



Financial Statements
December 31, 2020 and 2019

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

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

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Housing and Redevelopment Commission of Aberdeen 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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commission as of December 31, 2020 and 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the Schedule of Net Pension Liability (Asset) and Schedule of Pension Contributions on pages 61 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's financial statements. The accompanying supplementary schedule on pages 64 through 79 is presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on page 86 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the financial statements.

The supplementary schedule on pages 64 through 79 and schedule of expenditures of federal awards on page 86 are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 26, 2021, 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, 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.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
May 26, 2021

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, 2020 and 2019. 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 Dakota Square Operations, Lawson View Townhomes, Sunshine Park Townhomes, Meadow Wood Townhomes, Jackson Heights, and Central Villas. Dakota Square Operations is a multifamily HUD property owned by an outside party. Lawson View Townhomes is also a multifamily HUD property which also has Tax Credits and Home Funds. Sunshine Park Townhomes, Meadow Wood Townhomes, Jackson Heights, and Central Villas are Tax Credit and Home Fund properties. Management fees derived from these properties are reflected in the AHA Management account. For a detailed description of each program, please see Note 1 of the notes to the financial statements. A breakdown of the individual programs' financial information can be found in the supplementary information section of the following financial statements.

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

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

All of the Commission's core programs are accounted for as one enterprise fund for financial reporting purposes. The Commission's blended component units are also reported as enterprise funds. The Commission also maintains a fiduciary fund for assets held for others. 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 2020

- Total assets and deferred outflows of resources of the Commission increased \$196,507 (or 3.4%) as of December 31, 2020.
- Total liabilities and deferred inflows of resources of the Commission decreased \$60,785 (or 13.3%) as of December 31, 2020.
- Net position of the Commission increased \$257,292 (or 4.8%) as of December 31, 2020.
- Unrestricted cash of the Commission increased \$192,194 (or 15.1%) as of December 31, 2020.
- Noncurrent portion of long-term debt outstanding of the Commission decreased \$69,770 (or 100%) as of December 31, 2020.
- Operating revenue of the Commission increased by \$544,703 (or 17.4%) from 2019 to 2020.
- Operating expenses of the Commission increased by \$370,695 (or 11.3%) from 2019 to 2020.
- Non-operating revenues and expenses increased by \$6,632 (or 57.9%) from 2019 to 2020.
- Capital contributions increased by \$83,932 (or 62.3%) from 2019 to 2020.

Financial Highlights for 2019

- Total assets and deferred outflows of resources of the Commission decreased \$126,016 (or 2.1%) as of December 31, 2019.
- Total liabilities and deferred inflows of resources of the Commission decreased \$118,806 (or 20.6%) as of December 31, 2019.
- Net position of the Commission decreased \$7,210 (or 0.31%) as of December 31, 2019.
- Unrestricted cash of the Commission increased \$125,432 (or 10.9%) as of December 31, 2019.
- Noncurrent portion of long-term debt outstanding of the Commission decreased \$158,231 (or 69.4%) as of December 31, 2019.
- Operating revenue of the Commission increased by \$60,692 (or 2.0%) from 2018 to 2019.
- Operating expenses of the Commission increased by \$81,064 (or 2.5%) from 2018 to 2019.
- Non-operating revenues and expenses increased by \$16,578 (or 323.2%) from 2018 to 2019.
- Capital contributions decreased by \$19,702 (or 12.8%) from 2018 to 2019.

Commission's Financial Statements

Enterprise Funds

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

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

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

The statements of revenues, expenses, and changes in net position includes 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, a statements of cash flows is included, which discloses net cash flows from operating activities, capital and related financing activities, investing activities, and non-capital investing and financing activities.

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

Fiduciary Fund

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

Capital Assets

As of December 31, 2020 and 2019, the Commission's capital assets for its business-type activities was \$2,860,522 and \$2,904,224 (net of accumulated depreciation), respectively. Capital assets include buildings, improvements, and equipment.

Major capital asset purchases during the year ended December 31, 2020, include the following:

- Capital expenditures of \$122,301 for building improvements in Public Housing.
- Capital expenditures of \$11,813 for building improvements in Sherman Apartments.
- Capital expenditures of \$3,673 for furniture and fixtures at the Sherman Apartments.
- Capital expenditures of \$89,410 for furniture and fixtures in Public Housing.
- Capital expenditures of \$8,751 for furniture and fixtures in Management.

Major capital assets purchases during the year ended December 31, 2019, include the following:

- Capital expenditures of \$74,222 for building improvements in Public Housing.
- Capital expenditures of \$12,863 for building improvements in Sherman Apartments.
- Capital expenditures of \$3,507 for furniture and fixtures at the Sherman Apartments.
- Capital expenditures of \$14,100 for furniture and fixtures in Public Housing.

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

Long-Term Liabilities

As of December 31, 2020 and 2019, long-term liabilities totaled \$0 and \$69,770, respectively, which is the non-current portion of the financing on the Sherman Apartment Project. There was no new long-term debt issued during 2020 or 2019.

Program Revenues and Expenses by Major Source and Category

Aberdeen Housing Commission – Primary Government Enterprise Fund

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

Aberdeen Housing Commission – Public Housing

Year Ended December 31, 2020:

Total operating revenue increased by \$28,310 from 2019 to 2020. Total operating expenses increased by \$30,902. Total non-operating revenues/expenses increased by \$2,794. Capital contributions increased by \$83,932.

Year Ended December 31, 2019:

Total operating revenue increased by \$19,360 from 2018 to 2019. Total operating expenses increased by \$30,501. Total non-operating revenues/expenses decreased by \$2. Capital contributions decreased by \$19,702.

Aberdeen Housing Commission – Section 8 Vouchers

Year Ended December 31, 2020:

Total operating revenue increased by \$526,218 from 2019 to 2020. Total operating expenses increased by \$322,097.

Year Ended December 31, 2019:

Total operating revenue increased by \$17,340 from 2018 to 2019. Total operating expenses decreased by \$143.

Aberdeen Housing Commission – Section 8 New Construction

Year Ended December 31, 2020:

Total operating revenue increased by \$7,681 from 2019 to 2020. Total operating expenses increased by \$14,669. Total non-operating revenues/expenses decreased by \$3,498.

Year Ended December 31, 2019:

Total operating revenue increased by \$9,522 from 2018 to 2019. Total operating expenses increased by \$7,647. Total non-operating revenues/expenses decreased by \$16,537.

Aberdeen Housing Commission – Management Account

Year Ended December 31, 2020:

Total operating revenue decreased by \$19,887 from 2019 to 2020. Total operating expenses increased by \$2,394, primarily due to an increase in pension expense and administrative salaries. Total non-operating revenues increased by \$267.

Year Ended December 31, 2019:

Total operating revenue increased by \$37,095 from 2018 to 2019. Total operating expenses increased by \$44,096, primarily due to an increase in pension expense and administrative salaries. Total non-operating revenues increased by \$37.

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 2019 and 2020. Total operating revenues were \$0. Total operating expenses were \$50 for the years ended December 31, 2020 and 2019.

Lawson Developers, LLC

Lawson Developers, LLC had limited activity during 2019 and 2020. Total operating revenues were \$0. Total operating expenses were \$50 for the years ended December 31, 2020 and 2019.

AHA Housing, LLC

Aberdeen Housing, LLC had limited activity during 2019 and 2020. Total operating revenues were \$0. Total operating expenses were \$50 for the years ended December 31, 2020 and 2019.

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

Meadow Wood Housing, LLC had limited activity during 2019 and 2020. Total operating revenues were \$5,000 and \$3,322 for the years ended December 31, 2020 and 2019, respectively. Total operating expenses and transfers were \$4,950 and \$3,272 for the years ended December 31, 2020 and 2019, respectively.

Condensed Financial Information

	2020	2019	2018
Assets			
Current assets	\$ 1,577,566	\$ 1,375,719	\$ 1,256,679
Capital assets	2,846,535	2,904,224	3,066,533
Other assets	1,338,828	1,346,134	1,347,604
Total assets	5,762,929	5,626,077	5,670,816
Deferred Outflows of Resources	189,294	144,901	226,178
Total assets and deferred outflows	\$ 5,952,223	\$ 5,770,978	\$ 5,896,994
Liabilities			
Current liabilities	\$ 225,466	\$ 320,919	\$ 293,181
Long-term liabilities	-	69,770	228,001
Total liabilities	225,466	390,689	521,182
Deferred Inflows of Resources	169,721	66,558	54,871
Net Position			
Net investment in capital assets	2,776,725	2,676,219	2,693,148
Restricted net position	649,276	570,154	565,460
Restricted for pension	20,867	81,545	172,006
Unrestricted net position	2,110,168	1,985,813	1,890,327
Total net position	5,557,036	5,313,731	5,320,941
Total liabilities, deferred inflows and net position	\$ 5,952,223	\$ 5,770,978	\$ 5,896,994

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Management's Discussion and Analysis
 December 31, 2020 and 2019

	2020	2019	2018
Operating Revenues			
Dwelling rental income	\$ 820,685	\$ 810,456	\$ 785,983
HUD subsidies	2,544,065	1,995,730	1,976,801
Management and administration fees	289,844	303,416	294,010
Other	17,646	18,005	10,121
Total operating revenues	<u>3,672,240</u>	<u>3,127,607</u>	<u>3,066,915</u>
Operating Expenses			
Rental assistance payments	1,932,033	1,646,742	1,649,623
General and administrative	1,733,551	1,634,161	1,550,216
Total operating expenses	<u>3,665,584</u>	<u>3,280,903</u>	<u>3,199,839</u>
Operating Income (Loss)	6,656	(153,296)	(132,924)
Nonoperating Revenue (Expense)	18,079	11,448	(5,130)
Capital Contributions	218,570	134,638	154,340
Change in Net Position	243,305	(7,210)	16,286
Net Position, Beginning	5,313,731	5,320,941	5,304,655
Net Position, End of Year	<u>\$ 5,557,036</u>	<u>\$ 5,313,731</u>	<u>\$ 5,320,941</u>

Economic Factors and Future Development

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

- Federal funding appropriations provided by Congress to HUD
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary, and employment trends, which can affect resident incomes and, therefore, the amount of rental income
- Inflationary pressure on utility rates, supplies, and other costs

Contacting the Commission's Financial Management

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

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

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Statements of Net Position
 December 31, 2020 and 2019

	2020						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	\$ 1,416,450	\$ -	\$ -	\$ -	\$ -	\$ 1,416,450	\$ 676,856
Tenant accounts receivable	13,844	-	-	-	-	13,844	20,013
Funded security deposits	47,699	-	-	-	-	47,699	91,597
Other accounts receivable	38,090	-	-	-	-	38,090	-
Accrued interest receivable	42,555	-	-	-	-	42,555	-
Prepaid expenses	18,928	-	-	-	-	18,928	26,285
Total current assets	1,577,566	-	-	-	-	1,577,566	814,751
Property and Equipment							
Land and land improvements	535,928	-	-	-	-	535,928	715,043
Buildings	10,002,195	-	-	-	-	10,002,195	20,790,091
Furniture, equipment and machinery - dwellings	320,760	-	-	-	-	320,760	1,238,503
Furniture, equipment and machinery - nondwelling	345,729	-	-	-	-	345,729	-
	11,204,612	-	-	-	-	11,204,612	22,743,637
Less accumulated depreciation	(8,358,077)	-	-	-	-	(8,358,077)	(7,237,091)
Total property and equipment	2,846,535	-	-	-	-	2,846,535	15,506,546
Other Assets							
Restricted deposits and funded reserves	764,756	-	-	-	-	764,756	965,937
Note receivable - related party	390,487	-	-	-	-	390,487	-
Other non-current receivables - related party	-	-	43,330	-	-	43,330	-
Investment in limited partnerships	138,653	100	-	10	198	138,961	-
Net pension asset	1,294	-	-	-	-	1,294	-
Tax credit fees, at cost, net of accumulated amortization	-	-	-	-	-	-	104,414
Total other assets	1,295,190	100	43,330	10	198	1,338,828	1,070,351
Deferred Outflows of Resources							
Pension related deferred outflows	189,294	-	-	-	-	189,294	-
	\$ 5,908,585	\$ 100	\$ 43,330	\$ 10	\$ 198	\$ 5,952,223	\$ 17,391,648

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Statements of Net Position
 December 31, 2020 and 2019

	2020					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	\$ 69,810	\$ -	\$ -	\$ -	\$ -	\$ 69,810	\$ 270,898
Accounts payable	11,622	-	-	-	-	11,622	24,501
Due to other governments	31,789	-	-	-	-	31,789	-
Tenant security deposits	47,699	-	-	-	-	47,699	91,731
Accrued liabilities:							
Wages and payroll taxes payable	26,655	-	-	-	-	26,655	-
Interest	494	-	-	-	-	494	52,075
Vacation pay	36,938	-	-	-	-	36,938	-
Unearned revenues	459	-	-	-	-	459	-
Other	-	-	-	-	-	-	69,742
Total current liabilities	225,466	-	-	-	-	225,466	508,947
Non-Current Liabilities							
Long-term debt, net of current portion and unamortized debt issuance costs	-	-	-	-	-	-	4,684,405
Other non-current payable	-	-	-	-	-	-	174,462
Total non-current liabilities	-	-	-	-	-	-	4,858,867
Total liabilities	225,466	-	-	-	-	225,466	5,367,814
Deferred Inflows of Resources							
Pension related deferred inflows	169,721	-	-	-	-	169,721	-
Net Position							
Net investment in capital assets	2,776,725	-	-	-	-	2,776,725	10,516,499
Restricted for HUD Voucher Program	84,520	-	-	-	-	84,520	-
Restricted for mortgage escrows (see Note 2)	564,756	-	-	-	-	564,756	965,937
Restricted for pension (see Note 8)	20,867	-	-	-	-	20,867	-
Unrestricted net position	2,066,530	100	43,330	10	198	2,110,168	541,398
Total net position	5,513,398	100	43,330	10	198	5,557,036	12,023,834
	\$ 5,908,585	\$ 100	\$ 43,330	\$ 10	\$ 198	\$ 5,952,223	\$ 17,391,648

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Statements of Net Position
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	2019					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	\$ 1,228,194	\$ -	\$ -	\$ -	\$ -	\$ 1,228,194	\$ 533,874
Tenant accounts receivable	5,432	-	-	-	-	5,432	19,687
Funded security deposits	43,761	-	-	-	-	43,761	86,246
Other accounts receivable	49,244	-	-	-	-	49,244	-
Accrued interest receivable	29,915	-	-	-	-	29,915	-
Prepaid expenses	19,173	-	-	-	-	19,173	25,099
Total current assets	1,375,719	-	-	-	-	1,375,719	664,906
Property and Equipment							
Land and land improvements	535,928	-	-	-	-	535,928	715,043
Buildings	9,897,659	-	-	-	-	9,897,659	20,650,855
Furniture, equipment and machinery - dwellings	304,041	-	-	-	-	304,041	1,229,034
Furniture, equipment and machinery - nondwelling	284,966	-	-	-	-	284,966	-
	11,022,594	-	-	-	-	11,022,594	22,594,932
Less accumulated depreciation	(8,118,370)	-	-	-	-	(8,118,370)	(6,324,660)
Total property and equipment	2,904,224	-	-	-	-	2,904,224	16,270,272
Other Assets							
Restricted deposits and funded reserves	770,154	-	-	-	-	770,154	953,692
Note receivable - related party	390,487	-	-	-	-	390,487	-
Other non-current receivables - related party	-	-	43,330	-	-	43,330	-
Investment in limited partnerships	138,653	100	-	10	198	138,961	-
Net pension asset	3,202	-	-	-	-	3,202	-
Tax credit fees, at cost, net of accumulated amortization	-	-	-	-	-	-	118,175
Total other assets	1,302,496	100	43,330	10	198	1,346,134	1,071,867
Deferred Outflows of Resources							
Pension related deferred outflows	144,901	-	-	-	-	144,901	-
	\$ 5,727,340	\$ 100	\$ 43,330	\$ 10	\$ 198	\$ 5,770,978	\$ 18,007,045

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Statements of Net Position
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	2019					Total	Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units					
		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	\$ 158,235	\$ -	\$ -	\$ -	\$ -	\$ 158,235	\$ 220,629
Accounts payable	27,704	-	-	-	-	27,704	26,130
Due to other governments	32,008	-	-	-	-	32,008	-
Tenant security deposits	43,756	-	-	-	-	43,756	87,566
Accrued liabilities:							
Wages and payroll taxes payable	21,028	-	-	-	-	21,028	-
Interest	1,615	-	-	-	-	1,615	39,834
Vacation pay	25,270	-	-	-	-	25,270	-
Unearned revenues	11,303	-	-	-	-	11,303	-
Other	-	-	-	-	-	-	73,119
Total current liabilities	320,919	-	-	-	-	320,919	447,278
Non-Current Liabilities							
Long-term debt, net of current portion and unamortized debt issuance costs	69,770	-	-	-	-	69,770	4,878,544
Other non-current payable - related party	-	-	-	-	-	-	198,170
Total non-current liabilities	69,770	-	-	-	-	69,770	5,076,714
Total liabilities	390,689	-	-	-	-	390,689	5,523,992
Deferred Inflows of Resources							
Pension related deferred inflows	66,558	-	-	-	-	66,558	-
Net Position							
Net investment in capital assets	2,676,219	-	-	-	-	2,676,219	11,132,898
Restricted for mortgage escrows (see Note 2)	570,154	-	-	-	-	570,154	953,692
Restricted for pension (see Note 8)	81,545	-	-	-	-	81,545	-
Unrestricted net position	1,942,175	100	43,330	10	198	1,985,813	396,463
Total net position	5,270,093	100	43,330	10	198	5,313,731	12,483,053
	\$ 5,727,340	\$ 100	\$ 43,330	\$ 10	\$ 198	\$ 5,770,978	\$ 18,007,045

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2020 and 2019

	2020					Total	Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units					
		Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC		
Operating Revenues							
Dwelling rental income	\$ 820,685	\$ -	\$ -	\$ -	\$ -	\$ 820,685	\$ 1,416,887
HUD subsidies	2,544,065	-	-	-	-	2,544,065	-
Management and administration fees	284,844	-	-	-	5,000	289,844	40,633
Other revenue	17,646	-	-	-	-	17,646	9,272
Total operating revenues	<u>3,667,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>3,672,240</u>	<u>1,466,792</u>
Operating Expenses							
Administrative	805,411	50	50	50	50	805,611	295,315
Tenant services	48,981	-	-	-	-	48,981	-
Utilities	125,895	-	-	-	-	125,895	170,001
Ordinary maintenance and operation	281,586	-	-	-	-	281,586	328,730
General expenses	72,170	-	-	-	-	72,170	64,298
COVID-19 expenses	22,032	-	-	-	-	22,032	-
Rental assistance payments	1,932,033	-	-	-	-	1,932,033	-
Depreciation and amortization	274,885	-	-	-	-	274,885	926,192
Extraordinary maintenance	102,391	-	-	-	-	102,391	-
Total operating expenses	<u>3,665,384</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>3,665,584</u>	<u>1,784,536</u>
Operating Income (Loss)	<u>1,856</u>	<u>(50)</u>	<u>(50)</u>	<u>(50)</u>	<u>4,950</u>	<u>6,656</u>	<u>(317,744)</u>
Nonoperating Revenue (Expense)							
Interest income	27,553	-	-	-	-	27,553	1,452
Interest expense	(12,228)	-	-	-	-	(12,228)	(141,839)
Gain on disposal of property and equipment	2,754	-	-	-	-	2,754	-
Total nonoperating revenue (expense)	<u>18,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,079</u>	<u>(140,387)</u>
Income (Loss) Before Other Revenues, Expenses, and Transfers	19,935	(50)	(50)	(50)	4,950	24,735	(458,131)
Capital contributions	218,570	-	-	-	-	218,570	-
Capital distributions	-	-	-	-	-	-	(1,088)
Transfer to (from) blended component units	4,800	50	50	50	(4,950)	-	-
Change in Net Position	243,305	-	-	-	-	243,305	(459,219)
Net Position, Beginning of Year	<u>5,270,093</u>	<u>100</u>	<u>43,330</u>	<u>10</u>	<u>198</u>	<u>5,313,731</u>	<u>12,483,053</u>
Net Position, End of Year	<u>\$ 5,513,398</u>	<u>\$ 100</u>	<u>\$ 43,330</u>	<u>\$ 10</u>	<u>\$ 198</u>	<u>\$ 5,557,036</u>	<u>\$ 12,023,834</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Statements of Revenues, Expenses and Changes in Net Position
 Years Ended December 31, 2020 and 2019

	2019					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	\$ 810,456	\$ -	\$ -	\$ -	\$ -	\$ 810,456	\$ 1,368,220
HUD subsidies	1,995,730	-	-	-	-	1,995,730	-
Management and administration fees	300,094	-	-	-	3,322	303,416	33,476
Other revenue	18,005	-	-	-	-	18,005	9,034
Total operating revenues	3,124,285	-	-	-	3,322	3,127,607	1,410,730
Operating Expenses							
Administrative	792,557	50	50	50	50	792,757	317,742
Tenant services	45,609	-	-	-	-	45,609	-
Utilities	125,669	-	-	-	-	125,669	167,980
Ordinary maintenance and operation	269,522	-	-	-	-	269,522	423,308
General expenses	76,743	-	-	-	-	76,743	63,395
Rental assistance payments	1,646,742	-	-	-	-	1,646,742	-
Depreciation and amortization	267,000	-	-	-	-	267,000	946,165
Extraordinary maintenance	56,861	-	-	-	-	56,861	-
Total operating expenses	3,280,703	50	50	50	50	3,280,903	1,918,590
Operating Income (Loss)	(156,418)	(50)	(50)	(50)	3,272	(153,296)	(507,860)
Nonoperating Revenue (Expense)							
Interest income	36,582	-	-	-	-	36,582	4,672
Interest expense	(25,134)	-	-	-	-	(25,134)	(147,067)
Loss on disposal of property and equipment	-	-	-	-	-	-	(1,517)
Total nonoperating revenue (expense)	11,448	-	-	-	-	11,448	(143,912)
Income (Loss) Before Other Revenues, Expenses, and Transfers	(144,970)	(50)	(50)	(50)	3,272	(141,848)	(651,772)
Capital contributions	134,638	-	-	-	-	134,638	-
Capital distributions	-	-	-	-	-	-	(24,534)
Transfer to (from) Blended Component Units	11,789	50	(8,617)	50	(3,272)	-	-
Change in Net Position	1,457	-	(8,667)	-	-	(7,210)	(676,306)
Net Position, Beginning of Year	5,268,636	100	51,997	10	198	5,320,941	13,159,359
Net Position, End of Year	\$ 5,270,093	\$ 100	\$ 43,330	\$ 10	\$ 198	\$ 5,313,731	\$ 12,483,053

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

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	2020					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	\$ 805,372	\$ -	\$ -	\$ -	\$ -	\$ 805,372	\$ 1,457,194
Receipts for management fees and other	313,644	-	-	-	5,000	318,644	9,272
Receipts from HUD subsidies	2,544,065	-	-	-	-	2,544,065	-
Payments to employees	(644,981)	-	-	-	-	(644,981)	-
Housing assistance payments	(1,932,033)	-	-	-	-	(1,932,033)	-
Payments to suppliers and others	(751,568)	(50)	(50)	(50)	(50)	(751,768)	(848,129)
Net Cash from (used for) Operating Activities	334,499	(50)	(50)	(50)	4,950	339,299	618,337
Noncapital Financing Activities							
Transfers from (to) blended component unit	5,000	-	-	-	(5,000)	-	-
Transfers from (to) blended component unit	(200)	50	50	50	50	-	-
HUD capital contributions	218,570	-	-	-	-	218,570	-
Net Cash from (used for) Noncapital Financing Activities	223,370	50	50	50	(4,950)	218,570	-
Capital and Related Financing Activities							
Purchase of property and equipment	(221,963)	-	-	-	-	(221,963)	(148,705)
Proceeds on disposal of fixed assets	7,521	-	-	-	-	7,521	-
Purchase of other assets	-	-	-	-	-	-	(23,708)
Payments for interest	(13,349)	-	-	-	-	(13,349)	(138,383)
Principal payments on long-term debt	(158,195)	-	-	-	-	(158,195)	(147,327)
Equity distributions	-	-	-	-	-	-	(1,088)
Net Cash used for Capital and Related Financing Activities	(385,986)	-	-	-	-	(385,986)	(459,211)
Investing Activities							
Interest received	14,913	-	-	-	-	14,913	1,452
Net Cash from Investing Activities	14,913	-	-	-	-	14,913	1,452
Net Change in Cash and Cash Equivalents	186,796	-	-	-	-	186,796	160,578
Cash and Cash Equivalents, Beginning of Year	2,042,109	-	-	-	-	2,042,109	1,573,812
Cash and Cash Equivalents, End of Year	\$ 2,228,905	\$ -	\$ -	\$ -	\$ -	\$ 2,228,905	\$ 1,734,390

See Notes to Financial Statements

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

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	2020					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 consists of:							
Cash	\$ 1,416,450	\$ -	\$ -	\$ -	\$ -	\$ 1,416,450	\$ 676,856
Funded security deposits	47,699	-	-	-	-	47,699	91,597
Restricted deposits	764,756	-	-	-	-	764,756	965,937
	<u>\$ 2,228,905</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,228,905</u>	<u>\$ 1,734,390</u>
Operating Activities							
Operating income (loss)	\$ 1,856	\$ (50)	\$ (50)	\$ (50)	\$ 4,950	\$ 6,656	\$ (317,744)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:							
Depreciation and amortization	274,885	-	-	-	-	274,885	926,192
Change in assets and liabilities:							
Rental accounts receivable	(8,412)	-	-	-	-	(8,412)	(326)
Other receivables	11,154	-	-	-	-	11,154	-
Prepaid expenses	245	-	-	-	-	245	(1,186)
Accounts payable and other accrued liabilities	994	-	-	-	-	994	7,236
Tenant security deposits	3,943	-	-	-	-	3,943	4,165
Pension asset/liability, deferred inflows and outflows	60,678	-	-	-	-	60,678	-
Unearned revenues	(10,844)	-	-	-	-	(10,844)	-
Net Cash from (used for) Operating Activities	<u>\$ 334,499</u>	<u>\$ (50)</u>	<u>\$ (50)</u>	<u>\$ (50)</u>	<u>\$ 4,950</u>	<u>\$ 339,299</u>	<u>\$ 618,337</u>

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

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	2019					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	\$ 809,628	\$ -	\$ -	\$ -	\$ -	\$ 809,628	\$ 1,405,973
Receipts for management fees and other	322,436	-	8,667	-	3,322	334,425	8,766
Receipts from HUD subsidies	1,995,730	-	-	-	-	1,995,730	-
Payments to employees	(628,717)	-	-	-	-	(628,717)	-
Housing assistance payments	(1,646,742)	-	-	-	-	(1,646,742)	-
Payments to suppliers and others	(633,850)	(50)	(50)	(50)	(50)	(634,050)	(973,830)
Net Cash from (used for) Operating Activities	218,485	(50)	8,617	(50)	3,272	230,274	440,909
Noncapital Financing Activities							
Transfers from (to) blended component unit	11,989	-	(8,667)	-	(3,322)	-	-
Transfers from (to) blended component unit	(200)	50	50	50	50	-	-
HUD capital contributions	134,638	-	-	-	-	134,638	-
Net Cash from (used for) Noncapital Financing Activities	146,427	50	(8,617)	50	(3,272)	134,638	-
Capital and Related Financing Activities							
Purchase of property and equipment	(104,691)	-	-	-	-	(104,691)	(94,513)
Purchase of other assets	-	-	-	-	-	-	(9,536)
Payments on other liabilities	-	-	-	-	-	-	(8,667)
Payments for interest	(26,046)	-	-	-	-	(26,046)	(143,615)
Principal payments on long-term debt	(145,380)	-	-	-	-	(145,380)	(197,263)
Equity distributions	-	-	-	-	-	-	(24,534)
Net Cash used for Capital and Related Financing Activities	(276,117)	-	-	-	-	(276,117)	(478,128)
Investing Activities							
Interest received	41,331	-	-	-	-	41,331	4,672
Net Cash from Investing Activities	41,331	-	-	-	-	41,331	4,672
Net Change in Cash and Cash Equivalents	130,126	-	-	-	-	130,126	(32,547)
Cash and Cash Equivalents, Beginning of Year	1,911,983	-	-	-	-	1,911,983	1,606,359
Cash and Cash Equivalents, End of Year	\$ 2,042,109	\$ -	\$ -	\$ -	\$ -	\$ 2,042,109	\$ 1,573,812

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

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	2019						Aggregate Discretely Presented Component Units
	Primary Government	Blended Component Units				Total	
		Aberdeen Housing, LLC	Lawson Devlopers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC		
Cash consists of							
Cash	\$ 1,228,194	\$ -	\$ -	\$ -	\$ -	\$ 1,228,194	\$ 533,874
Funded security deposits	43,761	-	-	-	-	43,761	86,246
Restricted deposits	770,154	-	-	-	-	770,154	953,692
	<u>\$ 2,042,109</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,042,109</u>	<u>\$ 1,573,812</u>
Operating Activities							
Operating income (loss)	\$ (156,418)	\$ (50)	\$ (50)	\$ (50)	\$ 3,272	\$ (153,296)	\$ (507,860)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:							
Depreciation and amortization	267,000	-	-	-	-	267,000	946,165
Change in assets and liabilities:							
Rental accounts receivable	(660)	-	-	-	-	(660)	4,009
Other receivables	4,337	-	8,667	-	-	13,004	-
Prepaid expenses	(2,152)	-	-	-	-	(2,152)	(549)
Accounts payable and other accrued liabilities	16,085	-	-	-	-	16,085	582
Tenant security deposits	(666)	-	-	-	-	(666)	(1,438)
Pension asset/liability, deferred inflows and outflows	90,461	-	-	-	-	90,461	-
Unearned revenues	498	-	-	-	-	498	-
Net Cash from (used for) Operating Activities	<u>\$ 218,485</u>	<u>\$ (50)</u>	<u>\$ 8,617</u>	<u>\$ (50)</u>	<u>\$ 3,272</u>	<u>\$ 230,274</u>	<u>\$ 440,909</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Net Position – Discretely Presented Component Units
December 31, 2020 and 2019

	2020					Total
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	
Assets						
Current Assets						
Cash	\$ 146,198	\$ 157,477	\$ 273,116	\$ 40,473	\$ 59,592	\$ 676,856
Tenant accounts receivable	779	13,189	2,585	2,432	1,028	20,013
Funded security deposits	16,089	8,478	18,309	24,902	23,819	91,597
Prepaid expenses	5,802	8,635	1,792	7,512	2,544	26,285
Total current assets	168,868	187,779	295,802	75,319	86,983	814,751
Property and Equipment						
Land	100,774	40,369	142,900	292,500	138,500	715,043
Buildings and land improvements	3,528,353	3,292,493	4,174,624	4,602,163	5,192,458	20,790,091
Furniture, equipment and machinery - dwellings	186,750	353,036	218,374	203,526	276,817	1,238,503
	3,815,877	3,685,898	4,535,898	5,098,189	5,607,775	22,743,637
Less accumulated depreciation	(1,635,437)	(1,810,033)	(1,593,553)	(1,332,970)	(865,098)	(7,237,091)
Total property and equipment	2,180,440	1,875,865	2,942,345	3,765,219	4,742,677	15,506,546
Other Assets						
Restricted deposits and funded reserves	274,587	179,328	187,411	217,992	106,619	965,937
Tax credit fees, at cost, net of accumulated amortization	13,434	4,191	22,846	25,273	38,670	104,414
Total other assets	288,021	183,519	210,257	243,265	145,289	1,070,351
	\$ 2,637,329	\$ 2,247,163	\$ 3,448,404	\$ 4,083,803	\$ 4,974,949	\$ 17,391,648

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Net Position – Discretely Presented Component Units
December 31, 2020 and 2019

	2020					Total
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	
Liabilities and Net Position						
Current Liabilities						
Current portion of long-term debt	\$ 22,200	\$ 15,985	\$ 145,182	\$ 50,560	\$ 36,971	\$ 270,898
Accounts payable	3,649	6,855	2,813	5,576	5,608	24,501
Tenant security deposits	15,585	8,615	18,810	24,902	23,819	91,731
Accrued liabilities:						
Interest	32,255	13,554	-	2,822	3,444	52,075
Other	14,585	16,215	13,525	12,977	12,440	69,742
Total current liabilities	88,274	61,224	180,330	96,837	82,282	508,947
Non-Current Liabilities						
Long-term debt, net of current portion and unamortized debt issuance costs	1,051,188	965,032	63,724	1,318,111	1,286,350	4,684,405
Other non-current payable	-	43,330	-	131,132	-	174,462
Total non-current liabilities	1,051,188	1,008,362	63,724	1,449,243	1,286,350	4,858,867
Total liabilities	1,139,462	1,069,586	244,054	1,546,080	1,368,632	5,367,814
Net Position						
Net investment in capital assets	1,096,721	883,739	2,733,439	2,389,323	3,413,277	10,516,499
Restricted for mortgage escrows	274,587	179,328	187,411	217,992	106,619	965,937
Unrestricted net position (deficit)	126,559	114,510	283,500	(69,592)	86,421	541,398
Total net position	1,497,867	1,177,577	3,204,350	2,537,723	3,606,317	12,023,834
	\$ 2,637,329	\$ 2,247,163	\$ 3,448,404	\$ 4,083,803	\$ 4,974,949	\$ 17,391,648

See Notes to Financial Statements

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Net Position – Discretely Presented Component Units
December 31, 2020 and 2019

	2019					
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Total
Assets						
Current Assets						
Cash	\$ 122,340	\$ 134,214	\$ 192,058	\$ 45,397	\$ 39,865	\$ 533,874
Tenant accounts receivable	2,502	11,905	4,745	259	276	19,687
Funded security deposits	14,598	7,508	17,524	24,705	21,911	86,246
Prepaid expenses	5,358	8,217	1,666	6,864	2,994	25,099
Total current assets	144,798	161,844	215,993	77,225	65,046	664,906
Property and Equipment						
Land	100,774	40,369	142,900	292,500	138,500	715,043
Buildings	3,528,353	3,168,012	4,159,869	4,602,163	5,192,458	20,650,855
Furniture, equipment and machinery - dwellings	186,750	353,036	218,374	203,526	267,348	1,229,034
	<u>3,815,877</u>	<u>3,561,417</u>	<u>4,521,143</u>	<u>5,098,189</u>	<u>5,598,306</u>	<u>22,594,932</u>
Less accumulated depreciation	<u>(1,486,413)</u>	<u>(1,658,123)</u>	<u>(1,419,036)</u>	<u>(1,150,566)</u>	<u>(610,522)</u>	<u>(6,324,660)</u>
Total property and equipment	2,329,464	1,903,294	3,102,107	3,947,623	4,987,784	16,270,272
Other Assets						
Restricted deposits and funded reserves	253,754	229,793	187,244	200,512	82,389	953,692
Tax credit fees, at cost, net of accumulated amortization	16,214	5,628	26,118	28,217	41,998	118,175
Total other assets	269,968	235,421	213,362	228,729	124,387	1,071,867
	<u><u>\$ 2,744,230</u></u>	<u><u>\$ 2,300,559</u></u>	<u><u>\$ 3,531,462</u></u>	<u><u>\$ 4,253,577</u></u>	<u><u>\$ 5,177,217</u></u>	<u><u>\$ 18,007,045</u></u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Net Position – Discretely Presented Component Units
December 31, 2020 and 2019

	2019					Total
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	
Liabilities and Net Position						
Current Liabilities						
Current portion of long-term debt	\$ 27,600	\$ 31,298	\$ 72,561	\$ 47,720	\$ 41,450	\$ 220,629
Accounts payable	3,171	7,190	4,344	6,867	4,558	26,130
Tenant security deposits	14,828	7,670	17,824	24,937	22,307	87,566
Accrued liabilities:						
Interest	19,615	13,638	-	3,048	3,533	39,834
Other	10,814	16,598	13,094	17,010	15,603	73,119
Total current liabilities	76,028	76,394	107,823	99,582	87,451	447,278
Non-Current Liabilities						
Long-term debt, net of current portion and unamortized debt issuance costs	1,073,041	978,997	136,345	1,367,948	1,322,213	4,878,544
Other non-current payable	-	43,330	-	154,840	-	198,170
Total non-current liabilities	1,073,041	1,022,327	136,345	1,522,788	1,322,213	5,076,714
Total liabilities	1,149,069	1,098,721	244,168	1,622,370	1,409,664	5,523,992
Net Position						
Net investment in capital assets	1,218,145	879,870	2,893,201	2,524,007	3,617,675	11,132,898
Restricted for mortgage escrows	253,754	229,793	187,244	200,512	82,389	953,692
Unrestricted net position (deficit)	123,262	92,175	206,849	(93,312)	67,489	396,463
Total net position	1,595,161	1,201,838	3,287,294	2,631,207	3,767,553	12,483,053
	\$ 2,744,230	\$ 2,300,559	\$ 3,531,462	\$ 4,253,577	\$ 5,177,217	\$ 18,007,045

See Notes to Financial Statements

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Revenues, Expenses and Changes in Net Position – Discretely Presented Component Units
Years Ended December 31, 2020 and 2019

	2020					
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	Total
Operating Revenues						
Dwelling rental income	\$ 201,843	\$ 360,209	\$ 241,993	\$ 322,508	\$ 290,334	\$ 1,416,887
Management and administration fees	5,504	12,319	12,467	8,038	2,305	40,633
Other revenue	733	3,984	3,135	1,405	15	9,272
Total operating revenues	<u>208,080</u>	<u>376,512</u>	<u>257,595</u>	<u>331,951</u>	<u>292,654</u>	<u>1,466,792</u>
Operating Expenses						
Administrative	44,361	61,803	66,530	61,950	60,671	295,315
Utilities	24,404	29,270	25,181	59,151	31,995	170,001
Ordinary maintenance and operation	52,975	95,182	57,866	72,075	50,632	328,730
General expenses	18,964	9,482	12,118	12,482	11,252	64,298
Depreciation and amortization	151,804	153,347	177,789	185,348	257,904	926,192
Total operating expenses	<u>292,508</u>	<u>349,084</u>	<u>339,484</u>	<u>391,006</u>	<u>412,454</u>	<u>1,784,536</u>
Operating Income (Loss)	<u>(84,428)</u>	<u>27,428</u>	<u>(81,889)</u>	<u>(59,055)</u>	<u>(119,800)</u>	<u>(317,744)</u>
Nonoperating Revenue (Expense)						
Interest income	122	142	33	848	307	1,452
Interest expense	(12,988)	(51,831)	-	(35,277)	(41,743)	(141,839)
Total nonoperating revenue (expense)	<u>(12,866)</u>	<u>(51,689)</u>	<u>33</u>	<u>(34,429)</u>	<u>(41,436)</u>	<u>(140,387)</u>
Loss Before Other Revenues, Expenses, Gains, Losses, and Transfers	(97,294)	(24,261)	(81,856)	(93,484)	(161,236)	(458,131)
Capital distributions	-	-	(1,088)	-	-	(1,088)
Change in Net Position	(97,294)	(24,261)	(82,944)	(93,484)	(161,236)	(459,219)
Net Position, Beginning of Year	1,595,161	1,201,838	3,287,294	2,631,207	3,767,553	12,483,053
Net Position, End of Year	<u>\$ 1,497,867</u>	<u>\$ 1,177,577</u>	<u>\$ 3,204,350</u>	<u>\$ 2,537,723</u>	<u>\$ 3,606,317</u>	<u>\$ 12,023,834</u>

See Notes to Financial Statements

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Revenues, Expenses and Changes in Net Position – Discretely Presented Component Units
Years Ended December 31, 2020 and 2019

	2019					Total
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	
Operating Revenues						
Dwelling rental income	\$ 197,261	\$ 325,029	\$ 236,623	\$ 319,829	\$ 289,478	\$ 1,368,220
Management and administration fees	6,536	15,505	7,420	2,967	1,048	33,476
Other revenue	789	2,400	2,238	2,096	1,511	9,034
Total operating revenues	<u>204,586</u>	<u>342,934</u>	<u>246,281</u>	<u>324,892</u>	<u>292,037</u>	<u>1,410,730</u>
Operating Expenses						
Administrative	44,349	76,590	54,203	59,390	83,210	317,742
Utilities	25,202	30,541	25,405	57,155	29,677	167,980
Ordinary maintenance and operation	94,530	120,331	64,387	78,225	65,835	423,308
General expenses	18,167	10,359	11,435	10,950	12,484	63,395
Depreciation and amortization	152,241	151,801	174,242	210,703	257,178	946,165
Total operating expenses	<u>334,489</u>	<u>389,622</u>	<u>329,672</u>	<u>416,423</u>	<u>448,384</u>	<u>1,918,590</u>
Operating Loss	<u>(129,903)</u>	<u>(46,688)</u>	<u>(83,391)</u>	<u>(91,531)</u>	<u>(156,347)</u>	<u>(507,860)</u>
Nonoperating Revenue (Expense)						
Interest income	597	447	123	2,708	797	4,672
Interest expense	(12,641)	(52,809)	-	(37,774)	(43,843)	(147,067)
Loss on disposition of equipment	-	(1,517)	-	-	-	(1,517)
Total nonoperating revenue (expense)	<u>(12,044)</u>	<u>(53,879)</u>	<u>123</u>	<u>(35,066)</u>	<u>(43,046)</u>	<u>(143,912)</u>
Loss Before Other Revenues, Expenses, Gains, Losses, and Transfers	(141,947)	(100,567)	(83,268)	(126,597)	(199,393)	(651,772)
Capital distributions	-	(3,000)	(369)	-	(21,165)	(24,534)
Change in Net Position	(141,947)	(103,567)	(83,637)	(126,597)	(220,558)	(676,306)
Net Position, Beginning of Year	<u>1,737,108</u>	<u>1,305,405</u>	<u>3,370,931</u>	<u>2,757,804</u>	<u>3,988,111</u>	<u>13,159,359</u>
Net Position, End of Year	<u>\$ 1,595,161</u>	<u>\$ 1,201,838</u>	<u>\$ 3,287,294</u>	<u>\$ 2,631,207</u>	<u>\$ 3,767,553</u>	<u>\$ 12,483,053</u>

See Notes to Financial Statements

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Cash Flows – Discretely Presented Component Units
Years Ended December 31, 2020 and 2019

	2020					Total
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	
Operating Activities						
Receipts from tenant payments	\$ 209,070	\$ 371,244	\$ 256,620	\$ 328,373	\$ 291,887	\$ 1,457,194
Receipts for management fees and other	733	3,984	3,135	1,405	15	9,272
Payments to suppliers and others	<u>(123,502)</u>	<u>(196,012)</u>	<u>(161,935)</u>	<u>(211,890)</u>	<u>(154,790)</u>	<u>(848,129)</u>
Net Cash from Operating Activities	<u>86,301</u>	<u>179,216</u>	<u>97,820</u>	<u>117,888</u>	<u>137,112</u>	<u>618,337</u>
Capital and Related Financing Activities						
Purchase of property and equipment	-	(124,481)	(14,755)	-	(9,469)	(148,705)
Developer fee paid	-	-	-	(23,708)	-	(23,708)
Payments for interest	(12,641)	(49,811)	-	(34,555)	(41,376)	(138,383)
Principal payments on long-term debt	(27,600)	(31,298)	-	(47,720)	(40,709)	(147,327)
Equity distributions	-	-	(1,088)	-	-	(1,088)
Net Cash used for Capital and Related Financing Activities	<u>(40,241)</u>	<u>(205,590)</u>	<u>(15,843)</u>	<u>(105,983)</u>	<u>(91,554)</u>	<u>(459,211)</u>
Investing Activities						
Interest received	<u>122</u>	<u>142</u>	<u>33</u>	<u>848</u>	<u>307</u>	<u>1,452</u>
Net Cash from Investing Activities	<u>122</u>	<u>142</u>	<u>33</u>	<u>848</u>	<u>307</u>	<u>1,452</u>
Net Change in Cash	46,182	(26,232)	82,010	12,753	45,865	160,578
Cash Beginning of Year	<u>390,692</u>	<u>371,515</u>	<u>396,826</u>	<u>270,614</u>	<u>144,165</u>	<u>1,573,812</u>
Cash End of Year	<u>\$ 436,874</u>	<u>\$ 345,283</u>	<u>\$ 478,836</u>	<u>\$ 283,367</u>	<u>\$ 190,030</u>	<u>\$ 1,734,390</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Cash Flows – Discretely Presented Component Units
Years Ended December 31, 2020 and 2019

	2020					Total
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	
Cash consists of:						
Cash	\$ 146,198	\$ 157,477	\$ 273,116	\$ 40,473	\$ 59,592	\$ 676,856
Funded security deposits	16,089	8,478	18,309	24,902	23,819	91,597
Restricted deposits	274,587	179,328	187,411	217,992	106,619	965,937
	<u>\$ 436,874</u>	<u>\$ 345,283</u>	<u>\$ 478,836</u>	<u>\$ 283,367</u>	<u>\$ 190,030</u>	<u>\$ 1,734,390</u>
Operating Activities						
Operating income (loss)	\$ (84,428)	\$ 27,428	\$ (81,889)	\$ (59,055)	\$ (119,800)	\$ (317,744)
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	151,804	153,347	177,789	185,348	257,904	926,192
Change in assets and liabilities:						
Rental accounts receivable	1,723	(1,284)	2,160	(2,173)	(752)	(326)
Prepaid expenses	(444)	(418)	(126)	(648)	450	(1,186)
Accounts payable and other accrued liabilities	16,889	(802)	(1,100)	(5,549)	(2,202)	7,236
Tenant security deposits	757	945	986	(35)	1,512	4,165
Net Cash from Operating Activities	<u>\$ 86,301</u>	<u>\$ 179,216</u>	<u>\$ 97,820</u>	<u>\$ 117,888</u>	<u>\$ 137,112</u>	<u>\$ 618,337</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Cash Flows – Discretely Presented Component Units
Years Ended December 31, 2020 and 2019

	2019					Total
	Sunshine Park, LP	Lawson View Townhomes, LP	Meadow Wood Townhomes, LP	Jackson Heights Apartments, LP	Central Villas, LP	
Operating Activities						
Receipts from tenant payments	\$ 203,709	\$ 340,006	\$ 248,772	\$ 323,159	\$ 290,327	\$ 1,405,973
Receipts for management fees and other	722	2,333	2,171	2,029	1,511	8,766
Payments to suppliers and others	<u>(186,828)</u>	<u>(235,711)</u>	<u>(156,594)</u>	<u>(203,507)</u>	<u>(191,190)</u>	<u>(973,830)</u>
Net Cash from Operating Activities	<u>17,603</u>	<u>106,628</u>	<u>94,349</u>	<u>121,681</u>	<u>100,648</u>	<u>440,909</u>
Capital and Related Financing Activities						
Purchase of property and equipment	-	(23,447)	(27,475)	(18,691)	(24,900)	(94,513)
Developer fee paid	-	-	-	(9,536)	-	(9,536)
Payment for other payable	-	(8,667)	-	-	-	(8,667)
Payments for interest	(12,295)	(50,792)	-	(37,052)	(43,476)	(143,615)
Principal payments on long-term debt	(27,600)	(55,244)	(24,609)	(45,234)	(44,576)	(197,263)
Equity distributions	-	(3,000)	(369)	-	(21,165)	(24,534)
Net Cash used for Capital and Related Financing Activities	<u>(39,895)</u>	<u>(141,150)</u>	<u>(52,453)</u>	<u>(110,513)</u>	<u>(134,117)</u>	<u>(478,128)</u>
Investing Activities						
Interest received	<u>597</u>	<u>447</u>	<u>123</u>	<u>2,708</u>	<u>797</u>	<u>4,672</u>
Net Cash from Investing Activities	<u>597</u>	<u>447</u>	<u>123</u>	<u>2,708</u>	<u>797</u>	<u>4,672</u>
Net Change in Cash	(21,695)	(34,075)	42,019	13,876	(32,672)	(32,547)
Cash Beginning of Year	<u>412,387</u>	<u>405,590</u>	<u>354,807</u>	<u>256,738</u>	<u>176,837</u>	<u>1,606,359</u>
Cash End of Year	<u>\$ 390,692</u>	<u>\$ 371,515</u>	<u>\$ 396,826</u>	<u>\$ 270,614</u>	<u>\$ 144,165</u>	<u>\$ 1,573,812</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
Combining Statements of Cash Flows – Discretely Presented Component Units
Years Ended December 31, 2020 and 2019

	2019					
	<u>Sunshine Park, LP</u>	<u>Lawson View Townhomes, LP</u>	<u>Meadow Wood Townhomes, LP</u>	<u>Jackson Heights Apartments, LP</u>	<u>Central Villas, LP</u>	<u>Total</u>
Cash consists of						
Cash	\$ 122,340	\$ 134,214	\$ 192,058	\$ 45,397	\$ 39,865	\$ 533,874
Funded security deposits	14,598	7,508	17,524	24,705	21,911	86,246
Restricted deposits	253,754	229,793	187,244	200,512	82,389	953,692
	<u>\$ 390,692</u>	<u>\$ 371,515</u>	<u>\$ 396,826</u>	<u>\$ 270,614</u>	<u>\$ 144,165</u>	<u>\$ 1,573,812</u>
Operating Activities						
Operating loss	\$ (129,903)	\$ (46,688)	\$ (83,391)	\$ (91,531)	\$ (156,347)	\$ (507,860)
Adjustments to reconcile operating loss to net cash from (used for) operating activities:						
Depreciation and amortization	152,241	151,801	174,242	210,703	257,178	946,165
Change in assets and liabilities:						
Rental accounts receivable	(155)	(595)	4,662	296	(199)	4,009
Prepaid expenses	(96)	935	(34)	(1,240)	(114)	(549)
Accounts payable and other accrued liabilities	(4,378)	1,480	(413)	2,041	1,852	582
Tenant security deposits	(106)	(305)	(717)	1,412	(1,722)	(1,438)
Net Cash from Operating Activities	<u>\$ 17,603</u>	<u>\$ 106,628</u>	<u>\$ 94,349</u>	<u>\$ 121,681</u>	<u>\$ 100,648</u>	<u>\$ 440,909</u>

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Statements of Fiduciary Net Position – Fiduciary Fund
 December 31, 2020 and 2019

	Custodial Fund	
	2020	2019
Assets		
Cash and cash equivalents	\$ 1,200	\$ 1,018
Receivables	-	31
	\$ 1,200	\$ 1,049
Liabilities		
Accounts payable	\$ 250	\$ 100
Security deposits	950	950
	1,200	1,050
Net Position		
Unrestricted net position	-	(1)
	\$ 1,200	\$ 1,049

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Statements of Changes in Fiduciary Net Position – Fiduciary Fund
 December 31, 2020 and 2019

	Custodial Fund	
	2020	2019
Operating Revenues		
Dwelling rental income	\$ 11,400	\$ 11,400
Other revenue	-	42
Total operating revenues	11,400	11,442
Operating Expenses		
Rent to owner	9,776	9,881
Management fee	1,214	1,219
Repairs and maintenance	409	166
Total operating expenses	11,399	11,266
Change in Net Position	1	176
Net Position, Beginning of Year	(1)	(177)
Net Posiiton, End of Year	\$ -	\$ (1)

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 include the financial data of the Commission's discretely presented component units as of December 31, 2020 and 2019. These units are reported in a separate column to emphasize that they are legally separate from the Commission.

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

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

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

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

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

Primary Government

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

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

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

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

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

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

Basis of Presentation

Proprietary Fund

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

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

Fiduciary Fund

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

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 SDHDA, 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 12.

Notes Receivable

Notes receivable represent amounts from discretely presented component units due under extended payment terms exceeding one year. The notes carry interest rates varying from 5.15% to 6% with annual interest payments and principal payments due based upon cash flows. The Commission evaluates the collectability of the balances based upon specific circumstances of the individual notes, with an allowance for uncollectible amounts being provided, if necessary. The allowance for the years ended December 31, 2020 and 2019 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, 2020 and 2019.

Investment in Limited Partnerships

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

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

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

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

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

Income Taxes

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

Compensated Absences

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

Application of Net Position

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

Equity Classifications

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

1. Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable), and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consists of net position with constraints placed on their use either by, (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Estimates

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

Presentation of Sales Tax

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

Deferred Outflows and Inflows of Resources

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

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

Pensions

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

Note 2 - Deposits and Funded Reserves

Primary Government

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

Deposits

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

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

Notes to Financial Statements
December 31, 2020 and 2019

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

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

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

	2020	2019
Insured (FDIC)	\$ 500,000	\$ 500,000
Uninsured, collateral held by the Commission or the Commission's agent in the Commission's name	1,230,154	1,002,682
Total deposits	\$ 1,730,154	\$ 1,502,682
The Commission's carrying amount of deposits at December 31	\$ 1,664,149	\$ 1,471,955

Funded Reserves

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

Sherman Apartments is required, under the regulatory agreement with SDHDA, to maintain various mortgage escrows and reserve deposits for mortgage payments, payments in lieu of taxes (PILOT-property taxes), hazard insurance, property and equipment replacements, and residual receipts. In addition, development cost and amount to make the project operational (AMPO) funds, and certain of the proceeds from the mortgage identified in Note 5, are held in trust by SDHDA. These funds are held by SDHDA, which groups these funds together with funds of other similar multi-family housing entities for purposes of protecting SDHDA’s collateral interest in the project and can be released to the project only with the approval of SDHDA.

During 2020 and 2019, Sherman Apartments made deposits totaling \$43,704 and \$43,419, respectively, to the mortgage escrow accounts held by SDHDA. The project also is required to deposit residual receipts, as defined by the regulatory agreement; such deposits are available to the project only with SDHDA approval. Deposits paid to residual receipts during the years ended December 31, 2020 and 2019, were \$12,087 and \$1,895, respectively.

During 2020 and 2019, SDHDA released \$46,452 and \$34,984, respectively, of residual receipts that were used for property and equipment improvements, replacements, and project maintenance.

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

Notes to Financial Statements
December 31, 2020 and 2019

In general, SDCL 4-5-6 permits public funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. In addition, SDCL 11-7-31 permits the Commission to invest its reserve and debt service funds in property or securities in which savings banks may legally invest funds subject to their control.

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

A summary of the restricted deposits activity of Sherman Apartments is as follows:

	2020	2019
Balance, beginning of year	\$ 570,154	\$ 565,460
Monthly escrow deposit and other reserve deposits	43,704	43,419
Residual receipts deposit	12,087	1,895
Interest earnings	4,490	13,780
Payments for taxes and insurance	(19,227)	(19,416)
Released for project betterments	(46,452)	(34,984)
Balance, end of year	<u>\$ 564,756</u>	<u>\$ 570,154</u>

Discretely Presented Component Units

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the deposits of Lawson View, Sunshine Park, Meadow Wood, Jackson Heights, and Central Villas may not be returned to the entities. The discretely presented component units do not have a formal policy in regard to custodial credit risk. As of December 31, 2020 and 2019, all deposits are held in the discretely presented component units' names by US Bank or Horizon Bank.

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

Notes to Financial Statements

December 31, 2020 and 2019

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

	<u>2020</u>	<u>2019</u>
Insured (FDIC)	\$ 1,224,374	\$ 1,171,045
Uninsured	<u>516,249</u>	<u>423,028</u>
Total deposits	<u>\$ 1,740,623</u>	<u>\$ 1,594,073</u>
The discretely presented component units carrying amount of deposits at December 31	<u>\$ 1,734,391</u>	<u>\$ 1,573,812</u>

Note 3 - Capital Assets

Primary Government

Capital asset activity for the years ended December 31, 2020 and 2019, was as follows:

	<u>Balance 01/01/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/20</u>
Capital assets, not being depreciated				
Land	\$ 350,089	\$ -	\$ -	\$ 350,089
Capital assets, being depreciated:				
Land improvements	185,839	-	-	185,839
Buildings and improvements	9,897,659	120,127	(15,591)	10,002,195
Furniture, equipment and machinery - dwelling	304,041	22,090	(5,371)	320,760
Furniture, equipment and machinery - non-dwelling	<u>284,966</u>	<u>79,746</u>	<u>(18,983)</u>	<u>345,729</u>
Total capital assets, being depreciated	<u>10,672,505</u>	<u>221,963</u>	<u>(39,945)</u>	<u>10,854,523</u>
Less accumulated depreciation for:				
Buildings and improvements and land improvements	(7,592,684)	(246,431)	15,591	(7,823,524)
Furniture, equipment and machinery - dwelling	(276,069)	(7,525)	4,804	(278,790)
Furniture, equipment and machinery - non-dwelling	<u>(249,617)</u>	<u>(20,929)</u>	<u>14,783</u>	<u>(255,763)</u>
Total accumulated depreciation	<u>(8,118,370)</u>	<u>(274,885)</u>	<u>35,178</u>	<u>(8,358,077)</u>
Total capital assets being depreciated, net	<u>2,554,135</u>	<u>(52,922)</u>	<u>(4,767)</u>	<u>2,496,446</u>
Capital assets, net	<u>\$ 2,904,224</u>	<u>\$ (52,922)</u>	<u>\$ (4,767)</u>	<u>\$ 2,846,535</u>

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

Notes to Financial Statements

December 31, 2020 and 2019

	Balance 01/01/19	Additions	Deletions	Balance 12/31/19
Capital assets, not being depreciated				
Land	\$ 350,089	\$ -	\$ -	\$ 350,089
Capital assets, being depreciated:				
Land improvements	185,839	-	-	185,839
Buildings and improvements	9,831,870	87,085	(21,296)	9,897,659
Furniture, equipment and machinery - dwelling	298,779	8,035	(2,773)	304,041
Furniture, equipment and machinery - non-dwelling	293,513	9,571	(18,118)	284,966
Total capital assets, being depreciated	<u>10,610,001</u>	<u>104,691</u>	<u>(42,187)</u>	<u>10,672,505</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,374,219)	(239,761)	21,296	(7,592,684)
Furniture, equipment and machinery - dwelling	(275,856)	(2,986)	2,773	(276,069)
Furniture, equipment and machinery - non-dwelling	(243,482)	(24,253)	18,118	(249,617)
Total accumulated depreciation	<u>(7,893,557)</u>	<u>(267,000)</u>	<u>42,187</u>	<u>(8,118,370)</u>
Total capital assets being depreciated, net	<u>2,716,444</u>	<u>(162,309)</u>	<u>-</u>	<u>2,554,135</u>
Capital assets, net	<u>\$ 3,066,533</u>	<u>\$ (162,309)</u>	<u>\$ -</u>	<u>\$ 2,904,224</u>

Discretely Presented Component Units

Capital asset activity for the years ended December 31, 2020 and 2019, was as follows:

	Balance 01/01/20	Additions	Deletions	Balance 12/31/20
Capital assets, not being depreciated				
Land	\$ 715,043	\$ -	\$ -	\$ 715,043
Capital assets, being depreciated:				
Buildings and improvements	20,650,855	139,236	-	20,790,091
Furniture, equipment and machinery - dwelling	1,229,034	9,469	-	1,238,503
Total capital assets, being depreciated	<u>21,879,889</u>	<u>148,705</u>	<u>-</u>	<u>22,028,594</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,336,634)	(825,576)	-	(6,162,210)
Furniture, equipment and machinery - dwelling	(988,026)	(86,855)	-	(1,074,881)
Total accumulated depreciation	<u>(6,324,660)</u>	<u>(912,431)</u>	<u>-</u>	<u>(7,237,091)</u>
Total capital assets being depreciated, net	<u>15,555,229</u>	<u>(763,726)</u>	<u>-</u>	<u>14,791,503</u>
Capital assets, net	<u>\$ 16,270,272</u>	<u>\$ (763,726)</u>	<u>\$ -</u>	<u>\$ 15,506,546</u>

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

Notes to Financial Statements
December 31, 2020 and 2019

	Balance 01/01/19	Additions	Deletions	Balance 12/31/19
Capital assets, not being depreciated				
Land	\$ 715,043	\$ -	\$ -	\$ 715,043
Capital assets, being depreciated:				
Buildings and improvements	20,601,984	48,871	-	20,650,855
Furniture, equipment and machinery - dwelling	1,203,299	35,287	(9,552)	1,229,034
Total capital assets, being depreciated	<u>21,805,283</u>	<u>84,158</u>	<u>(9,552)</u>	<u>21,879,889</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,517,030)	(819,604)	-	(5,336,634)
Furniture, equipment and machinery - dwelling	(883,264)	(112,798)	8,036	(988,026)
Total accumulated depreciation	<u>(5,400,294)</u>	<u>(932,402)</u>	<u>8,036</u>	<u>(6,324,660)</u>
Total capital assets being depreciated, net	<u>16,404,989</u>	<u>(848,244)</u>	<u>(1,516)</u>	<u>15,555,229</u>
Capital assets, net	<u>\$ 17,120,032</u>	<u>\$ (848,244)</u>	<u>\$ (1,516)</u>	<u>\$ 16,270,272</u>

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, 2020 and 2019. The amount of interest receivable at December 31, 2020 and 2019, 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, 2020 and 2019, the outstanding principal balance due to the Commission was \$190,487. Interest income was \$12,641 and \$12,295 for the years ended December 31, 2020 and 2019, respectively. The amount of interest receivable at December 31, 2020 and 2019, was \$32,255 and \$19,615, respectively. The note is secured by a real estate mortgage; however, this mortgage is subordinated to the partnership's primary lender.

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

Notes to Financial Statements
December 31, 2020 and 2019

Note 5 - Long-Term Debt

Primary Government

At December 31, 2020 and 2019, long-term debt consisted of the following:

	<u>2020</u>	<u>2019</u>
Sherman Apartments - SDHDA Project No. SD 99-H001-089 8.5% mortgage payable in monthly installments of \$14,295, including principal and interest, through May 2021.	\$ 69,810	\$ 228,005
Less current portion	<u>(69,810)</u>	<u>(158,195)</u>
	<u>\$ -</u>	<u>\$ 69,810</u>

The following is a schedule of changes in long-term debt for the years ended December 31, 2020 and 2019:

	<u>Long-Term Debt</u>
Balance, January 1, 2019	\$ 373,385
Increases	-
Decreases	<u>(145,380)</u>
Balance, December 31, 2019	228,005
Increases	-
Decreases	<u>(158,195)</u>
Balance, December 31, 2020	<u>\$ 69,810</u>

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

Interest costs charged to expense for operations in 2020 and 2019 were \$12,228 and \$25,134, respectively.

A summary of required principal and interest payments on the mortgage note follows:

<u>Year Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	<u>\$ 69,810</u>	<u>\$ 1,486</u>	<u>\$ 71,296</u>

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

Notes to Financial Statements

December 31, 2020 and 2019

Discretely Presented Component Units

At December 31, 2020 and 2019, long-term debt of the discretely presented component units consisted of the following:

	<u>2020</u>	<u>2019</u>
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 \$11,109 in 2020 and \$13,129 in 2019 (based upon effective interest rate of 7.30%).	\$ 566,439	\$ 579,362
Lawson View - 0% mortgage note payable to South Dakota Housing Development Authority, due in annual installments of varying amounts based upon cash flows, matures July 2039, secured by second position in substantially all Partnership assets.	214,578	230,933
Lawson View - 5.15% note payable to Aberdeen Housing Authority, interest and principal to be paid from net operating income, with the entire balance due December 2037, secured by third position in substantially all Partnership assets.	200,000	200,000
Sunshine Park - 0% mortgage note payable to South Dakota Housing Development Authority, due in varying monthly installments beginning July 2011 through March 2035, secured by a mortgage on all property and equipment.	199,400	227,000
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.	190,487	190,487
Sunshine Park - 0% NSP loan from South Dakota Housing Development Authority, principal due July 2040, secured by a mortgage and assignment of rents and leases.	361,991	361,991
Sunshine Park - 0% TCAP mortgage note payable to South Dakota Housing Development Authority, principal due March 2050, secured by a mortgage and assignment of rents and leases, net of unamortized debt issuance costs of \$10,331 in 2020 and \$10,678 in 2019 (based upon an effective interest rate of 0.11%).	321,510	321,163

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

Notes to Financial Statements

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Meadow Wood - 0% mortgage note payable to South Dakota Housing Development Authority, annual payments beginning July 2014, to the extent of available cash flow, with entire balance due July 2033, secured by a mortgage on all property and equipment and an assignment of rents and leases.	208,906	208,906
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 \$7,225 in 2020 and \$7,948 in 2019 (based upon effective interest rate of 6.39%).	557,812	602,409
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.	810,859	813,259
Central Villas - 4% note payable to Horizon Bank with interest-only payments beginning May 2016 through January 10, 2018, then 6% through February 2036, due in varying monthly installments including interest beginning February 2018, secured by a mortgage on all property and equipment, net of unamortized debt issuance costs of \$6,079 in 2020 and \$6,446 in 2019 (based upon effective interest rate of 6.40%).	661,339	684,881
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.	661,982	678,782
	<u>4,955,303</u>	<u>5,099,173</u>
Less current portion	<u>(270,898)</u>	<u>(220,629)</u>
Total long-term debt less current portion and net of unamortized debt issuance costs	<u>\$ 4,684,405</u>	<u>\$ 4,878,544</u>

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

Notes to Financial Statements

December 31, 2020 and 2019

The following is a schedule of changes in long-term debt for the years ended December 31, 2020 and 2019:

	Long-Term Debt
Balance, January 1, 2019	\$ 5,292,982
Increases	-
Decreases	(193,809)
Balance, December 31, 2019	5,099,173
Increases	-
Decreases	(143,870)
Balance, December 31, 2020	<u>\$ 4,955,303</u>

Interest costs charged to expense for operations for the years ended December 31, 2020 and 2019, were \$141,839 and \$146,721, 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>
2021	\$ 270,898	\$ 131,425	\$ 402,323
2022	203,517	127,611	331,128
2023	142,724	122,330	265,054
2024	147,436	116,418	263,854
2025	152,684	109,970	262,654
2026-2030	1,239,203	317,320	1,556,523
2031-2035	963,627	166,866	1,130,493
2036-2040	1,374,135	66,384	1,440,519
2041-2045	163,982	-	163,982
2046-2050	331,841	-	331,841
Less unamortized debt issuance costs	(34,744)	-	(34,744)
	<u>\$ 4,955,303</u>	<u>\$ 1,158,324</u>	<u>\$ 6,113,627</u>

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

Notes to Financial Statements

December 31, 2020 and 2019

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, 2020 and 2019, were determined as follows:

	2020	
	Public Housing	Sherman Apartments
Rental income	\$ 376,862	\$ 180,344
Excess utilities	-	230
Non-dwelling rental charges to tenants	-	15
	<u>376,862</u>	<u>180,589</u>
Less allowable utilities	-	51,129
Net shelter rent	<u>\$ 376,862</u>	<u>\$ 129,460</u>
5% of gross shelter rent (PILOT)	<u>\$ 18,843</u>	<u>\$ -</u>
10% of net shelter rent (PILOT)	<u>\$ -</u>	<u>\$ 12,946</u>
	2019	
	Public Housing	Sherman Apartments
Rental income	\$ 374,203	\$ 181,913
Excess utilities	-	274
Non-dwelling rental charges to tenants	-	45
	<u>374,203</u>	<u>182,232</u>
Less allowable utilities	-	52,123
Net shelter rent	<u>\$ 374,203</u>	<u>\$ 130,109</u>
5% of gross shelter rent (PILOT)	<u>\$ 18,710</u>	<u>\$ -</u>
10% of net shelter rent (PILOT)	<u>\$ -</u>	<u>\$ 13,011</u>

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

Notes to Financial Statements

December 31, 2020 and 2019

Note 7 - Interfund Transactions

Interfund transfers for the years ended December 31, 2020 and 2019, were as follows:

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

Transfers From	Transfers To					Total
	Aberdeen Housing, LLC	Lawson Developers, LLC	AHA Housing, LLC	Meadow Wood Housing, LLC	Primary Government	
Primary Government	\$ 50	\$ -	\$ -	\$ -	\$ -	\$ 50
Primary Government	-	50	-	-	-	50
Primary Government	-	-	50	-	-	50
Primary Government	-	-	-	50	-	50
Lawson Developers, LLC	-	-	-	-	8,667	8,667
Meadow Wood Housing, LLC	-	-	-	-	3,322	3,322

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 was to transfer funds to be spent out of the primary government.

Note 8 - Retirement Plan

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

Benefits Provided

SDRS has three different classes of employees: Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund 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.

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 percent joint and survivor benefit, or a 100 percent 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 percent of compensation funded by part of the employer contribution. 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 than 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 than or equal to the accrued liabilities.

All benefits, except those depending on the member's accumulated contributions, are annually increased by the cost-of-living adjustment.

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6% of salary; Class B judicial members, 9% of salary; and, Class B public safety members, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Commission's share of contributions to the SDRS for the fiscal years ended December 31, 2020, 2019, and 2018, were \$40,130, \$39,471, and \$38,227, respectively, equal to the required contributions each year.

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

At June 30, 2020 and 2019, SDRS is 100.04% and 100.09%, respectively, funded and, accordingly, has a net pension asset in 2020 and 2019. 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, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Proportionate share of total pension liability	\$ 3,664,124	\$ 3,765,242
Less proportionate share of net position restricted for pension benefits	<u>3,665,418</u>	<u>3,768,444</u>
Proportionate share of net pension liability (asset)	<u>\$ (1,294)</u>	<u>\$ (3,202)</u>

At December 31, 2020 and 2019, the Commission reported an asset of \$(1,294) and \$(3,201), respectively, for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020 and 2019, 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, 2020, the Commission's proportion was 0.02981%, which was a decrease of 0.00041% from its proportion measured as of June 30, 2019. At June 30, 2019, the Commission's proportion was 0.03021%, which was an increase of 0.00025% from its proportion measured as of June 30, 2018, of 0.02996%.

For the years ended December 31, 2020 and 2019, the Commission recognized pension expense of \$60,675 and \$90,683, respectively. At December 31, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 4,952	\$ 1,014
Changes in assumption	41,697	168,165
Net difference between projected and actual earnings on pension plan investments	120,317	-
Changes in proportion and difference between Commission contributions and proportionate share of contributions	1,478	542
Project contributions subsequent to the measurement date	<u>20,850</u>	<u>-</u>
	<u>\$ 189,294</u>	<u>\$ 169,721</u>

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

Notes to Financial Statements

December 31, 2020 and 2019

At December 31, 2020, there is \$20,850 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, 2021.

At December 31, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 12,559	\$ 1,449
Changes in assumption	110,581	45,333
Net difference between projected and actual earnings on pension plan investments	-	18,223
Changes in proportion and difference between Commission contributions and proportionate share of contributions	1,791	1,553
Project contributions subsequent to the measurement date	19,970	-
	<u>\$ 144,901</u>	<u>\$ 66,558</u>

At December 31, 2019, there was \$19,970 reported as deferred outflow of resources related to pensions resulting from Commission contributions subsequent to the measurement date that was recognized as a decrease of the net pension liability in the year ending December 31, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2020, will be recognized in pension expense/(reduction of pension expense) as follows:

Year Ended December 31:	Amount
2021	\$ (14,279)
2022	(11,404)
2023	1,912
2024	22,495
	<u>\$ (1,276)</u>

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	6.50% at entry to 3.00% after 25 years of service
Discount rate	6.50%, net of plan investment expense
Future COLAs	1.41%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

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, 2020, (see the discussion of the pension plan’s investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	100.0%	

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, 2020, 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)	\$ 502,178	\$ (1,294)	\$ (413,125)

Pension Plan Fiduciary Net Position

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

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

Notes to Financial Statements

December 31, 2020 and 2019

Note 9 - Segment Information

Summarized financial information for the Sherman Apartments Project, a separately identifiable activity that has a debt instrument outstanding with a revenue stream pledged in support of that debt, is as follows:

	<u>2020</u>	<u>2019</u>
Condensed Balance Sheets		
Assets		
Current assets	\$ 46,066	\$ 52,674
Capital assets	2,023,077	2,170,047
Other assets	<u>564,836</u>	<u>570,361</u>
Total assets	<u>2,633,979</u>	<u>2,793,082</u>
Deferred Outflows of Resources	<u>11,770</u>	<u>9,361</u>
Total assets and deferred outflows	<u>\$ 2,645,749</u>	<u>\$ 2,802,443</u>
Liabilities		
Current liabilities	\$ 108,724	\$ 203,813
Noncurrent liabilities	<u>-</u>	<u>69,770</u>
Total liabilities	<u>108,724</u>	<u>273,583</u>
Deferred Inflows of Resources	<u>10,553</u>	<u>4,300</u>
Net Position		
Net investment in capital assets	1,953,267	1,942,042
Restricted net position	566,053	575,422
Unrestricted net position	<u>7,152</u>	<u>7,096</u>
Total net position	<u>2,526,472</u>	<u>2,524,560</u>
Total liabilities, deferred inflows and net position	<u>\$ 2,645,749</u>	<u>\$ 2,802,443</u>

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

Notes to Financial Statements

December 31, 2020 and 2019

	2020	2019
Condensed Statements of Revenues, Expenses and Changes in Net Position:		
Dwelling rental income	\$ 424,929	\$ 418,401
Depreciation expense	(161,890)	(164,556)
Other operating income	2,208	1,055
Other operating expenses	(255,482)	(238,147)
Operating income	9,765	16,753
Nonoperating revenues (expenses):		
Investment earnings	4,491	13,783
Interest expense	(12,228)	(25,134)
Loss on disposal of fixed assets	(116)	-
Change in net position	1,912	5,402
Beginning net position	2,524,560	2,519,158
Ending net position	\$ 2,526,472	\$ 2,524,560
Condensed Statements of Cash Flows		
Net cash from (used for):		
Operating activities	\$ (90,663)	\$ (42,650)
Non-capital and related financing activities	233,249	228,712
Capital and related financing activities	(160,332)	(187,915)
Investing activities	4,491	13,783
Net change	(13,255)	11,930
Beginning cash and cash equivalents	610,273	598,343
Ending cash and cash equivalents	\$ 597,018	\$ 610,273

Note 10 - 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 11 - 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, 2020 and 2019, 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.

The Commission has been impacted by the effects of the world-wide coronavirus pandemic. The Commission is closely monitoring its operations and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Commission's financial position is not known.

Note 12 - 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 \$32,637 and \$29,659 for the years ended December 31, 2020 and 2019, respectively. The Commission also charges for maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$14,690 and \$17,374 for the years ended December 31, 2020 and 2019, respectively. Total amount due from Lawson View Townhomes Limited Partnership was \$1,857 and \$1,127 as of December 31, 2020 and 2019, respectively. During the years ended December 31, 2020 and 2019, the Commission also paid Lawson View \$6,508 and \$8,305, respectively, for voucher housing assistance payments on behalf of residents of the complex.

During 2009, the Commission advanced Lawson View Townhomes Limited Partnership an additional \$130,000 for a property tax abatement reserve, which was required to be set up pursuant to the partnership agreement. Beginning in 2010, the Commission will receive annual payments of \$8,667 as long as the partnership operated without a deficit for that year. The funds are required to be maintained until the Commission is able to prove the project qualifies for the PILOT Program. The total amount outstanding as of December 31, 2020 and 2019, was \$43,330 and \$43,330, respectively.

The Commission provides management services to Sunshine Park Limited Partnership. Management fees earned by the Commission for this project are 9% of the gross rents. The management fee earned by the Commission from this partnership was \$23,730 and \$23,311 for the years ended December 31, 2020 and 2019, respectively. The Commission also charges for maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$7,540 and \$10,960 for the years ended December 31, 2020 and 2019, respectively. Total amount due from Sunshine Park Limited Partnership was \$2,000 and \$1,786 as of December 31, 2020 and 2019, respectively. During the years ended December 31, 2020 and 2019, the Commission also paid Sunshine Park \$85,648 and \$74,797, respectively, for voucher housing assistance payments on behalf of residents of the complex.

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

Notes to Financial Statements
December 31, 2020 and 2019

The Commission provides management services to Meadow Wood Townhomes Limited Partnership. Management fees earned by the Commission for this project are 8% of gross rents. The management fee earned by the Commission from this partnership was \$26,144 and \$25,717 for the years ended December 31, 2020 and 2019, respectively. The Commission also charges for maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$11,415 and \$10,367 for the years ended December 31, 2020 and 2019, respectively. Total amount due from Meadow Wood Townhomes Limited Partnership was \$667 and \$1,366 as of December 31, 2020 and 2019, respectively. During the years ended December 31, 2020 and 2019, the Commission also paid Meadow Wood \$105,936 and \$83,927, respectively, for voucher housing assistance payments on behalf of residents of the complex. During 2020 and 2019, Meadow Wood Housing LLC earned management fees pursuant to the partnership agreement of \$5,000 and \$3,322, 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 \$36,173 and \$35,521 for the years ended December 31, 2020 and 2019, respectively. The Commission also charges for maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$16,365 and \$13,118 for the years ended December 31, 2020 and 2019, respectively. The total amount due from Jackson Height Apartments Limited Partnership was \$3,392 and \$2,587 as of December 31, 2020 and 2019, respectively. During the years ended December 31, 2020 and 2019, the Commission also paid Jackson Heights \$101,480 and \$79,141, 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 \$34,446 and \$34,020 for the years ended December 31, 2020 and 2019, respectively. The Commission also charges for maintenance fees for work performed by Commission employees. Maintenance fee income earned by the Commission was \$10,651 and \$8,513 for the years ended December 31, 2020 and 2019, respectively. The total amount due from Central Villas Limited Partnership was \$704 and \$107 as of December 31, 2020 and 2019, respectively. During the years ended December 31, 2020 and 2019, the Commission also paid Central Villas \$93,854 and \$86,387, respectively, for voucher housing assistance payments on behalf of residents of the complex. During 2020 and 2019, Central Villas Limited Partnership paid management incentive fees to the Commission pursuant to the partnership agreement of \$0 and \$20,000, respectively.

During 2013, the Commission entered into a development agreement with the Jackson Height Limited Partnership. Services performed under this agreement include assisting with the completion of all the necessary applications for federal tax credits and state housing authority assistance and the management of the entire construction process. The total due to the Commission was \$20,982 and \$24,775 as of December 31, 2020 and 2019, 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.

Central Villas Limited Partnership borrowed funds for the construction of the project from Horizon Bank with the maximum amount to be disbursed of \$3.48 million. The Commission signed an unconditional guarantee agreement stating that the Commission will guarantee that the funds are used for the intended purposes and that the project will be completed as planned. In an effort to mitigate their exposure under the guarantee, the Commission obtained a performance bond from the general contractor for completion of the project. The project was completed in 2017.

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



Required Supplementary Information
December 31, 2020 and 2019

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

The Housing and Redevelopment Commission of Aberdeen, South Dakota
Schedule of Net Pension Liability (Asset)
Year Ended December 31, 2020

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-Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
SDRS	6/30/2020	0.0298%	\$ (1,294)	\$ 654,163	-0.2%	100.04%
SDRS	6/30/2019	0.0302%	(3,201)	642,426	-0.5%	100.09%
SDRS	6/30/2018	0.0300%	(699)	622,890	-0.1%	100.02%
SDRS	6/30/2017	0.0303%	(2,746)	614,971	-0.4%	100.1%
SDRS	6/30/2016	0.0308%	104,171	586,405	17.8%	96.89%
SDRS	6/30/2015	0.0295%	(125,027)	538,207	-23.2%	104.1%
SDRS	6/30/2014	0.0309%	(222,501)	540,064	-41.2%	107.3%

*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.

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

The Housing and Redevelopment Commission of Aberdeen, South Dakota
 Schedule of Pension Contributions and Notes to the RSI – Pension Schedules
 Year Ended December 31, 2020

Pension Plan	Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
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	-	637,143	6.0%
SDRS	12/31/2017	36,891	36,891	-	614,854	6.0%
SDRS	12/31/2016	36,013	36,013	-	600,220	6.0%
SDRS	12/31/2015	33,866	33,866	-	564,424	6.0%
SDRS	12/31/2014	31,310	31,310	-	523,852	6.0%

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

Notes to Required Supplementary Information

Changes from Prior Valuation

The June 30, 2020, Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2019, Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

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

Benefit Provision Changes

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020, and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62, and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

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 0.5% 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%. That condition existed as of June 30, 2019, and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019, and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022, Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022, Actuarial Valuation.

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



Supplementary Information
December 31, 2020 and 2019

**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, 2020

Line Item #	Account Description	Low Rent 14.850	14.PHC Public Housing CARES Act Funding	Section 8 Housing Choice Voucher Program 14.871	14.HCC HCV CARES Act Funding	Capital Fund 14.872	Sherman Apartments Section 8 New
Assets							
Current Assets							
Cash							
111	Cash - unrestricted	\$ 139,844	\$ -	\$ 337,446	\$ -	\$ -	\$ 17,224
113	Cash - other restricted	-	-	84,520	-	-	-
114	Cash - tenant security deposits	32,661	-	-	-	-	15,038
100	Total cash	172,505	-	421,966	-	-	32,262
Receivables							
122	Accounts receivable - HUD other projects	400	-	-	-	-	-
124	Accounts receivable - other governments	-	-	-	-	-	5,756
125	Accounts receivable - miscellaneous	-	-	-	-	-	-
126	Accounts receivable-tenants-dwelling rents	2,447	-	-	-	-	2,672
128	Fraud recovery	2,969	-	-	-	-	-
129	Accrued interest receivable	-	-	-	-	-	-
120	Total receivables, net of allowances for doubtful accounts	5,816	-	-	-	-	8,428
142	Prepaid expenses and other assets	8,472	-	1,148	-	-	6,858
144	Interprogram receivables	-	-	-	-	-	1,059
150	Total current assets	186,793	-	423,114	-	-	48,607

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

Financial Data Schedule

December 31, 2020

Line Item #	Account Description	Low Rent 14.850	14.PHC Public Housing CARES Act Funding	Section 8 Housing Choice Voucher Program 14.871	14.HCC HCV CARES Act Funding	Capital Fund 14.872	Sherman Apartments Section 8 New
Fixed Assets							
161	Land	122,600	-	-	-	-	413,328
162	Buildings	5,301,166	-	-	-	-	4,588,028
163	Furniture, equipment and machinery - dwellings	189,519	-	-	-	-	131,241
164	Furniture, equipment and machinery - administration	222,551	-	45,617	-	-	10,814
165	Leasehold improvements	113,001	-	-	-	-	-
166	Accumulated depreciation	(5,148,393)	-	(41,613)	-	-	(3,120,334)
160	Total fixed assets, net of accumulated depreciation	800,444	-	4,004	-	-	2,023,077
171	Notes, loans, and mortgages receivable - noncurrent	-	-	-	-	-	-
174	Other assets	404	-	297	-	-	564,836 (1)
176	Investments	-	-	-	-	-	-
180	Total noncurrent assets	800,848	-	4,301	-	-	2,587,913
190	Total assets	987,641	-	427,415	-	-	2,636,520
200	Deferred outflows of resources	59,035	-	43,492	-	-	11,770
290	Total assets and deferred outflow of resources	<u>\$ 1,046,676</u>	<u>\$ -</u>	<u>\$ 470,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,648,290</u>

1. Included in this amount is the escrow reserved of \$564,756 which are considered cash and cash equivalents for statement of cash flows purposes.

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

Financial Data Schedule

December 31, 2020

Line Item #	Account Description	Management Account	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Fiduciary Fund	Eliminations	Total
Assets								
Current Assets								
Cash								
111	Cash - unrestricted	\$ 1,037,416	\$ -	\$ -	\$ 676,722	\$ -	\$ -	\$ 2,208,652
113	Cash - other restricted	-	-	-	-	250	-	84,770
114	Cash - tenant security deposits	-	-	-	91,731	950	-	140,380
100	Total cash	<u>1,037,416</u>	<u>-</u>	<u>-</u>	<u>768,453</u>	<u>1,200</u>	<u>-</u>	<u>2,433,802</u>
Receivables								
122	Accounts receivable - HUD other projects	15,969	-	-	-	-	-	16,369
124	Accounts receivable - other governments	-	-	-	-	-	-	5,756
125	Accounts receivable - miscellaneous	21,720	-	-	-	-	-	21,720
126	Accounts receivable-tenants-dwelling rents	-	-	-	20,013	-	-	25,132
128	Fraud recovery	-	-	-	-	-	-	2,969
129	Accrued interest receivable	42,555	-	-	-	-	-	42,555
120	Total receivables, net of allowances for doubtful accounts	<u>80,244</u>	<u>-</u>	<u>-</u>	<u>20,013</u>	<u>-</u>	<u>-</u>	<u>114,501</u>
142	Prepaid expenses and other assets	2,450	-	-	26,285	-	-	45,213
144	Interprogram receivables	13,111	-	-	-	-	(14,170)	-
150	Total current assets	<u>1,133,221</u>	<u>-</u>	<u>-</u>	<u>814,751</u>	<u>1,200</u>	<u>(14,170)</u>	<u>2,593,516</u>

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

Financial Data Schedule

December 31, 2020

Line Item #	Account Description	Management Account	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Fiduciary Fund	Eliminations	Total
Fixed Assets								
161	Land	-	-	-	715,043	-	-	1,250,971
162	Buildings	-	-	-	20,790,091	-	-	30,679,285
163	Furniture, equipment and machinery - dwellings	-	-	-	1,238,503	-	-	1,559,263
164	Furniture, equipment and machinery - administration	66,747	-	-	-	-	-	345,729
165	Leasehold improvements	-	-	-	-	-	-	113,001
166	Accumulated depreciation	(47,737)	-	-	(7,237,091)	-	-	(15,595,168)
160	Total fixed assets, net of accumulated depreciation	19,010	-	-	15,506,546	-	-	18,353,081
171	Notes, loans, and mortgages receivable - noncurrent	390,487	-	-	-	-	-	390,487
174	Other assets	513	-	43,330	1,070,351 (2)	-	-	1,679,731
176	Investments	138,653	-	308	-	-	-	138,961
180	Total noncurrent assets	548,663	-	43,638	16,576,897	-	-	20,562,260
190	Total assets	1,681,884	-	43,638	17,391,648	1,200	(14,170)	23,155,776
200	Deferred outflows of resources	74,997	-	-	-	-	-	189,294
290	Total assets and deferred outflow of resources	\$ 1,756,881	\$ -	\$ 43,638	\$ 17,391,648	\$ 1,200	\$ (14,170)	\$ 23,345,070

2. Included in this amount is the restricted cash amounts of \$965,938 which are considered cash and cash equivalents for statement of cash flows purposes.

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

Financial Data Schedule

December 31, 2020

Line Item #	Account Description	Low Rent 14.850	14.PHC Public Housing CARES Act Funding	Section 8 Housing Choice Voucher Program 14.871	14.HCC HCV CARES Act Funding	Capital Fund 14.872	Sherman Apartments Section 8 New
Liabilities and Equity							
Liabilities							
Current Liabilities							
312	Accounts payable ≤ 90 days	\$ 2,876	\$ -	\$ 603	\$ -	\$ -	\$ 4,555
321	Accrued wage/payroll taxes payable	9,168	-	7,085	-	-	2,140
322	Accrued compensated absences	12,462	-	10,497	-	-	3,695
325	Accrued interest payable	-	-	-	-	-	494
333	Accounts payable - other government	18,843	-	-	-	-	12,946
341	Tenant security deposits	32,661	-	-	-	-	15,038
342	Unearned revenues	413	-	-	-	-	46
343	Current portion of long-term debt - capital projects	-	-	-	-	-	69,810
345	Other current liabilities	-	-	-	-	-	-
347	Interprogram payables	1,900	-	8,670	-	-	2,541
310	Total current liabilities	78,323	-	26,855	-	-	111,265

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

Financial Data Schedule

Year Ended December 31, 2020

Line Item #	Account Description	Low Rent 14.850	14.PHC Public Housing CARES Act Funding	Section 8 Housing Choice Voucher Program 14.871	14.HCC HCV CARES Act Funding	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	78,323	-	26,855	-	-	111,265
400	Deferred inflows of resources	52,931	-	38,995	-	-	10,553
508.4	Net investment in capital assets	800,444	-	4,004	-	-	1,953,267
511.4	Restricted net position	6,508	-	89,314 ⁽³⁾	-	-	566,053
512.4	Unrestricted net position	108,470	-	311,739	-	-	7,152
513	Total equity/net position	915,422	-	405,057	-	-	2,526,472
600	Total liabilities, deferred inflows and equity/net position	<u>\$ 1,046,676</u>	<u>\$ -</u>	<u>\$ 470,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,648,290</u>

3. Included in this amount is the restricted net position for housing assistance payment equity of \$84,522 and restricted net position for SDRS pension of \$4,794.

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

Financial Data Schedule

Year Ended December 31, 2020

Line Item #	Account Description	Management Account	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Fiduciary Fund	Eliminations	Total
Liabilities and Equity								
Liabilities								
Current Liabilities								
312	Accounts payable ≤ 90 days	\$ 3,778	\$ -	\$ -	\$ 24,501	\$ -	\$ -	\$ 36,313
321	Accrued wage/payroll taxes payable	8,071	-	-	-	-	-	26,464
322	Accrued compensated absences	10,284	-	-	-	-	-	36,938
325	Accrued interest payable	-	-	-	52,075	-	-	52,569
333	Accounts payable - other government	-	-	-	-	-	-	31,789
341	Tenant security deposits	-	-	-	91,731	-	-	139,430
342	Unearned revenues	-	-	-	-	-	-	459
343	Current portion of long-term debt - capital projects	-	-	-	270,898	-	-	340,708
345	Other current liabilities	-	-	-	69,742	1,200	-	70,942
347	Interprogram payables	1,059	-	-	-	-	(14,170)	-
310	Total current liabilities	23,192	-	-	508,947	1,200	(14,170)	735,612

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

Financial Data Schedule

Year Ended December 31, 2020

Line Item #	Account Description	Management Account	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Fiduciary Fund	Eliminations	Total
Noncurrent Liabilities								
351	Long-term debt, net of current - capital projects	-	-	-	4,684,405	-	-	4,684,405
353	Non-current liabilities - other	-	-	-	174,462	-	-	174,462
350	Total noncurrent liabilities	-	-	-	4,858,867	-	-	4,858,867
300	Total liabilities	23,192	-	-	5,367,814	1,200	(14,170)	5,594,479
400	Deferred inflows of resources	67,242	-	-	-	-	-	169,721
508.4	Net investment in capital assets	19,010	-	-	10,516,499	-	-	13,293,224
511.4	Restricted net position	8,268	-	-	965,937	-	-	1,636,080
512.4	Unrestricted net position	1,639,169	-	43,638	541,398	-	-	2,651,566
513	Total equity/net position	1,666,447	-	43,638	12,023,834	-	-	17,580,870
600	Total liabilities, deferred inflows and equity/net position	\$ 1,756,881	\$ -	\$ 43,638	\$ 17,391,648	\$ 1,200	\$ (14,170)	\$ 23,345,070

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

Financial Data Schedule

Year Ended December 31, 2020

Line Item #	Account Description	Low Rent 14.850	14.PHC Public Housing CARES Act Funding	Section 8 Housing Choice Voucher Program 14.871	14.HCC HCV CARES Act Funding	Capital Fund 14.872	Sherman Apartments Section 8 New
Revenues							
703	Net tenant rental revenue	\$ 376,862	\$ -	\$ -	\$ -	\$ -	\$ 187,067
704	Tenant revenue - other	14,325	-	-	-	-	9,807
705	Total tenant revenue	<u>391,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196,874</u>
706	HUD PHA operating grants	118,098	18,177	-	-	105,569	-
706	Housing Assistance Payments	-	-	1,882,966	90,453	-	228,073
706	Ongoing admin fees earned	-	-	282,544	117,894	-	-
706.1	Capital grants	-	-	-	-	113,001	-
708	Other government grants	-	-	-	-	-	-
711	Investment income - unrestricted	1	-	29	-	-	1
714	Fraud recovery	-	-	5,188	-	-	-
715	Other revenue	6,829	-	10,249	-	-	2,193
716	Gain/loss on the sale of fixed assets	2,800	-	70	-	-	(116)
720	Investment income - restricted	-	-	-	-	-	4,490
700	Total revenues	<u>518,915</u>	<u>18,177</u>	<u>2,181,046</u>	<u>208,347</u>	<u>218,570</u>	<u>431,515</u>

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

Financial Data Schedule

Year Ended December 31, 2020

Line Item #	Account Description	Low Rent 14.850	14.PHC Public Housing CARES Act Funding	Section 8 Housing Choice Voucher Program 14.871	14.HCC HCV CARES Act Funding	Capital Fund 14.872	Sherman Apartments Section 8 New
Expenses							
Administrative							
911	Administrative salaries	167,488	-	77,531	99,856	-	-
912	Auditing fees	4,460	-	8,620	-	-	9,700
913	Management fees	-	-	-	-	-	28,778
914	Advertising and marketing	1,197	-	314	-	-	2,860
915	Employee benefit contributions - administrative	37,190	-	39,086	-	-	-
916	Office expense	8,993	-	25,205	-	-	7,313
917	Legal expense	287	-	-	-	-	-
918	Travel	804	-	7,304	-	-	120
919	Other operating - administrative	-	-	3,159	-	-	-
Tenant services							
921	Tenant services - salaries	8,277	-	-	-	-	17,906
923	Employee benefit contributions - tenant services	1,957	-	-	-	-	4,230
924	Tenant services - other	5,243	-	-	-	-	2,646
Utilities							
931	Water	23,477	-	-	-	-	5,707
932	Electricity	40,490	-	-	-	-	38,679
933	Gas	12,976	-	-	-	-	4,566
Ordinary maintenance and operation							
941	Ordinary maintenance and operations - labor	44,400	-	-	-	-	26,044
942	Ordinary maintenance and operations - materials and other	13,127	-	-	-	-	5,964
943	Ordinary maintenance and operations - contract costs	88,140	-	-	-	-	44,116
945	Employee benefit contributions-ordinary maintenance	9,787	-	-	-	-	6,087

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

Financial Data Schedule

Year Ended December 31, 2020

Line Item #	Account Description	Low Rent 14.850	14.PHC Public Housing CARES Act Funding	Section 8 Housing Choice Voucher Program 14.871	14.HCC HCV CARES Act Funding	Capital Fund 14.872	Sherman Apartments Section 8 New
	Protective services						
951	Protective services - labor	-	-	-	-	-	1,200
952	Protective services - other contract costs	2,528	-	-	-	-	1,052
	General expenses						
961.1	Property insurance	21,589	-	-	-	-	6,606
961.2	Liability insurance	87	-	437	-	-	-
961.3	Workmen's compensation	3,264	-	2,206	-	-	884
961.4	All other insurance	153	-	830	-	-	-
962	Other general expenses	-	3,994	-	18,038	-	1,092
963	Payments in lieu of taxes	18,843	-	-	-	-	12,946
964	Bad debt - tenant rents	-	-	599	-	-	89
967	Interest expense	-	-	-	-	-	12,228
969	Total operating expenses	514,757	3,994	165,291	117,894	-	240,813
970	Excess (deficiency) operating revenue over (under) operating expenses	4,158	14,183	2,015,755	90,453	218,570	190,702

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Financial Data Schedule
 Year Ended December 31, 2020

Line Item #	Account Description	Low Rent 14.850	14.PHC Public Housing CARES Act Funding	Section 8 Housing Choice Voucher Program 14.871	14.HCC HCV CARES Act Funding	Capital Fund 14.872	Sherman Apartments Section 8 New
	Other expenses						
971	Extraordinary maintenance	75,491	-	-	-	-	26,900
973	Housing assistance payments	-	-	1,801,040	90,453	-	-
973.5	HAP portability in	-	-	9,692	-	-	-
974	Depreciation expense	102,436	-	4,496	-	-	161,890
900	Total expenses	<u>692,684</u>	<u>3,994</u>	<u>1,980,519</u>	<u>208,347</u>	<u>-</u>	<u>429,603</u>
1001	Operating transfers in	105,569	-	-	-	-	-
1002	Operating transfers out	-	-	-	-	(105,569)	-
1004	Operating transfers from/to component unit	-	-	-	-	-	-
1010	Total other financing sources (uses)	<u>105,569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(105,569)</u>	<u>-</u>
1000	Excess (deficiency) of operating revenue over (under) expenses	<u>\$ (68,200)</u>	<u>\$ 14,183</u>	<u>\$ 200,527</u>	<u>\$ -</u>	<u>\$ 113,001</u>	<u>\$ 1,912</u>
	Memo account information						
1102	Debt principal payments - enterprise funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,810
1103	Beginning equity	856,438	-	204,530	-	-	2,524,560
1104	Prior period adjustments and equity transfers	127,184	(14,183)	-	-	(113,001)	-
1117	Administrative fee equity	-	-	320,537	-	-	-
1118	Housing assistance payments equity	-	-	84,520	-	-	-
1119	Unit months available	1,200	-	6,204	-	-	612
1121	Number of unit months leased	1,163	-	4,965	-	-	589
1127	Excess cash	57,102	-	-	-	-	-
1162	Building purchases	-	-	-	-	-	-
1163	Furniture and equipment - dwelling purchases	-	-	-	-	-	-
1164	Furniture and equipment - administrative purchases	-	14,183	-	-	-	-
1165	Leasehold improvements purchases	-	-	-	-	113,001	-
1166	Infrastructure purchases	-	-	-	-	-	-

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

Financial Data Schedule

Year Ended December 31, 2020

Line Item #	Account Description	Management Account	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Fiduciary Fund	Eliminations	Total
Revenues								
703	Net tenant rental revenue	\$ -	\$ -	\$ -	\$ 1,457,520	\$ 11,400	\$ -	2,032,849
704	Tenant revenue - other	-	-	-	-	-	-	24,132
705	Total tenant revenue	-	-	-	1,457,520	11,400	-	2,056,981
706	HUD PHA operating grants	-	-	-	-	-	-	241,844
706	Housing Assistance Payments	-	-	-	-	-	-	2,201,492
706	Ongoing admin fees earned	-	-	-	-	-	-	400,438
706.1	Capital grants	-	-	-	-	-	-	113,001
708	Other government grants	-	33,933	-	-	-	-	33,933
711	Investment income - unrestricted	23,032	-	-	-	-	-	23,063
714	Fraud recovery	-	-	-	-	-	-	5,188
715	Other revenue	313,621	-	5,000	9,272	-	(28,778)	318,386
716	Gain/loss on the sale of fixed assets	-	-	-	-	-	-	2,754
720	Investment income - restricted	-	-	-	1,452	-	-	5,942
700	Total revenues	336,653	33,933	5,000	1,468,244	11,400	(28,778)	5,403,022

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

Financial Data Schedule

Year Ended December 31, 2020

Line Item #	Account Description	Management Account	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Fiduciary Fund	Eliminations	Total
Expenses								
Administrative								
911	Administrative salaries	195,732	-	-	42,740	-	-	583,347
912	Auditing fees	8,895	-	-	40,657	-	-	72,332
913	Management fees	-	-	-	127,360	1,214	(28,778)	128,574
914	Advertising and marketing	-	-	-	3,330	-	-	7,701
915	Employee benefit contributions - administrative	43,946	-	-	-	-	-	120,222
916	Office expense	-	-	-	25,718	-	-	67,229
917	Legal expense	-	-	-	3,268	-	-	3,555
918	Travel	1,741	-	-	1,055	-	-	11,024
919	Other operating - administrative	45,828	-	200	39,412	-	-	88,599
Tenant services								
921	Tenant services - salaries	8,562	-	-	-	-	-	34,745
923	Employee benefit contributions - tenant services	1,735	-	-	-	-	-	7,922
924	Tenant services - other	-	-	-	1,637	-	-	9,526
Utilities								
931	Water	-	-	-	55,813	-	-	84,997
932	Electricity	-	-	-	67,533	-	-	146,702
933	Gas	-	-	-	24,317	-	-	41,859
Ordinary maintenance and operation								
941	Ordinary maintenance and operations - labor	52,851	-	-	-	409	-	123,704
942	Ordinary maintenance and operations - materials and other	1,784	-	-	13,099	-	-	33,974
943	Ordinary maintenance and operations - contract costs	-	-	-	252,133	-	-	384,389
945	Employee benefit contributions-ordinary maintenance	12,143	-	-	-	-	-	28,017

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

Financial Data Schedule

Year Ended December 31, 2020

Line Item #	Account Description	Management Account	HOME Investment Partnerships Program 14.239	Blended Component Units	Discretely Presented Component Units	Fiduciary Fund	Eliminations	Total
	Protective services							
951	Protective services - labor	-	-	-	-	-	-	1,200
952	Protective services - other contract costs	-	-	-	-	-	-	3,580
	General expenses							
961.1	Property insurance	-	-	-	26,012	-	-	54,207
961.2	Liability insurance	46	-	-	26,012	-	-	26,582
961.3	Workmen's compensation	2,470	-	-	-	-	-	8,824
961.4	All other insurance	3,128	-	-	-	-	-	4,111
962	Other general expenses	8,580	-	-	3,682	9,776	-	45,162
963	Payments in lieu of taxes	-	-	-	-	-	-	31,789
964	Bad debt - tenant rents	-	-	-	19,816	-	-	20,504
967	Interest expense	-	-	-	141,839	-	-	154,067
969	Total operating expenses	387,441	-	200	915,433	11,399	(28,778)	2,328,444
970	Excess (deficiency) operating revenue over (under) operating expenses	(50,788)	33,933	4,800	552,811	1	-	3,074,578

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

Financial Data Schedule

Year Ended December 31, 2020

Line Item #	Account Description	Management Account	HOME Investment Partnerships Program 14.239	Component Units	Discretely Presented Component Units	Fiduciary Fund	Eliminations	Total
	Other expenses							
971	Extraordinary maintenance	-	-	-	85,838	-	-	188,229
973	Housing assistance payments	-	-	-	-	-	-	1,891,493
973.5	HAP portability in	-	-	-	-	-	-	9,692
974	Depreciation expense	6,063	-	-	926,192	-	-	1,201,077
900	Total expenses	393,504	-	200	1,927,463	11,399	(28,778)	5,618,935
1001	Operating transfers in	33,933	-	-	-	-	(139,502)	-
1002	Operating transfers out	-	(33,933)	-	-	-	139,502	-
1004	Operating transfers from/to component unit	4,800	-	(4,800)	-	-	-	-
1010	Total other financing sources (uses)	38,733	(33,933)	(4,800)	-	-	-	-
1000	Excess (deficiency) of operating revenue over (under) expenses	\$ (18,118)	\$ -	\$ -	\$ (459,219)	\$ 1	\$ -	\$ (215,913)
	Memo account information							
1102	Debt principal payments - enterprise funds	\$ -	\$ -	\$ -	\$ 125,069	\$ -	\$ -	\$ 194,879
1103	Beginning equity	1,684,565	-	43,638	12,483,053	(1)	-	17,796,783
1104	Prior period adjustments and equity transfers	-	-	-	-	-	-	-
1117	Administrative fee equity	-	-	-	-	-	-	320,537
1118	Housing assistance payments equity	-	-	-	-	-	-	84,520
1119	Unit months available	-	-	-	2,076	-	-	10,092
1121	Number of unit months leased	-	-	-	2,003	-	-	8,720
1127	Excess cash	-	-	-	-	-	-	57,102
1162	Building purchases	-	-	-	-	-	-	-
1163	Furniture and equipment - dwelling purchases	-	-	-	-	-	-	-
1164	Furniture and equipment - administrative purchases	-	-	-	-	-	-	14,183
1165	Leasehold improvements purchases	-	-	-	-	-	-	113,001
1166	Infrastructure purchases	-	-	-	-	-	-	-

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Schedule of Modernization Projects Completed
 Year Ended December 31, 2020

<u>Classification</u>	<u>Project # SD01P034501-20</u>	<u>Project # SD01P034501-19</u>
1406 Operations	\$ 182,412	\$ 36,158
Total capital fund project expenditures	<u>\$ 182,412</u>	<u>\$ 36,158</u>
Capital Fund Advances Received Through December 31, 2020	\$ 182,412	\$ 170,796
Total capital fund amount approved	<u>\$ 182,412</u>	<u>\$ 170,796</u>



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Housing and Redevelopment Commission of Aberdeen, a component unit of the City of Aberdeen, South Dakota (the “Commission”), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements, and have issued our report thereon dated May 26, 2021. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component units.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

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*.

Entity’s Response to Finding

The Commission’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Commission’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
May 26, 2021



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

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, 2020. 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.

Management’s Responsibility

Management is responsible for compliance with the federal statutes, regulations, the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance for the Commission’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Commission’s compliance.

Opinion on the Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-002 that we consider to be a significant deficiency.

The Commission's responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and the corrective action plan. The Commission's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

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

Aberdeen, South Dakota
May 26, 2021

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Housing and Urban Development			
Direct Federal Funding			
Public and Indian Housing	14.850	N/A	\$ 118,098
COVID-19 Public and Indian Housing	14.850	N/A	18,177
Public Housing Capital Fund	14.872	N/A	218,570
Section 8 Housing Choice Vouchers	14.871	N/A	1,960,474
COVID-19 Section 8 Housing Choice Vouchers	14.871	N/A	208,347
Pass Through South Dakota Housing Development Authority HOME Investment Partnerships Program	14.239	*****	<u>33,933</u>
Total U.S. Department of Housing and Urban Development			<u>2,557,599</u>
Total Federal Financial Assistance			<u>\$ 2,557,599</u>

***** No Pass Through Entity Identifying Number Given

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Commission under programs of the federal government for the year ended December 31, 2020. The information 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. No federal financial assistance has been provided to a subrecipient.

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

Note B – Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Commission's summary of significant accounting policies is presented in Note 1 in the Commission's basic financial statements. No federal financial assistance has been provided to a subrecipient.

Note C – Indirect Cost Rate

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

The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2020

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	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>CFDA Number(s)</u>
Section 8 Housing Choice Vouchers	14.871
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2020-001 - 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 and footnotes in accordance with generally accepted accounting principles.

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: See Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

Finding 2020-002 – Incorrect Reporting of Tenant’s Rent Payment

**U.S. Department of Housing and Urban Development
CFDA #14.871, Federal Award Year: 2020 SD034
Section 8 Housing Choice Vouchers**

**Compliance Requirement: 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.

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 three of the 60 tenant files, the tenant’s payment amounts were calculated incorrectly.

Cause: The housing representative did not properly calculate the tenant’s rent payment used on the form for the amounts verified at that time in 2020.

Effect: The reporting of an incorrect tenant rent payment could result in incorrect assistance being awarded.

Questioned Costs: None

Context/Sampling: A nonstatistical sample of 60 participants out of 502 participants were selected for eligibility testing.

Repeat Finding from Prior Year: Yes, prior year finding 2019-002.

Recommendation: We recommend that the Commission to take steps to ensure the housing representative review and update information to the correct amounts as verified by third parties. We also recommend a second review on haphazard files by a position outside of those preparing the files to determine whether correct amounts are being used.

Views of Responsible Officials: See Corrective Action Plan.



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

December 31, 2020

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



Summary Schedule of Prior Audit Findings

Financial Statement Finding

Finding 2019-001 – 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.

Single Audit Finding

Finding 2019-002 – Incorrect Reporting of Tenant's Rent Payment

Federal Agency Name: U.S. Department of Housing and Urban Development

Program Name: Section 8 Housing Choice Vouchers

CFDA #: 14.871

Initial Fiscal Year Finding Occurred: 2018

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 two of the 60 tenant files the tenant's payment amounts were calculated incorrectly.

Status: Ongoing.

Corrective Action Plan

Finding 2020-001

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

Responsible Individuals: Jody Zueger, Executive Director

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

Anticipated Completion Date: Ongoing

Finding 2020-002

Federal Agency Name: U.S. Department of Housing and Urban Development

Program Name: Section 8 Housing Choice Vouchers

CFDA # 14.871

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 two of the 60 tenant files, the tenant's payment amounts were calculated incorrectly.

Responsible Individuals: Jody Zueger, Executive Director

Corrective Action Plan: Management will continue to review a percentage of move-in, interim, annual, and move out files to verify correct amounts on a yearly basis. The tenant files that had noted payment errors were corrected in March 2021.

Anticipated Completion Date: May 1, 2021