – Discretely Presented Component Units
Year Ended December 31, 2025

	2025						
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Housing Plus, Inc.	Total
Operating Revenues							
Dwelling rental income	\$ 193,498	\$ 330,267	\$ 247,723	\$ 306,185	\$ 292,341	\$ 8,352	\$ 1,378,366
Management and administration fees	762	10,941	6,154	3,459	989	59	22,364
Other revenue	4,264	6,398	5,269	6,843	1,397	6,622	30,793
Total operating revenues	198,524	347,606	259,146	316,487	294,727	15,033	1,431,523
Operating Expenses							
Administrative	57,446	86,869	93,064	75,147	95,963	5,665	414,154
Utilities	32,968	31,768	37,203	67,186	38,210	31,392	238,727
Ordinary maintenance and operation	109,859	106,924	47,526	100,394	65,130	45,538	475,371
General expenses	17,582	13,383	22,219	15,449	18,032	10,285	96,950
Depreciation and amortization	150,148	142,047	179,058	192,623	207,917	11,659	883,452
Total operating expenses	368,003	380,991	379,070	450,799	425,252	104,539	2,108,654
Operating Income (Loss)	(169,479)	(33,385)	(119,924)	(134,312)	(130,525)	(89,506)	(677,131)
Nonoperating Revenue (Expense)							
Interest income	848	39	224	5,812	4,487	-	11,410
Interest expense	(12,574)	(45,808)	-	(22,963)	(32,912)	-	(114,257)
Total nonoperating revenue (expense)	(11,726)	(45,769)	224	(17,151)	(28,425)	-	(102,847)
Income (Loss) Before Other Revenues, Expenses, Gains, Losses, and Transfers	(181,205)	(79,154)	(119,700)	(151,463)	(158,950)	(89,506)	(779,978)
Capital distributions	-	(3,969)	(26,186)	-	(2,276)	-	(32,431)
Change in Net Position	(181,205)	(83,123)	(145,886)	(151,463)	(161,226)	(89,506)	(812,409)
Net Position, Beginning of Year	1,093,849	1,050,907	2,719,320	2,145,891	2,919,105	(8,068)	9,921,004
Net Position, End of Year	\$ 912,644	\$ 967,784	\$ 2,573,434	\$ 1,994,428	\$ 2,757,879	\$ (97,574)	\$ 9,108,595

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statement of Revenues, Expenses and Changes in Net Position – Discretely Presented Component Units
Year Ended December 31, 2024

	2024						Total
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Housing Plus, Inc.	
Operating Revenues							
Dwelling rental income	\$ 204,965	\$ 354,768	\$ 236,250	\$ 321,791	\$ 296,083	\$ -	\$ 1,413,857
Management and administration fees	3,654	27,058	9,889	5,169	2,101	-	47,871
Other revenue	8,181	860	112	3,177	630	30,060	43,020
Total operating revenues	216,800	382,686	246,251	330,137	298,814	30,060	1,504,748
Operating Expenses							
Administrative	53,426	113,231	73,105	68,873	88,449	35,191	432,275
Utilities	29,291	29,499	30,862	61,067	33,081	2,821	186,621
Ordinary maintenance and operation	59,469	80,290	62,287	97,377	64,796	-	364,219
General expenses	14,578	12,337	15,890	14,369	15,132	96	72,402
Depreciation and amortization	150,958	141,488	181,851	190,793	207,864	-	872,954
Total operating expenses	307,722	376,845	363,995	432,479	409,322	38,108	1,928,471
Operating Income (Loss)	(90,922)	5,841	(117,744)	(102,342)	(110,508)	(8,048)	(423,723)
Nonoperating Revenue (Expense)							
Interest income	810	177	223	7,178	4,480	-	12,868
Interest expense	(11,912)	(47,179)	-	(26,132)	(35,049)	-	(120,272)
Loss on disposition of equipment	-	-	-	-	(3,157)	-	(3,157)
Total nonoperating revenue (expense)	(11,102)	(47,002)	223	(18,954)	(33,726)	-	(110,561)
Income (Loss) Before Other Revenues, Expenses, Gains, Losses, and Transfers	(102,024)	(41,161)	(117,521)	(121,296)	(144,234)	(8,048)	(534,284)
Capital distributions	-	(6,336)	(1,069)	-	(2,187)	-	(9,592)
Change in Net Position	(102,024)	(47,497)	(118,590)	(121,296)	(146,421)	(8,048)	(543,876)
Net Position, Beginning of Year	1,195,873	1,098,404	2,837,910	2,267,187	3,065,526	(20)	10,464,880
Net Position, End of Year	\$ 1,093,849	\$ 1,050,907	\$ 2,719,320	\$ 2,145,891	\$ 2,919,105	\$ (8,068)	\$ 9,921,004

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statement of Cash Flows – Discretely Presented Component Units
Year Ended December 31, 2025

	2025						
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Housing Plus, Inc.	Total
Operating Activities							
Receipts from tenant payments	\$ 196,761	\$ 336,861	\$ 250,651	\$ 309,534	\$ 293,267	\$ 8,411	\$ 1,395,485
Receipts for management fees and other	4,264	6,398	5,269	6,843	1,397	6,131	30,302
Payments to suppliers and others	<u>(225,063)</u>	<u>(240,764)</u>	<u>(206,887)</u>	<u>(260,909)</u>	<u>(219,355)</u>	<u>(9,107)</u>	<u>(1,162,085)</u>
Net Cash from (used for) Operating Activities	<u>(24,038)</u>	<u>102,495</u>	<u>49,033</u>	<u>55,468</u>	<u>75,309</u>	<u>5,435</u>	<u>263,702</u>
Capital and Related Financing Activities							
Purchase of property and equipment	(55,461)	(52,126)	(7,542)	(11,606)	-	(845,197)	(971,932)
Developer fee paid	-	-	-	(3,670)	-	-	(3,670)
Payments for interest	(12,228)	(43,789)	-	(22,241)	(32,545)	-	(110,803)
Principal payments on long-term debt	(16,800)	(20,932)	-	(59,088)	(33,861)	-	(130,681)
Proceeds from construction note payable	-	-	-	-	-	834,755	834,755
Equity distributions	<u>-</u>	<u>(3,969)</u>	<u>(26,186)</u>	<u>-</u>	<u>(2,276)</u>	<u>-</u>	<u>(32,431)</u>
Net Cash used for Capital and Related Financing Activities	<u>(84,489)</u>	<u>(120,816)</u>	<u>(33,728)</u>	<u>(96,605)</u>	<u>(68,682)</u>	<u>(10,442)</u>	<u>(414,762)</u>
Investing Activities							
Interest received	<u>848</u>	<u>39</u>	<u>224</u>	<u>5,812</u>	<u>4,487</u>	<u>-</u>	<u>11,410</u>
Net Cash from Investing Activities	<u>848</u>	<u>39</u>	<u>224</u>	<u>5,812</u>	<u>4,487</u>	<u>-</u>	<u>11,410</u>
Net Change in Cash	(107,679)	(18,282)	15,529	(35,325)	11,114	(5,007)	(139,650)
Cash and cash equivalents, Beginning of Year	<u>513,998</u>	<u>392,179</u>	<u>483,742</u>	<u>312,301</u>	<u>266,687</u>	<u>9,744</u>	<u>1,978,651</u>
Cash and cash equivalents, End of Year	<u>\$ 406,319</u>	<u>\$ 373,897</u>	<u>\$ 499,271</u>	<u>\$ 276,976</u>	<u>\$ 277,801</u>	<u>\$ 4,737</u>	<u>\$ 1,839,001</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statement of Cash Flows – Discretely Presented Component Units
Year Ended December 31, 2025

	2025						Total
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Housing Plus, Inc.	
Cash and cash equivalents consists of							
Cash	\$ 33,380	\$ 105,889	\$ 231,149	\$ 18,975	\$ 32,969	\$ 834	\$ 423,196
Funded security deposits	13,923	8,700	19,096	21,633	23,229	3,903	90,484
Restricted deposits	359,016	259,308	249,026	236,368	221,603	-	1,325,321
	<u>\$ 406,319</u>	<u>\$ 373,897</u>	<u>\$ 499,271</u>	<u>\$ 276,976</u>	<u>\$ 277,801</u>	<u>\$ 4,737</u>	<u>\$ 1,839,001</u>
Operating Activities							
Operating income (loss)	\$ (169,479)	\$ (33,385)	\$ (119,924)	\$ (134,312)	\$ (130,525)	\$ (89,506)	\$ (677,131)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities							
Depreciation and amortization	150,148	142,047	179,058	192,623	207,917	11,659	883,452
Change in assets and liabilities							
Rental accounts receivable	2,501	(4,347)	(3,226)	(110)	(63)	-	(5,245)
Other accounts receivable	-	-	-	-	-	(491)	(491)
Prepaid expenses	(2,865)	(4,253)	(1,272)	(1,488)	(909)	(20,571)	(31,358)
Accounts payable and other accrued liabilities	(3,551)	1,414	(5,170)	321	(2,032)	100,441	91,423
Tenant security deposits	(792)	1,019	(433)	(1,566)	921	3,903	3,052
Net Cash from (used for) Operating Activities	<u>\$ (24,038)</u>	<u>\$ 102,495</u>	<u>\$ 49,033</u>	<u>\$ 55,468</u>	<u>\$ 75,309</u>	<u>\$ 5,435</u>	<u>\$ 263,702</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statement of Cash Flows – Discretely Presented Component Units
Year Ended December 31, 2024

	2024						
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Housing Plus, Inc.	Total
Operating Activities							
Receipts from tenant payments	\$ 212,713	\$ 373,838	\$ 251,811	\$ 330,326	\$ 297,561	\$ -	\$ 1,466,249
Receipts for management fees and other	8,181	860	112	3,177	630	34,897	47,857
Payments to suppliers and others	<u>(148,823)</u>	<u>(255,838)</u>	<u>(184,024)</u>	<u>(243,264)</u>	<u>(202,144)</u>	<u>(35,153)</u>	<u>(1,069,246)</u>
Net Cash from (used for) Operating Activities	<u>72,071</u>	<u>118,860</u>	<u>67,899</u>	<u>90,239</u>	<u>96,047</u>	<u>(256)</u>	<u>444,860</u>
Capital and Related Financing Activities							
Purchase of property and equipment	(7,631)	(31,202)	-	-	(11,000)	(521,101)	(570,934)
Payment for other liabilities	-	(8,662)	-	-	-	-	(8,662)
Payments for interest	(11,566)	(45,160)	-	(25,410)	(34,682)	-	(116,818)
Principal payments on long-term debt	(16,800)	(19,567)	-	(55,937)	(32,933)	-	(125,237)
Proceeds from construction note payable	-	-	-	-	-	521,101	521,101
Equity distributions	-	(6,336)	(1,071)	-	(2,187)	-	(9,594)
Net Cash used for Capital and Related Financing Activities	<u>(35,997)</u>	<u>(110,927)</u>	<u>(1,071)</u>	<u>(81,347)</u>	<u>(80,802)</u>	<u>-</u>	<u>(310,144)</u>
Investing Activities							
Interest received	810	177	223	7,178	4,480	-	12,868
Net Cash from Investing Activities	<u>810</u>	<u>177</u>	<u>223</u>	<u>7,178</u>	<u>4,480</u>	<u>-</u>	<u>12,868</u>
Net Change in Cash	36,884	8,110	67,051	16,070	19,725	(256)	147,584
Cash and cash equivalents, Beginning of Year	477,114	384,069	416,691	296,231	246,962	10,000	1,831,067
Cash and cash equivalents, End of Year	<u>\$ 513,998</u>	<u>\$ 392,179</u>	<u>\$ 483,742</u>	<u>\$ 312,301</u>	<u>\$ 266,687</u>	<u>\$ 9,744</u>	<u>\$ 1,978,651</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statement of Cash Flows – Discretely Presented Component Units
Year Ended December 31, 2024

	2024						Total
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Housing Plus, Inc.	
Cash and cash equivalents consists of							
Cash	\$ 154,084	\$ 155,494	\$ 231,357	\$ 28,267	\$ 47,205	\$ 9,744	\$ 626,151
Funded security deposits	14,715	7,681	19,529	23,199	22,308	-	87,432
Restricted deposits	345,199	229,004	232,856	260,835	197,174	-	1,265,068
	<u>\$ 513,998</u>	<u>\$ 392,179</u>	<u>\$ 483,742</u>	<u>\$ 312,301</u>	<u>\$ 266,687</u>	<u>\$ 9,744</u>	<u>\$ 1,978,651</u>
Operating Activities							
Operating income (loss)	\$ (90,922)	\$ 5,841	\$ (117,744)	\$ (102,342)	\$ (110,508)	\$ (8,048)	\$ (423,723)
Adjustments to reconcile operating income (loss) to net cash from operating activities							
Depreciation and amortization	150,958	141,488	181,851	190,793	207,864	-	872,954
Change in assets and liabilities							
Rental accounts receivable	4,094	(7,988)	5,672	3,366	(623)	-	4,521
Other accounts receivable	-	-	-	-	-	4,837	4,837
Prepaid expenses	(142)	(658)	44	(336)	(165)	-	(1,257)
Accounts payable and other accrued liabilities	8,125	(19,028)	(4,745)	(701)	823	2,955	(12,571)
Tenant security deposits	(42)	(795)	2,821	(541)	(1,344)	-	99
Net Cash from (used for) Operating Activities	<u>\$ 72,071</u>	<u>\$ 118,860</u>	<u>\$ 67,899</u>	<u>\$ 90,239</u>	<u>\$ 96,047</u>	<u>\$ (256)</u>	<u>\$ 444,860</u>

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, 2025 and 2024. 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 Class B 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.

Housing Plus, Inc., (Housing Plus) was formed as a non-profit for the purpose of pursuing grants and other assistance to low-income housing along with construction and rehabilitation of affordable housing. The Commission has four members on the seven-member board.

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 and Mainstream Voucher Program are federally subsidized housing programs 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 and Mainstream 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 and Mainstream Voucher program; these programs provide for an administrative fee based on a unit's 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.

Basis of Presentation

Proprietary Fund

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.

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 or under agreements with final terms yet to be set. 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, 2025 and 2024, 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, 2025 and 2024.

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. The employees also earn hours into an extended illness bank which is not paid out upon termination. The estimated amount to be used over employment is included in compensated absences.

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 statement of net position 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 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 U.S. Bank.

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

	<u>2025</u>	<u>2024</u>
Insured (FDIC)	\$ 500,000	\$ 500,000
Uninsured, collateral held by the Commission or the Commission's agent in the Commission's name	<u>1,405,410</u>	<u>1,991,871</u>
Total deposits	<u>\$ 1,905,410</u>	<u>\$ 2,491,871</u>
The Commission's carrying amount of deposits at December 31	<u>\$ 1,809,795</u>	<u>\$ 2,457,526</u>

Funded Reserves

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

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.

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, Central Villas, and Housing Plus 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, 2025 and 2024, all deposits are held in the discretely presented component units' names by U.S. Bank, Horizon Bank, or Dacotah Bank.

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

	<u>2025</u>	<u>2024</u>
Insured (FDIC)	\$ 1,320,757	\$ 1,333,853
Uninsured	<u>541,361</u>	<u>651,129</u>
Total deposits	<u>\$ 1,862,118</u>	<u>\$ 1,984,982</u>
The discretely presented component units carrying amount of deposits at December 31	<u>\$ 1,839,001</u>	<u>\$ 1,978,651</u>

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

Notes to Financial Statements

December 31, 2025 and 2024

Note 3 - Capital Assets

Primary Government

Capital asset activity for the years ended December 31, 2025 and 2024, were as follows:

	Balance 01/01/25	Additions	Deletions	Balance 12/31/25
Capital assets, not being depreciated				
Land	\$ 355,122	\$ -	\$ -	\$ 355,122
Total capital assets, not being depreciated	<u>355,122</u>	<u>-</u>	<u>-</u>	<u>355,122</u>
Capital assets, being depreciated				
Land improvements	185,839	-	-	185,839
Buildings and improvements	10,230,144	30,116	(4,650)	10,255,610
Furniture, equipment and machinery - dwelling	444,586	45,448	(23,096)	466,938
Furniture, equipment and machinery - non-dwelling	420,823	-	-	420,823
Total capital assets, being depreciated	<u>11,281,392</u>	<u>75,564</u>	<u>(27,746)</u>	<u>11,329,210</u>
Less accumulated depreciation for				
Buildings, improvements and land improvements	(8,568,483)	(155,664)	1,899	(8,722,248)
Furniture, equipment and machinery - dwelling	(286,072)	(30,287)	21,544	(294,815)
Furniture, equipment and machinery - non-dwelling	(312,937)	(25,130)	-	(338,067)
Total accumulated depreciation	<u>(9,167,492)</u>	<u>(211,081)</u>	<u>23,443</u>	<u>(9,355,130)</u>
Total capital assets being depreciated, net	<u>2,113,900</u>	<u>(135,517)</u>	<u>(4,303)</u>	<u>1,974,080</u>
Capital assets, net	<u>\$ 2,469,022</u>	<u>\$ (135,517)</u>	<u>\$ (4,303)</u>	<u>\$ 2,329,202</u>
	Balance 01/01/24	Additions	Deletions	Balance 12/31/24
Capital assets, not being depreciated				
Land	\$ 355,122	\$ -	\$ -	\$ 355,122
Total capital assets, not being depreciated	<u>355,122</u>	<u>-</u>	<u>-</u>	<u>355,122</u>
Capital assets, being depreciated				
Land improvements	185,839	-	-	185,839
Buildings and improvements	10,212,724	17,420	-	10,230,144
Furniture, equipment and machinery - dwelling	396,784	53,502	(5,700)	444,586
Furniture, equipment and machinery - non-dwelling	420,823	-	-	420,823
Total capital assets, being depreciated	<u>11,216,170</u>	<u>70,922</u>	<u>(5,700)</u>	<u>11,281,392</u>
Less accumulated depreciation for				
Buildings, improvements and land improvements	(8,371,924)	(196,559)	-	(8,568,483)
Furniture, equipment and machinery - dwelling	(287,159)	(3,839)	4,926	(286,072)
Furniture, equipment and machinery - non-dwelling	(297,296)	(15,641)	-	(312,937)
Total accumulated depreciation	<u>(8,956,379)</u>	<u>(216,039)</u>	<u>4,926</u>	<u>(9,167,492)</u>
Total capital assets being depreciated, net	<u>2,259,791</u>	<u>(145,117)</u>	<u>(774)</u>	<u>2,113,900</u>
Capital assets, net	<u>\$ 2,614,913</u>	<u>\$ (145,117)</u>	<u>\$ (774)</u>	<u>\$ 2,469,022</u>

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

Notes to Financial Statements

December 31, 2025 and 2024

Discretely Presented Component Units

Capital asset activity for the years ended December 31, 2025 and 2024, were as follows:

	Balance 01/01/25	Additions	Transfers/ Deletions	Balance 12/31/25
Capital assets, not being depreciated				
Land	\$ 715,043	\$ 91,432	\$ -	\$ 806,475
Construction in progress	521,101	845,198	(917,971)	448,328
Total capital assets, not being depreciated	<u>1,236,144</u>	<u>936,630</u>	<u>(917,971)</u>	<u>1,254,803</u>
Capital assets, being depreciated				
Buildings and improvements	20,836,355	794,161	-	21,630,516
Furniture, equipment and machinery - dwelling	1,401,187	159,113	(111,877)	1,448,423
Total capital assets, being depreciated	<u>22,237,542</u>	<u>953,274</u>	<u>(111,877)</u>	<u>23,078,939</u>
Less accumulated depreciation for				
Buildings and improvements	(9,484,520)	(827,054)	-	(10,311,574)
Furniture, equipment and machinery - dwelling	(1,276,151)	(44,536)	111,877	(1,208,810)
Total accumulated depreciation	<u>(10,760,671)</u>	<u>(871,590)</u>	<u>111,877</u>	<u>(11,520,384)</u>
Total capital assets being depreciated, net	<u>11,476,871</u>	<u>81,684</u>	<u>-</u>	<u>11,558,555</u>
Capital assets, net	<u>\$ 12,713,015</u>	<u>\$ 1,018,314</u>	<u>\$ (917,971)</u>	<u>\$ 12,813,358</u>
	Balance 01/01/24	Additions	Deletions	Balance 12/31/24
Capital assets, not being depreciated				
Land	\$ 715,043	\$ -	\$ -	\$ 715,043
Construction in progress	-	521,101	-	521,101
Total capital assets, not being depreciated	<u>715,043</u>	<u>521,101</u>	<u>-</u>	<u>1,236,144</u>
Capital assets, being depreciated				
Buildings and improvements	20,826,149	10,206	-	20,836,355
Furniture, equipment and machinery - dwelling	1,371,029	39,627	(9,469)	1,401,187
Total capital assets, being depreciated	<u>22,197,178</u>	<u>49,833</u>	<u>(9,469)</u>	<u>22,237,542</u>
Less accumulated depreciation for				
Buildings and improvements	(8,659,949)	(824,571)	-	(9,484,520)
Furniture, equipment and machinery - dwelling	(1,246,406)	(36,057)	6,312	(1,276,151)
Total accumulated depreciation	<u>(9,906,355)</u>	<u>(860,628)</u>	<u>6,312</u>	<u>(10,760,671)</u>
Total capital assets being depreciated, net	<u>12,290,823</u>	<u>(810,795)</u>	<u>(3,157)</u>	<u>11,476,871</u>
Capital assets, net	<u>\$ 13,005,866</u>	<u>\$ (289,694)</u>	<u>\$ (3,157)</u>	<u>\$ 12,713,015</u>

Construction in progress at December 31, 2025, relates to the Klein Village project. Housing Plus, Inc. purchased the property in 2024 and is refurbishing the property into affordable housing units. The project is expected to be completed in spring 2026. Estimated costs to complete the project total approximately \$16,000.

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, 2025 and 2024. The amount of interest receivable at December 31, 2025 and 2024, 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, 2025 and 2024, the outstanding principal balance due to the Commission was \$180,186 and \$180,186, respectively. Interest income was \$12,228 and \$11,566 for the years ended December 31, 2025 and 2024, respectively. The amount of interest receivable at December 31, 2025 and 2024, was \$26,996 and \$23,613, respectively. The note is secured by a real estate mortgage; however, this mortgage is subordinated to the partnership’s primary lender.

In 2024 and 2025, the Commission agreed to lend funds to Housing Plus, Inc., which was used to purchase and refurbish Klein Village. The outstanding balance was \$1,355,856 and \$521,101 at December 31, 2025 and 2024, respectively. The terms of the note will be set after the project is completed. This is reported as note receivable – related party at December 31, 2025 and 2024.

Note 5 - Long-Term Debt

Discretely Presented Component Units

At December 31, 2025 and 2024, long-term debt of the discretely presented component units consisted of the following:

	2025	2024
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 \$1,010 in 2025 and \$3,030 in 2024 (based upon effective interest rate of 7.30%).	\$ 484,660	\$ 503,573
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

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

Notes to Financial Statements

December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
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.	110,000	126,800
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.	180,186	180,186
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 \$8,600 in 2025 and \$8,946 in 2024 (based upon an effective interest rate of 0.11%).	323,241	322,895
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 \$3,614 in 2025 and \$4,336 in 2024 (based upon effective interest rate of 6.53%).	326,825	376,791
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.	774,859	783,259
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 \$4,246 in 2025 and \$4,613 in 2024 (based upon effective interest rate of 6.40%).	518,589	550,883
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.	639,182	640,382
	<u>3,919,533</u>	<u>4,046,760</u>
Less current portion	<u>(597,062)</u>	<u>(131,270)</u>
Total long-term debt less current portion and net of unamortized debt issuance costs	<u>\$ 3,322,471</u>	<u>\$ 3,915,490</u>

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

Notes to Financial Statements

December 31, 2025 and 2024

The following is a schedule of changes in long-term debt for the years ended December 31, 2025 and 2024:

Balance, January 1, 2024	\$ 4,168,543
Decreases	<u>(121,783)</u>
Balance, December 31, 2024	4,046,760
Decreases	<u>(127,227)</u>
Balance, December 31, 2025	<u>\$ 3,919,533</u>

Interest costs charged to expense for operations for the years ended December 31, 2025 and 2024, were \$114,257 and \$120,272, 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>
2026	\$ 597,062	\$ 92,015	\$ 689,077
2027	116,538	64,746	181,284
2028	122,529	58,755	181,284
2029	128,712	53,011	181,723
2030	152,419	46,041	198,460
2031-2035	963,627	163,776	1,127,403
2036-2040	1,360,293	63,912	1,424,205
2041-2045	163,982	-	163,982
2046-2050	331,841	-	331,841
Less unamortized debt issuance costs	<u>(17,470)</u>	<u>-</u>	<u>(17,470)</u>
	<u>\$ 3,919,533</u>	<u>\$ 542,256</u>	<u>\$ 4,461,789</u>

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, 2025 and 2024, were determined as follows:

	2025	
	Public Housing	Sherman Apartments
Rental income	\$ 472,355	\$ 229,114
Excess utilities	-	535
Non-dwelling rental charges to tenants	-	30
	<u>472,355</u>	<u>229,679</u>
Less allowable utilities	-	73,222
Net shelter rent	<u>\$ 472,355</u>	<u>\$ 156,457</u>
5% of gross shelter rent (PILOT)	<u>\$ 23,618</u>	<u>\$ -</u>
10% of net shelter rent (PILOT)	<u>\$ -</u>	<u>\$ 15,646</u>
	2024	
	Public Housing	Sherman Apartments
Rental income	\$ 470,222	\$ 220,814
Excess utilities	-	425
Non-dwelling rental charges to tenants	-	120
	<u>470,222</u>	<u>221,359</u>
Less allowable utilities	-	61,812
Net shelter rent	<u>\$ 470,222</u>	<u>\$ 159,547</u>
5% of gross shelter rent (PILOT)	<u>\$ 23,511</u>	<u>\$ -</u>
10% of net shelter rent (PILOT)	<u>\$ -</u>	<u>\$ 15,955</u>

Note 7 - Interfund Transactions

Interfund transfers for the years ended December 31, 2025 and 2024, were as follows:

2025 Transfers From	Transfers To					Total
	Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC	Primary Government	
Meadow Wood Housing, LLC	\$ -	\$ -	\$ -	\$ -	\$ 6,050	\$ 6,050

2024 Transfers From	Transfers To					Total
	Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC	Primary Government	
Primary Government	\$ 60	\$ -	\$ -	\$ -	\$ -	\$ 60
Primary Government	-	-	-	60	-	60
Lawson Developers, LLC	-	-	-	-	8,662	8,662
Meadow Wood Housing, LLC	-	-	-	-	5,500	5,500

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). SDRS is a hybrid defined-benefit plan designed with several defined contribution plan-type provisions and is 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 SDCL 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, 6.0% of salary; Class B judicial members, 9.0% of salary; and Class B public safety members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. The Commission’s share of contributions to the SDRS for the fiscal years ended December 31, 2025, 2024 and 2023, equal to the required contributions each year, were \$59,880, \$60,218 and \$54,836, respectively.

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

At June 30, 2025 and 2024, SDRS is 100.10% and 100.00%, respectively, funded and, accordingly, has a net pension asset in 2025 and 2024. 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, 2025 and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Proportionate share of total pension liability	\$ 4,858,827	\$ 5,457,548
Less proportionate share of net position restricted for pension benefits	<u>4,861,535</u>	<u>5,459,028</u>
Proportionate share of net pension liability (asset)	<u>\$ (2,708)</u>	<u>\$ (1,480)</u>

At December 31, 2025 and 2024, the Commission reported an asset of \$(2,708) and \$(1,480), respectively, for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2025 and 2024, 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, 2025, the Commission’s proportion was 0.031834%, which was a decrease of 0.004749% from its proportion measured as of June 30, 2024. At June 30, 2024, the Commission’s proportion was 0.036583%, which was an increase of 0.00546% from its proportion measured as of June 30, 2023, of 0.031123%.

For the years ended December 31, 2025 and 2024, the Commission recognized pension expense (reduction of pension expense) of \$(60,025) and \$38,103, respectively.

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

Notes to Financial Statements

December 31, 2025 and 2024

At December 31, 2025, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 92,698	\$ -
Changes in assumption	-	143,718
Net difference between projected and actual earnings on pension plan investments	131,919	-
Changes in proportion and difference between Commission contributions and proportionate share of contributions	3,255	6,069
Projected contributions subsequent to the measurement date	32,441	-
	\$ 260,313	\$ 149,787

At December 31, 2025, there is \$32,441 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, 2026.

At December 31, 2024, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 137,130	\$ -
Changes in assumption	24,415	186,106
Net difference between projected and actual earnings on pension plan investments	55,781	-
Changes in proportion and difference between Commission contributions and proportionate share of contributions	1	8,882
Projected contributions subsequent to the measurement date	29,390	-
	\$ 246,717	\$ 194,988

At December 31, 2024, there was \$29,390 reported as deferred outflow of resources related to pensions resulting from Commission contributions subsequent to the measurement date that was recognized as a reduction of the net pension liability in the year ending December 31, 2025.

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

Notes to Financial Statements

December 31, 2025 and 2024

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2025, will be recognized in pension expense/(reduction of pension expense) as follows:

<u>Year Ended December 31:</u>	<u>Amount</u>
2026	\$ 60,772
2027	5,184
2028	4,612
2029	<u>7,517</u>
	<u>\$ 78,085</u>

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2025, 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	1.56%

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 Retirees: 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 actuarial assumptions used in the June 30, 2025, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

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

Notes to Financial Statements

December 31, 2025 and 2024

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, 2025, (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>
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.9%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
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, 2025, 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)	\$ 663,558	\$ (2,708)	\$ (548,538)

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, 2025 and 2024, 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 \$32,301 and \$33,768 for the years ended December 31, 2025 and 2024, respectively. The Commission also charges maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$23,559 and \$22,894 for the years ended December 31, 2025 and 2024, respectively. The total amount due from Lawson View Townhomes Limited Partnership was \$2,886 and \$3,823 as of December 31, 2025 and 2024, respectively. During the years ended December 31, 2025 and 2024, the Commission paid Lawson View \$4,844 and \$10,533, respectively, for voucher housing assistance payments on behalf of residents of the complex.

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 \$23,531 and \$23,864 for the years ended December 31, 2025 and 2024, respectively. The Commission also charges maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$21,785 and \$14,638 for the years ended December 31, 2025 and 2024, respectively. The total amount due from Sunshine Park Limited Partnership was \$1,275 and \$2,072 as of December 31, 2025 and 2024, respectively. During the years ended December 31, 2025 and 2024, the Commission paid Sunshine Park \$46,723 and \$69,517, 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 \$27,804 and \$25,995 for the years ended December 31, 2025 and 2024, respectively. The Commission also charges maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$10,581 and \$14,282 for the years ended December 31, 2025 and 2024, respectively. The total amount due from Meadow Wood Townhomes Limited Partnership was \$2,265 and \$2,524 as of December 31, 2025 and 2024, respectively. During the years ended December 31, 2025 and 2024, the Commission paid Meadow Wood \$89,495 and \$86,172, respectively, for voucher housing assistance payments on behalf of residents of the complex. During 2025 and 2024, Meadow Wood Housing LLC earned management fees pursuant to the partnership agreement of \$6,050 and \$5,500, respectively.

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 \$36,376 and \$37,163 for the years ended December 31, 2025 and 2024, respectively. The Commission also charges maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$22,846 and \$31,275 for the years ended December 31, 2025 and 2024, respectively. The total amount due from Jackson Height Apartments Limited Partnership was \$3,736 and \$4,696 as of December 31, 2025 and 2024, respectively. During the years ended December 31, 2025 and 2024, the Commission paid Jackson Heights \$88,414 and \$93,009, 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 \$36,322 and \$36,279 for the years ended December 31, 2025 and 2024, respectively. The Commission also charges maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$11,900 and \$13,237 for the years ended December 31, 2025 and 2024, respectively. The total amount due from Central Villas Limited Partnership was \$3,282 and \$3,265 as of December 31, 2025 and 2024, respectively. During the years ended December 31, 2025 and 2024, the Commission paid Central Villas \$82,019 and \$87,907, respectively, for voucher housing assistance payments on behalf of residents of the complex. During 2025 and 2024, Central Villas Limited Partnership paid the Commission an incentive management fee of \$20,486 and \$19,684, respectively.

During 2013, the Commission entered into a development agreement with the Jackson Heights 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. Pursuant to the partnership agreement, if the developer fee is not paid in full by December 31, 2024; the General Partner shall make a capital contribution to the Partnership in the amount necessary to pay the remaining developer fee in full. No capital contributions were made during 2025. During 2025, the Commission paid off the limited partners share of the developer fee, and the remaining balance of the developer fee is owed to the Commission. The total due to the Commission was \$44,317 and \$7,679 as of December 31, 2025 and 2024, 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.

The Commission provides management services to Housing Plus, Inc., including the Klein Village project. Management fees earned by the Commission for this project are 8% to 12% of gross rents. Maintenance fee income earned by the Commission was \$9,234 and \$0 for the years ended December 31, 2025 and 2024, respectively. The total amount due from Housing Plus, Inc., was \$111,385 and \$15,000 as of December 31, 2025 and 2024, respectively.

In addition, the Commission provided funding to Housing Plus, Inc., to purchase a property to be used for additional affordable housing units, known as Klein Village. See Note 4 for details.

Note 12 - Subsequent Events

Subsequent to year-end, the Commission entered into a debt agreement with an outside party for up to \$500,000 of funding available.

Required Supplementary Information
December 31, 2025 and 2024

**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, 2025

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	6/30/2025	0.0318%	\$ (2,708)	\$ 947,153	-0.3%	100.10%
SDRS	6/30/2024	0.0366%	(1,480)	1,026,595	-0.1%	100.00%
SDRS	6/30/2023	0.0311%	(3,038)	802,240	-0.4%	100.10%
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%	(3,202)	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%

*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	12/31/2025	\$ 59,880	\$ 59,880	\$ -	\$ 998,006	6.0%
SDRS	12/31/2024	60,218	60,218	-	1,003,633	6.0%
SDRS	12/31/2023	54,836	54,836	-	913,665	6.0%
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%

Changes from Prior Valuation

The June 30, 2025, actuarial valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2024, actuarial valuation.

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

Benefit Provision Changes

During the 2025 legislative session, no significant SDRS benefit changes were made.

Actuarial Method Changes

No changes in actuarial methods were made since the prior valuation.

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% 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, 2024, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2025 SDRS COLA was limited to a restricted maximum of 1.71%. For the June 30, 2024, actuarial valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

As of June 30, 2025, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2026 SDRS COLA is limited to a restricted maximum of 1.56%. The July 2026 SDRS COLA will equal inflation, no less than 0% and no greater than 1.56%. For this June 30, 2025, actuarial valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.56%.

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.

Supplementary Information
December 31, 2025 and 2024

**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, 2025

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
Assets							
Current Assets							
Cash							
111	Cash - unrestricted	\$ 423,079	\$ -	\$ 256,188	\$ 5,039	\$ -	\$ 662,935
113	Cash - other restricted	-	-	210,533	-	-	152,924
114	Cash - tenant security deposits	35,411	-	-	-	-	16,032
100	Total cash	458,490	-	466,721	5,039	-	831,891
Receivables							
122	Accounts receivable - HUD other projects	-	-	-	-	-	-
124	Accounts receivable - other governments	-	-	-	-	-	-
125	Accounts receivable - miscellaneous	729	-	-	-	-	-
126	Accounts receivable - tenants - dwelling rents	2,359	-	-	-	-	2,050
127	Notes, loans, and mortgages receivable - current	-	-	-	-	-	-
128	Fraud recovery	2,796	-	-	-	-	-
129	Accrued interest receivable	-	-	-	-	-	-
120	Total receivables, net of allowances for doubtful accounts	5,884	-	-	-	-	2,050
142	Prepaid expenses and other assets	11,682	-	480	-	-	-
144	Interprogram receivables	-	-	-	-	-	-
150	Total current assets	476,056	-	467,201	5,039	-	833,941

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

Financial Data Schedule

December 31, 2025

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
Fixed Assets							
161	Land	122,600	-	-	-	-	418,361
162	Buildings	5,650,163	-	-	-	-	4,605,447
163	Furniture, equipment and machinery - dwellings	318,025	-	-	-	-	148,912
164	Furniture, equipment and machinery - administration	213,871	-	56,630	-	-	50,314
166	Accumulated depreciation	(5,543,956)	-	(53,669)	-	-	(3,676,953)
167	Construction in progress	-	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciation	<u>760,703</u>	<u>-</u>	<u>2,961</u>	<u>-</u>	<u>-</u>	<u>1,546,081</u>
171	Notes, loans, and mortgages receivable - noncurrent	-	-	-	-	-	-
174	Other assets	914	-	916	-	-	198
176	Investments	-	-	-	-	-	-
180	Total noncurrent assets	<u>761,617</u>	<u>-</u>	<u>3,877</u>	<u>-</u>	<u>-</u>	<u>1,546,279</u>
190	Total assets	<u>1,237,673</u>	<u>-</u>	<u>471,078</u>	<u>5,039</u>	<u>-</u>	<u>2,380,220</u>
200	Deferred outflows of resources	<u>87,863</u>	<u>-</u>	<u>88,105</u>	<u>-</u>	<u>-</u>	<u>19,025</u>
290	Total assets and deferred outflows of resources	<u>\$ 1,325,536</u>	<u>\$ -</u>	<u>\$ 559,183</u>	<u>\$ 5,039</u>	<u>\$ -</u>	<u>\$ 2,399,245</u>

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

Financial Data Schedule

December 31, 2025

Line Item #	Account Description	Management Account	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Eliminations	Total
Assets							
Current Assets							
Cash							
111	Cash - unrestricted	\$ 47,654	\$ -	\$ -	\$ 423,196	\$ -	\$ 1,818,091
113	Cash - other restricted	-	-	-	-	-	363,457
114	Cash - tenant security deposits	-	-	-	90,484	-	141,927
100	Total cash	<u>47,654</u>	<u>-</u>	<u>-</u>	<u>513,680</u>	<u>-</u>	<u>2,323,475</u>
Receivables							
122	Accounts receivable - HUD other projects	1,525,002	-	-	-	-	1,525,002
124	Accounts receivable - other governments	-	-	-	-	-	-
125	Accounts receivable - miscellaneous	6,515	-	-	491	-	7,735
126	Accounts receivable - tenants - dwelling rents	-	-	-	20,682	-	25,091
127	Notes, loans, and mortgages receivable - current	-	-	-	-	-	-
128	Fraud recovery	-	-	-	-	-	2,796
129	Accrued interest receivable	37,296	-	-	-	-	37,296
120	Total receivables, net of allowances for doubtful accounts	<u>1,568,813</u>	<u>-</u>	<u>-</u>	<u>21,173</u>	<u>-</u>	<u>1,597,920</u>
142	Prepaid expenses and other assets	4,081	-	-	63,192	-	79,435
144	Interprogram receivables	2,867	-	-	-	(2,867)	-
150	Total current assets	<u>1,623,415</u>	<u>-</u>	<u>-</u>	<u>598,045</u>	<u>(2,867)</u>	<u>4,000,830</u>

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

Financial Data Schedule

December 31, 2025

Line Item #	Account Description	Management Account	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Eliminations	Total
Fixed Assets							
161	Land	-	-	-	806,475	-	1,347,436
162	Buildings	-	-	-	21,630,516	-	31,886,126
163	Furniture, equipment and machinery - dwellings	-	-	-	1,448,423	-	1,915,360
164	Furniture, equipment and machinery - administration	100,008	-	-	-	-	420,823
166	Accumulated depreciation	(80,551)	-	-	(11,520,384)	-	(20,875,513)
167	Construction in progress	-	-	-	448,328	-	448,328
160	Total fixed assets, net of accumulated depreciation	19,457	-	-	12,813,358	-	15,142,560
171	Notes, loans, and mortgages receivable - noncurrent	380,186	-	-	-	-	380,186
174	Other assets	680	-	-	1,364,383	-	1,367,091
176	Investments	138,653	-	308	-	-	138,961
180	Total noncurrent assets	538,976	-	308	14,177,741	-	17,028,798
190	Total assets	2,162,391	-	308	14,775,786	(2,867)	21,029,628
200	Deferred outflows of resources	65,320	-	-	-	-	260,313
290	Total assets and deferred outflows of resources	<u>\$ 2,227,711</u>	<u>\$ -</u>	<u>\$ 308</u>	<u>\$ 14,775,786</u>	<u>\$ (2,867)</u>	<u>\$ 21,289,941</u>

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

Financial Data Schedule

December 31, 2025

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
Liabilities and Equity							
Liabilities							
Current Liabilities							
312	Accounts payable ≤ 90 days	\$ 12,399	\$ -	\$ 1,344	\$ -	\$ -	\$ 3,520
321	Accrued wage/payroll taxes payable	4,635	-	4,386	-	-	1,675
322	Accrued compensated absences	33,623	-	26,749	-	-	11,502
325	Accrued interest payable	-	-	-	-	-	-
333	Accounts payable - other government	23,618	-	-	-	-	15,646
341	Tenant security deposits	35,411	-	-	-	-	16,032
342	Unearned revenues	1,935	-	-	-	-	1,277
343	Current portion of long-term debt - capital projects	-	-	-	-	-	-
345	Other current liabilities	-	-	-	-	-	-
347	Interprogram payables	-	-	-	-	-	2,867
310	Total current liabilities	<u>111,621</u>	<u>-</u>	<u>32,479</u>	<u>-</u>	<u>-</u>	<u>52,519</u>

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

Financial Data Schedule

Year Ended December 31, 2025

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
Noncurrent Liabilities							
351	Long-term debt, net of current - capital projects	-	-	-	-	-	-
353	Non-current liabilities - other	-	-	-	-	-	-
350	Total noncurrent liabilities	-	-	-	-	-	-
300	Total liabilities	111,621	-	32,479	-	-	52,519
400	Deferred inflows of resources	50,558	-	50,697	-	-	10,947
508.4	Net investment in capital assets	760,703	-	2,961	-	-	1,546,081
511.4	Restricted net position	914	-	211,449	-	-	198
512.4	Unrestricted net position	401,740	-	261,597	5,039	-	789,500
513	Total equity/net position	1,163,357	-	476,007	5,039	-	2,335,779
600	Total liabilities, deferred inflows and equity/net position	\$ 1,325,536	\$ -	\$ 559,183	\$ 5,039	\$ -	\$ 2,399,245

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

Financial Data Schedule

Year Ended December 31, 2025

Line Item #	Account Description	Management Account	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Eliminations	Total
Liabilities and Equity							
Liabilities							
Current Liabilities							
312	Accounts payable ≤ 90 days	\$ 45,515	\$ -	\$ -	\$ 101,470	\$ -	\$ 164,248
321	Accrued wage/payroll taxes payable	3,103	-	-	-	-	13,799
322	Accrued compensated absences	23,967	-	-	-	-	95,841
325	Accrued interest payable	-	-	-	44,498	-	44,498
333	Accounts payable - other government	-	-	-	-	-	39,264
341	Tenant security deposits	-	-	-	90,484	-	141,927
342	Unearned revenues	-	-	-	-	-	3,212
343	Current portion of long-term debt - capital projects	-	-	-	597,062	-	597,062
345	Other current liabilities	-	-	-	1,466,889	-	1,466,889
347	Interprogram payables	-	-	-	-	(2,867)	-
310	Total current liabilities	<u>72,585</u>	<u>-</u>	<u>-</u>	<u>2,300,403</u>	<u>(2,867)</u>	<u>2,566,740</u>

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

Financial Data Schedule
Year Ended December 31, 2025

Line Item #	Account Description	Management Account	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Eliminations	Total
Noncurrent Liabilities							
351	Long-term debt, net of current - capital projects	-	-	-	3,322,471	-	3,322,471
353	Non-current liabilities - other	-	-	-	44,317	-	44,317
350	Total noncurrent liabilities	-	-	-	3,366,788	-	3,366,788
300	Total liabilities	72,585	-	-	5,667,191	(2,867)	5,933,528
400	Deferred inflows of resources	37,585	-	-	-	-	149,787
508.4	Net investment in capital assets	19,457	-	-	7,520,499	-	9,849,701
511.4	Restricted net position	680	-	-	1,325,321	-	1,538,562
512.4	Unrestricted net position	2,097,404	-	308	262,775	-	3,818,363
513	Total equity/net position	2,117,541	-	308	9,108,595	-	15,206,626
600	Total liabilities, deferred inflows and equity/net position	\$ 2,227,711	\$ -	\$ 308	\$ 14,775,786	\$ (2,867)	\$ 21,289,941

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

Financial Data Schedule
Year Ended December 31, 2025

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
Revenues							
703	Net tenant rental revenue	\$ 472,355	\$ -	\$ -	\$ -	\$ -	\$ 481,069
704	Tenant revenue - other	14,495	-	-	-	-	6,016
705	Total tenant revenue	486,850	-	-	-	-	487,085
706	HUD PHA operating grants	159,048	-	3,123,625	186,495	310,868	-
706.1	Capital grants	-	-	-	-	-	-
708	Other government grants	-	-	-	-	-	-
711	Investment income - unrestricted	10	-	62	-	-	1,015
714	Fraud recovery	-	-	150	-	-	-
715	Other revenue	8,312	-	22,545	-	-	2,520
716	Gain/loss on the sale of fixed assets	(3,463)	-	-	-	-	(840)
720	Investment income - restricted	-	-	-	-	-	-
700	Total revenues	650,757	-	3,146,382	186,495	310,868	489,780

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

Financial Data Schedule
Year Ended December 31, 2025

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
Expenses							
Administrative							
911	Administrative salaries	291,619	-	343,268	27,048	-	-
912	Auditing fees	7,485	-	19,790	1,775	-	1,735
913	Management fees	-	-	-	-	-	33,779
914	Advertising and marketing	-	-	45	-	-	2,616
915	Employee benefit contributions - administrative	42,591	-	54,259	6,543	-	-
916	Office expense	22,100	-	43,028	3,607	-	20,670
917	Legal expense	-	-	-	-	-	-
918	Travel	4,921	-	6,994	601	-	293
919	Other operating - administrative	-	-	8,614	622	-	-
Tenant services							
921	Tenant services - salaries	-	-	-	-	-	27,709
923	Employee benefit contributions - tenant services	-	-	-	-	-	(4,860)
924	Tenant services - other	1,218	-	-	-	-	3,262
Utilities							
931	Water	21,227	-	-	-	-	15,738
932	Electricity	49,458	-	-	-	-	50,252
933	Gas	20,013	-	-	-	-	3,980
Ordinary maintenance and operation							
941	Ordinary maintenance and operations - labor	50,210	-	-	-	-	42,502
942	Ordinary maintenance and operations - materials and other	44,269	-	-	-	-	12,206
943	Ordinary maintenance and operations - contract costs	88,650	-	-	-	-	52,737
945	Employee benefit contributions-ordinary maintenance	11,458	-	-	-	-	11,675
Protective services							
951	Protective services - labor	-	-	-	-	-	1,200
952	Protective services - other contract costs	3,126	-	-	-	-	12,799

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

Financial Data Schedule
Year Ended December 31, 2025

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
General expenses							
961.1	Property insurance	36,479	-	-	-	-	9,505
961.2	Liability insurance	110	-	441	-	-	-
961.3	Workmen's compensation	2,666	-	3,373	-	-	885
961.4	All other insurance	158	-	906	409	-	-
962	Other general expenses	-	4,000	-	-	-	1,278
963	Payments in lieu of taxes	23,618	-	-	-	-	15,646
964	Bad debt - tenant rents	3,105	-	-	-	-	340
967	Interest expense	-	-	-	-	-	-
969	Total operating expenses	<u>724,481</u>	<u>4,000</u>	<u>480,718</u>	<u>40,605</u>	<u>-</u>	<u>315,947</u>
970	Excess (deficiency) operating revenue over (under) operating expenses	<u>(73,724)</u>	<u>(4,000)</u>	<u>2,665,664</u>	<u>145,890</u>	<u>310,868</u>	<u>173,833</u>
Other expenses							
971	Extraordinary maintenance	106,524	-	-	-	-	2,552
973	Housing assistance payments	-	-	2,553,413	176,202	-	-
973.5	HAP portability in	-	-	20,839	-	-	-
974	Depreciation expense	<u>91,141</u>	<u>-</u>	<u>2,386</u>	<u>-</u>	<u>-</u>	<u>110,299</u>
900	Total expenses	<u>922,146</u>	<u>4,000</u>	<u>3,057,356</u>	<u>216,807</u>	<u>-</u>	<u>428,798</u>

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

Financial Data Schedule

Year Ended December 31, 2025

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
1001	Operating transfers in	310,868	-	-	-	-	-
1002	Operating transfers out	-	-	-	-	(310,868)	-
1004	Operating transfers from/to component unit	-	-	-	-	-	-
1010	Total other financing sources (uses)	<u>310,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(310,868)</u>	<u>-</u>
1000	Excess (deficiency) of operating revenue over (under) expenses	<u>\$ 39,479</u>	<u>\$ (4,000)</u>	<u>\$ 89,026</u>	<u>\$ (30,312)</u>	<u>\$ -</u>	<u>\$ 60,982</u>
Memo account information							
1103	Beginning equity	\$ 1,123,878	\$ 4,000	\$ 386,981	\$ 35,351	\$ -	\$ 2,274,797
1104	Prior period adjustments and equity transfers	-	-	-	-	-	-
1117	Administrative fee equity	-	-	265,474	5,040	-	-
1118	Housing assistance payments equity	-	-	210,533	-	-	-
1119	Unit months available	1,200	-	6,540	480	-	612
1121	Number of unit months leased	1,105	-	4,919	425	-	587
1127	Excess cash	290,384	-	-	-	-	-
1163	Furniture and equipment - dwelling purchases	-	-	-	-	-	-

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

Financial Data Schedule

Year Ended December 31, 2025

Line Item #	Account Description	Management Account	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Eliminations	Total
Revenues							
703	Net tenant rental revenue	\$ -	\$ -	\$ -	\$ 1,400,730	\$ -	\$ 2,354,154
704	Tenant revenue - other	-	-	-	-	-	20,511
705	Total tenant revenue	-	-	-	1,400,730	-	2,374,665
706	HUD PHA operating grants	-	-	-	-	-	3,780,036
706.1	Capital grants	-	-	-	-	-	-
708	Other government grants	-	67,662	-	-	-	67,662
711	Investment income - unrestricted	27,197	-	-	-	-	28,284
714	Fraud recovery	-	-	-	-	-	150
715	Other revenue	316,089	-	6,050	30,793	(33,779)	352,530
716	Gain/loss on the sale of fixed assets	-	-	-	-	-	(4,303)
720	Investment income - restricted	-	-	-	11,410	-	11,410
700	Total revenues	343,286	67,662	6,050	1,442,933	(33,779)	6,610,434

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

Financial Data Schedule
Year Ended December 31, 2025

Line Item #	Account Description	Management Account	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Eliminations	Total
Expenses							
Administrative							
911	Administrative salaries	202,706	-	-	49,546	-	914,187
912	Auditing fees	7,485	-	-	51,605	-	89,875
913	Management fees	-	-	-	170,953	(33,779)	170,953
914	Advertising and marketing	-	-	-	250	-	2,911
915	Employee benefit contributions - administrative	23,039	-	-	-	-	126,432
916	Office expense	4,604	-	-	81,785	-	175,794
917	Legal expense	585	-	-	635	-	1,220
918	Travel	7,864	-	-	6,821	-	27,494
919	Other operating - administrative	111,804	-	-	32,203	-	153,243
Tenant services							
921	Tenant services - salaries	-	-	-	-	-	27,709
923	Employee benefit contributions - tenant services	-	-	-	-	-	(4,860)
924	Tenant services - other	-	-	-	2,113	-	6,593
Utilities							
931	Water	-	-	-	77,633	-	114,598
932	Electricity	-	-	-	100,433	-	200,143
933	Gas	-	-	-	39,205	-	63,198
Ordinary maintenance and operation							
941	Ordinary maintenance and operations - labor	51,793	-	-	-	-	144,505
942	Ordinary maintenance and operations - materials and other	3,537	-	-	31,601	-	91,613
943	Ordinary maintenance and operations - contract costs	134	-	-	343,161	-	484,682
945	Employee benefit contributions-ordinary maintenance	14,426	-	-	-	-	37,559
Protective services							
951	Protective services - labor	-	-	-	-	-	1,200
952	Protective services - other contract costs	-	-	-	-	-	15,925

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

Financial Data Schedule
Year Ended December 31, 2025

Line Item #	Account Description	Management Account	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Eliminations	Total
	General expenses						
961.1	Property insurance	-	-	-	44,629	-	90,613
961.2	Liability insurance	475	-	-	44,629	-	45,655
961.3	Workmen's compensation	2,322	-	-	-	-	9,246
961.4	All other insurance	5,958	-	-	-	-	7,431
962	Other general expenses	-	-	-	32,431	-	37,709
963	Payments in lieu of taxes	-	-	-	4,507	-	43,771
964	Bad debt - tenant rents	-	-	-	21,426	-	24,871
967	Interest expense	-	-	-	114,257	-	114,257
969	Total operating expenses	<u>436,732</u>	<u>-</u>	<u>-</u>	<u>1,249,823</u>	<u>(33,779)</u>	<u>3,218,527</u>
970	Excess (deficiency) operating revenue over (under) operating expenses	<u>(93,446)</u>	<u>67,662</u>	<u>6,050</u>	<u>193,110</u>	<u>-</u>	<u>3,391,907</u>
	Other expenses						
971	Extraordinary maintenance	-	-	-	122,067	-	231,143
973	Housing assistance payments	-	-	-	-	-	2,729,615
973.5	HAP portability in	-	-	-	-	-	20,839
974	Depreciation expense	7,255	-	-	883,452	-	1,094,533
900	Total expenses	<u>443,987</u>	<u>-</u>	<u>-</u>	<u>2,255,342</u>	<u>(33,779)</u>	<u>7,294,657</u>

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

Financial Data Schedule
Year Ended December 31, 2025

Line Item #	Account Description	Management Account	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Eliminations	Total
1001	Operating transfers in	67,662	-	-	-	(242,080)	136,450
1002	Operating transfers out	-	(67,662)	-	-	242,080	(136,450)
1004	Operating transfers from/to component unit	6,050	-	(6,050)	-	-	-
1010	Total other financing sources (uses)	73,712	(67,662)	(6,050)	-	-	-
1000	Excess (deficiency) of operating revenue over (under) expenses	\$ (26,989)	\$ -	\$ -	\$ (812,409)	\$ -	\$ (684,223)
Memo account information							
1103	Beginning equity	\$ 2,144,530	\$ -	\$ 308	\$ 9,921,004	\$ -	\$ 15,890,849
1104	Prior period adjustments and equity transfers	-	-	-	-	-	-
1117	Administrative fee equity	-	-	-	-	-	270,514
1118	Housing assistance payments equity	-	-	-	-	-	210,533
1119	Unit months available	-	-	-	2,076	-	10,908
1121	Number of unit months leased	-	-	-	1,831	-	9,988
1127	Excess cash	-	-	-	-	-	290,384
1163	Furniture and equipment - dwelling purchases	-	-	-	-	-	-



**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 (*Government Auditing Standards*), the financial statements of the business-type activities, the aggregate discretely presented component units, and each major fund 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, 2025, 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 30, 2026. The financial statements of the discretely presented component units, except for Housing Plus, Inc., 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a material weakness.

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. We consider the deficiency described in the schedule of findings and questioned costs as item 2025-002 to be a significant deficiency.

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 Findings

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.



Aberdeen, South Dakota
April 30, 2026



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, 2025. 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, 2025.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-003 and 2025-004 to be significant deficiencies.

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 require 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 30, 2026

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2025

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 Housing Operating Fund	14.850	N/A	\$ 159,048
Public Housing Capital Fund	14.872	N/A	310,868
Housing Voucher Cluster			
Section 8 Housing Choice Vouchers	14.871	N/A	3,086,463
Mainstream Vouchers	14.879	N/A	<u>207,103</u>
Total Housing Voucher Cluster			<u>3,293,566</u>
Pass-Through South Dakota Housing Development Authority			
HOME Investment Partnerships Program	14.239	*	<u>67,662</u>
Total U.S. Department of Housing and Urban Development			<u>3,831,144</u>
Total Federal Financial Assistance			<u>\$ 3,831,144</u>

* No Pass-Through Entity Identifying Number Given

Note 1 - 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, 2025. 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 one discretely presented component unit, Housing Plus, Inc. It excludes any federal awards of the other discretely presented component units.

Note 2 - 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 3 - Indirect Cost Rate

The Commission does not draw for indirect administrative expenses and has not elected to use the de minimus cost rate of up to 15 percent.

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	Yes
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:	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing</u>
Housing Voucher Cluster:	
Mainstream Vouchers	14.879
Section 8 Housing Choice Vouchers	14.871
Dollar threshold used to distinguish between type A and type B programs:	\$ 1,000,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2025-001 - 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.

Finding 2025-002 Lack of Documented Review of Reconciliations and Journal Entries

Significant Deficiency

Criteria: A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion and part of those controls should include documentation of review of specific reconciliations and journal entries.

Condition: The Commission does not have consistent documented review controls in place over reconciliations and journal entries throughout the year.

Cause: Formal documentation is not completed when review is being completed.

Effect: This condition increases the risk that fraud or errors might occur in the financial reporting process and not be detected.

Recommendation: We recommend that the Commission implement controls to document that review process with initials on the journal entries or reconciliations which can be on a physical copy or electronic copy of the documentation.

Views of Responsible Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

**2025-003 Section 8 Housing Choice Voucher Cluster
Federal Financial Assistance Listing 14.879 Mainstream Voucher Program
Federal Financial Assistance Listing 14.871 Section 8 Housing Choice Voucher Program**

**Allowable Costs/Activities Allowed and Unallowed
Significant Deficiency in Internal Control over Compliance**

Criteria: Uniform Guidance requires that documentation be maintained to support allocations of payroll across federal programs and allocations of expenses be supported by actual expenditures, not budgeted expenditures.

Condition: The Commission has a process in place for employees to track hours worked to federal and non federal programs but payroll allocations are made based on budgets expectations, not actual, and review is not occurring to determine if allocations need to be updated throughout the year.

Cause: The Commission experienced significant turnover in staff in 2024 and 2025 so that review process is not in place throughout the year.

Effect: Errors in reporting could occur that would not be detected on a timely basis by the Commission.

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 controls system that needed to be in place. We recommend a control process be in place to review actual time spent on federal programs be compared to budgeted allocations and adjustments be made to reflect actual time spent on those programs.

Views of Responsible Officials: Management agrees with finding.

2025-004 Section 8 Housing Choice Voucher Cluster
Federal Financial Assistance Listing 14.879 Mainstream Voucher Program
Federal Financial Assistance Listing 14.871 Section 8 Housing Choice Voucher Program

Eligibility
Significant Deficiency in Internal Control over Compliance

Criteria: As required by HUD guidelines, the Commission is required to calculate the tenant's rent payment using documentation from third-party verification used to calculate payment of assistance and require specific information be maintained in tenant files.

Condition: The Commission's control in place for review of the tenant's rent payment used for tenant files on annual reviews was not operating effectively. In seven of the 60 tenant files tested, the tenant's payment amounts were calculated incorrectly. Five of the seven files with errors would have been de minimis errors which the compliance supplement notes as an error of less than \$30 per month. Also, two tenants' social security number documentation in the tenant files did not match Form 50058.

Cause: The Commission experienced significant turnover in 2024 and 2025 which resulted in errors being made in the calculations.

Effect: The reporting of an incorrect tenant rent payment could result in incorrect assistance being awarded. Incorrect social security numbers could result in the tenant receiving assistance under multiple locations.

Questioned Costs: None

Context/Sampling: A nonstatistical sample of 60 participants out of 612 participants were selected for eligibility testing.

Repeat Finding from Prior Year(s): Yes, Finding 2024-004.

Recommendation: With the turnover in staffing, we realize the potential for errors to occur. We recommend additional review being completed on files by a second person to ensure calculations are completed correctly.

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, 2025

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



Summary Schedule of Prior Audit Findings

Financial Statement Finding

Finding 2024-001 – 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.

Finding 2024-002

Initial Fiscal Year Finding Occurred: 2024

Finding Summary: The Commission does not have consistent documented review controls in place over reconciliations and journal entries throughout the year.

Status: Ongoing. See finding 2025-002.

Federal Award Finding

Finding 2023-002 Lack of Documented Review of Reconciliations and Journal Entries

Federal Agency Name – Department of Housing and Urban Development

Assistance Listing Number – 14.871 & 14.879

Program Name – Housing Voucher Cluster

Initial Fiscal Year Finding Occurred: 2022

Finding Summary: The Commission does not have a review process in place to ensure that a person other than the person who prepares the reports for submission reviews the reports for accuracy for the monthly VMS submission and yearly unaudited REAC submission.

Status: Ongoing.

Corrective Action Plan

Finding 2025-001

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: Brett Bill, 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 2025-002

Finding Summary: The Commission does not have consistent documented review controls in place over reconciliations and journal entries throughout the year.

Responsible Individuals: Brett Bill, Executive Director

Corrective Action Plan: Review is occurring on the items throughout the year but is not consistently documented. We have developed the process to ensure a review will be documented going forward.

Anticipated Completion Date: 5/1/2026

Federal Award Findings

Finding 2025-003

Federal Agency Name – Department of Housing and Urban Development

Assistance Listing Number – 14.871 & 14.879

Program Name – Housing Voucher Cluster

Finding Summary: The Commission has a process in place for employees to track hours worked to federal and non-federal programs but payroll allocations are made based on budgets expectations, not actual, and review is not occurring to determine if allocations need to be updated throughout the year.

Responsible Individuals: Brett Bill, Executive Director

Corrective Action Plan: Processes will be updated to ensure that payroll allocations are being compared to allocations to ensure they are correctly allocated.

Anticipated Completion Date: 5/1/2026

Finding 2025-004

Federal Agency Name – Department of Housing and Urban Development

Assistance Listing Number – 14.871 & 14.879

Program Name – Housing Voucher Cluster

Finding Summary: The Commission's control in place for review of the tenant's rent payment used for tenant files on annual reviews was not operating effectively. In seven of the 60 tenant files tested, the tenant's payment amounts were calculated incorrectly. Five of the seven files with errors would have been de minimis errors which the compliance supplement notes as an error of less than \$30 per month. Also, two tenants' social security number documentation in the tenant files did not match Form 50058.

Responsible Individuals: Brett Bill, Executive Director

Corrective Action Plan: The Commission has had recent turnover in the Section 8 Program. Additional training will be provided to new staff to ensure that they are aware of program requirements.

Anticipated Completion Date: 5/1/2026