

BURKE HOUSING & REDEVELOPMENT COMMISSION
BURKE, SOUTH DAKOTA

SECTION-8 NEW HOUSING PROGRAM
ROSEBUD APARTMENTS
SDHDA PROJECT SD 99-H001-110

FINANCIAL REPORT
FOR THE TWO YEARS ENDING SEPTEMBER 30, 2017
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

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P.O. Box 262

Madison, South Dakota 57042

BURKE HOUSING & REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF BURKE, SOUTH DAKOTA

SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY
ROSEBUD APARTMENTS: SD99-H001-110

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FOR THE ONE YEAR ENDING SEPTEMBER 30, 2017
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDING SEPTEMBER 30, 2016

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NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

INDEPENDENT AUDIT SERVICES, P.C.

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Madison, South Dakota 57042
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Board of Commissioners
Rosebud Apartments
Burke Housing & Redevelopment Commission
Burke, South Dakota

Independent Auditor's Report

Report on the Financial Statements

I have audited the accompanying financial statements of Rosebud Apartments, a major fund of the Burke Housing & Redevelopment Commission (Commission), a component unit of the City of Burke, Gregory County, South Dakota, as of and for the one year ending September 30, 2017 and the related notes to the financial statements, which collectively comprise Rosebud Apartment'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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk 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 Rosebud Apartment's internal control. Accordingly, I 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.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my audit opinion.

Unmodified Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rosebud Apartments, a major fund of the Burke Housing & Redevelopment Commission, a component unit of the City of Burke, South Dakota as of September 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Rosebud Apartments
Burke Housing & Redevelopment Commission
Independent Auditor's Report - Page Two

Other Matters - Omitted Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Matters - Comparative Financial Information

I have previously audited Rosebud Apartments September 30, 2016 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated June 26, 2017. In my opinion, the comparative information presented herein as of and for the year ended September 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters - Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the basic financial statements of Rosebud Apartments, a major fund of the Burke Housing & Redevelopment Commission, a component unit of the City of Burke, South Dakota.

The nine supplementary schedules of managerial information (page 17 to 19) and the financial statement groupings (page 20 and 21) are presented for the purpose of additional analysis, as required by the South Dakota Housing Development Authority, and are not a required part of the basic financial statements.

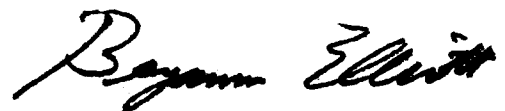
The nine supplementary schedules of managerial information and the financial statement groupings have not been subject to auditing procedures applied in the audit of the basic financial statements and I express no opinion on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 9, 2018 (page 14) on my tests of Rosebud Apartments' compliance with certain provisions of laws, regulations, contracts, and other matters and my consideration of the Rosebud Apartments' internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rosebud Apartments' compliance and internal control over financial reporting.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

May 9, 2018



BURKE HOUSING AND REDEVELOPMENT COMMISSION

A COMPONENT UNIT OF THE CITY OF BURKE, SOUTH DAKOTA
BURKE, SOUTH DAKOTA

South Dakota Housing Development Authority
Rosebud Apartments: Number SD99-H001-110

STATEMENT OF NET POSITION -- ROSEBUD APARTMENTS
AS OF SEPTEMBER 30, 2017 and SEPTEMBER 30, 2016

	Rosebud Apartments 9-30-17	Rosebud Apartments 9-30-16
ASSETS		
Current assets:		
Cash:		
Checking	112,195.49	81,264.28
Savings	22.46	14.14
Savings - security deposits	2,676.00	1,709.00
Total cash	114,893.95	82,987.42
Certificate of deposit	35,315.65	35,104.71
Due from tenants		
Due from other funds		
Accrued interest receivable	41.89	41.89
Prepaid insurance	1,587.74	2,324.00
Total current assets	151,839.23	120,458.02
Capital assets:		
Land	11,500.00	11,500.00
Buildings and improvements	300,525.91	294,299.11
Equipment - dwellings	46,673.89	44,850.79
Equipment - administration	830.00	830.00
Accumulated depreciation	(297,320.53)	(291,924.72)
Total capital assets	62,209.27	59,555.18
Other assets:		
Cash with South Dakota Housing - restricted	24,014.84	23,466.54
Net pension asset	9.35	
Total other assets	24,024.19	23,466.54
Total assets	238,072.69	203,479.74
DEFERRED OUTFLOW OF RESOURCES		
Pension related deferred outflow	906.22	2,507.77
Total deferred outflow of resources	906.22	2,507.77
LIABILITIES		
Current liabilities:		
Accounts payable	183.00	215.00
Accrued payroll taxes payable	23.72	23.34
Insurance payable	1,054.50	
Utilities payable	480.24	555.70
Tenant security deposits	2,676.00	1,709.00
Accrued payment in lieu of taxes	2,048.50	999.86
Prepaid rents	66.00	2.00
Due to other funds	392.00	
Net pension liability		742.60
Total liabilities	6,923.96	4,247.50
DEFERRED INFLOW OF RESOURCES		
Pension related deferred inflow of resources	179.74	917.19
Total deferred inflow of resources	179.74	917.19
NET POSITION		
Net invested in capital assets	62,209.27	59,555.18
Restricted by South Dakota Housing Development Authority	24,014.84	23,466.54
SDRS pension purposes	735.83	847.98
Unrestricted	144,915.27	116,953.12
Total net position	231,875.21	200,822.82
See accompanying notes.		

BURKE HOUSING AND REDEVELOPMENT COMMISSION

A COMPONENT UNIT OF THE CITY OF BURKE, SOUTH DAKOTA
BURKE, SOUTH DAKOTA

South Dakota Housing Development Authority
Rosebud Apartments: Number SD99-H001-110

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - ROSEBUD APARTMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2017
FOR THE YEAR ENDING SEPTEMBER 30, 2016

	Rosebud Apartments 9-30-17	Rosebud Apartments 9-30-16
Operating revenues:		
Dwelling rents	25,707.00	15,352.00
Other income	681.75	272.50
Total operating revenues	26,388.75	15,624.50
Operating expenses:		
Administration	6,100.66	4,726.11
Utilities	5,222.04	5,353.44
Maintenance and operations	7,458.49	10,308.11
General expenses	5,179.77	6,274.16
Depreciation	5,395.81	4,314.84
Pension related expense	112.15	15.53
Total operating expenses	29,468.92	30,992.19
Operating income (loss):	(3,080.17)	(15,367.69)
Nonoperating revenues (expenses):		
SDHDA (HUD) - operating grant	33,370.00	26,598.00
Interest earned	762.56	1,179.53
Total nonoperating revenues (expenses):	34,132.56	27,777.53
Net income (loss) before extraordinary items	31,052.39	12,409.84
Extraordinary items - none	0.00	0.00
Change in net position	31,052.39	12,409.84
Net position:		
September 30, 2015		188,412.98
September 30, 2016	200,822.82	200,822.82
September 30, 2017	231,875.21	

See accompanying notes.

BURKE HOUSING AND REDEVELOPMENT COMMISSION

A COMPONENT UNIT OF THE CITY OF BURKE, SOUTH DAKOTA
BURKE, SOUTH DAKOTA

South Dakota Housing Development Authority
Rosebud Apartments: Number SD99-H001-110

STATEMENT OF CASH FLOWS - ROSEBUD APARTMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2017
FOR THE YEAR ENDING SEPTEMBER 30, 2016

	Rosebud Apartments 9-30-17	Rosebud Apartments 9-30-16
CASH FLOWS FROM OPERATING ACTIVITIES		
Dwelling rents	27,419.75	16,504.50
Payroll and related payments	(2,314.13)	(3,891.70)
Interfund services used	(4,361.00)	(2,989.00)
Vendor payments	(14,553.51)	(18,177.77)
Net cash provided (used) by operating activities	6,191.11	(8,553.97)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Due to other funds	392.00	
SDHDA operating grant	33,370.00	26,598.00
Due from other funds		2,433.70
(Increase) decrease in restricted deposits		
Net cash provided (used) by non-capital financing activities	33,762.00	29,031.70
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Cash paid for building improvements	(6,226.80)	(18,802.32)
Cash paid for equipment	(1,823.10)	
Net cash provided (used) by capital financing activities	(8,049.90)	(18,802.32)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	214.26	1,032.93
SDHDA escrow deposits redeemed		43,448.29
Purchase certificate of deposit	(210.94)	(35,000.00)
Net cash provided (used) by investing activities	3.32	9,481.22
Net increase (decrease) in cash and cash equivalents	31,906.53	11,156.63
Cash and cash equivalents:		
September 30, 2015		71,830.79
September 30, 2016	82,987.42	82,987.42
September 30, 2017	114,893.95	
Noncash investing, capital and financing activities: None		
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	(3,080.17)	(15,367.69)
Adjustments required for reconciliation:		
Depreciation expense	5,395.81	4,314.84
Pension related (revenue) expense	112.15	15.53
Change in:		
Accounts receivable		1,403.16
Prepaid rents	64.00	2.00
Prepaid insurance	736.26	140.13
Accounts payable	(32.00)	260.26
Accrued payroll	0.38	0.38
Accrued expenses (PILOT)	2,027.68	(200.58)
Tenant security deposits	967.00	878.00
Net cash provided (used) by operating activities	6,191.11	(8,553.97)
Noncash investing, capital and financing activities:		
None		

See accompanying notes.

BURKE HOUSING & REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF BURKE, SOUTH DAKOTA
ROSEBUD APARTMENTS
SEPTEMBER 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity:

The fund included in this report is controlled by or dependent upon the Burke Housing & Redevelopment Commission's (Commission) Board of Commissioners. The Commission is a component unit of the City of Burke, South Dakota which, owns the project and approves all members of the Commission's Board. The Commission is presented as a component unit of the City of Burke on the City's financial statements. The Commission itself does not have any component units.

The Commission is a Public Housing Authority, established under the authority of SDCL 11-7, to operate:

SDHDA Project SD 99-H001-110 which consist of 8 Section-8 new housing units. This project receives monthly HAP payments from HUD through SDHDA. The operations of this program are identified as "Rosebud Apartments" in the accompanying financial statements.

The Commission also operates the following projects, which are not included in these financial statements:

Department of Housing and Urban Development (HUD) Project SD 007, which consist of 23 subsidized low-income public housing units.

South Dakota Housing Development Authority (SDHDA) Project SD 99-H001-010 which consist of 14 Section-8 elderly housing units. This project receives monthly housing assistance payments (HAP) from HUD through SDHDA.

At September 30, 2017, the Commission's officials were:

Mayor, City of Burke
Tom Glover

Executive Director:
Charlene Juran

Board of Commissioners:
Dave Engelmeyer, Chairperson
Bryan Geaghan
Arlene Keever
Bonnie Noziska
Beverly Vaughn

Attorney:
Jack Gunvordahl

The Commission complies with generally accepted accounting principles (GAAP).

b. Fund Accounting:

The accounts are organized in a fund, which is considered a separate accounting entity. The operation of the fund is accounted for with self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. The fund in this financial report is classified as an "enterprise" fund.

Enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The Commission maintains "Rosebud Apartments" enterprise fund to account for rental operations and related capital projects of the Rosebud apartment building. This fund is a major fund.

c. Measurement Focus and Basis of Accounting:

Measurement focus refers to what financial resources make up a fund. Basis of accounting refers to when revenues and expenses are recognized by a fund and reported in the financial statements.

Enterprise Funds:

Measurement Focus - All enterprise funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with a fund are included in its statement of net position. Enterprise fund operating statements present increases (revenues) and decreases (expenses) in net position.

Basis of Accounting - All enterprise funds are accounted for using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash is received or paid. Revenues from grants, entitlements, and donations are recognized in the year in which all eligibility requirements are satisfied.

d. Capital Assets and Depreciation:

Capital assets must cost at least \$100. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair value on the date donated.

Approximately 0% of the September 30, 2017 enterprise fund capital assets are determined by estimates of historical cost.

The cost of normal maintenance and repairs that do not add value of the assets, or materially extend asset lives, are not capitalized. Improvements that add value, or materially extend asset lives, are capitalized.

Depreciation of all exhaustible capital assets used by the enterprise funds is charged as an expense against that fund's operation. Depreciation has been provided over estimated useful life using the straight-line method. Buildings and improvements are given a useful life of 15 to 40 years. Equipment is given a useful life of 5 to 10 years. Accumulated depreciation is reported on the statement of net position.

Interest cost incurred during construction of capital assets is capitalized along with other capital asset costs.

e. Operating and Nonoperating Revenues:

Operating revenues are those associated with tenant activity such as rents, utilities, and laundry. Nonoperating revenues are those not associated with tenant activity such as the HUD subsidy, interest income and interest expense.

Tenant rent generally is based on the higher of 30% of their adjusted gross income (based on HUD guidelines) or 10% of their gross income. HUD pays the remainder of the rent either through public housing program subsidies or through SDHDA as HAP payments.

f. Net Asset Classifications:

Net assets are displayed in three components:

1. Net Invested in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation 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 by either (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 criteria of 1 or 2 above.

g. 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 which can be charged to either restricted or unrestricted net position.

h. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as a reduction of a disbursement in the fund that is reimbursed. All other interfund transactions are reported as transfers.

i. Accounting Estimates:

The presentation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from those estimates and assumptions. Following are some of the estimates made by management during the year:

- * Allowance for doubtful accounts -- estimated uncollectables
- * Depreciation -- estimated service lives
- * Pension - actuarial assumptions

2. CASH, DEPOSITS, INVESTMENTS AND CASH FLOWS

Deposits - The Commission deposits are made in qualified public depositories as defined by SDCL 4-6A-1. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts that exceed deposit insurance such as 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 better, or a qualified public depository may furnish a corporate surety bond from a corporation authorized to do business in South Dakota.

Deposits are reported at costs plus interest if the account is of the add-on type.

The actual bank balances at September 30, 2017 were: Insured \$150,590.67 and collateralized** \$0.00 for a total of \$150,590.67.

** Uninsured, collateral jointly held by state's/Commission's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at September 30, 2017 was \$150,209.60.

Investments - In general, SDCL 11-7-31 permits Housing & Redevelopment Commission funds "...to invest any funds held in reserves or debt service funds, or any funds not required for immediate disbursement, in property or securities in which savings banks may legally invest funds subject to their control."

Additionally, SDCL 4-5-6 permits Housing & Redevelopment Commission funds to be invested only 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) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safe-keeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Except for the external investment pool discussed below, the Commission had no investments during the year ending September 30, 2017.

Investment Risk - State law limits eligible investments for the Commission as discussed above. The Commission has no investment policy that would further limit its investment choices.

Interest Rate Risk - The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk - The Commission places no limit on the amount that may be deposited or invested in any one institution. At September 30, 2017, all of the Commission's cash is deposited in First Fidelity Bank.

Credit Risk - The Commission's credit risks is limited to the external investment pool managed by South Dakota Housing Development Authority discussed below.

Custodial Risk - The risk that, in the event of a depository failure, the Commission's deposits may not be returned to it. At September 30, 2017, the Commission's deposits in financial institutions were not exposed to custodial credit risk because all deposits are fully FDIC insured.

Cash Flows - For the purposes of the statement of cash flows, the Commission considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents. Restricted deposits administered by SDHDA are not considered a cash equivalent.

3. EXTERNAL INVESTMENT POOL

The Commission has, for Rosebud Apartments, restricted cash deposits of \$24,014.84 (fair value) in an external investment pool managed by the South Dakota Housing Development Authority (SDHDA). The SDHDA pool is managed by a seven member Board of Commissioners appointed by the Governor, an Executive Director and a Director of Finance and Administration. Burke Housing and Redevelopment Commission's participation in this pool is involuntary. It is required to participate because of financing provided by SDHDA and tenant rental assistance programs. Moody's Investor Service has given SDHDA an Issuer Rating of Aa3. Interest earned on the total cumulative amount of SDHDA reserves and escrows is pro-rated according to each development's (ie: Burke) reserve and escrow balance and then credited to the development's individual restricted cash account. Financial statements of the external investment pool are available from South Dakota Housing Development Authority, P.O. Box 1237, Pierre, South Dakota 57501.

4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Commission expects to collect all receivables within one year.

At September 30, 2017 Rosebud Apartments owes Public Housing \$392 for management fees.

5. CHANGES IN CAPITAL ASSETS (schedule one)

A summary of the changes in capital assets for the two years ending September 30, 2017 is presented in schedule one at the end of these footnotes.

6. LONG-TERM DEBT

The Commission has no long-term or short-term debt.

7. INTERPROGRAM CHARGES

Rosebud Apartments are managed for a monthly fee of \$49 per occupied unit.

8. MAJOR CUSTOMER - ECONOMIC DEPENDENCE; HOUSING ASSISTANCE PAYMENTS (HAP); RESTRICTED NET POSITION (DEPOSITS); REPLACEMENT RESERVE; (schedule three)

The Commission has an agreement with HUD, through SDHDA, to provide HAP on behalf of eligible tenants of Rosebud Apartments. HAP for Rosebud Apartments are applied by SDHDA to monthly mortgage payments, required escrow and reserve deposits, with any remaining funds being forwarded to Rosebud Apartments.

Rosebud Apartments is required by agreement with SDHDA to establish and maintain various mortgage escrow and reserve deposits for mortgage payments, payments in lieu of taxes (PILOT), hazard insurance, property and equipment replacement reserves, and residual receipts. These deposits (restricted net position) are restricted by SDHDA for their designated purposes and cannot be withdrawn or used in the general operation of Rosebud Apartments without the prior approval from SDHDA.

A summary of the Rosebud Apartment restricted deposits activity is presented on in schedule three on page 13. See also note 3 above.

9. PAYMENTS IN LIEU OF TAXES

Housing and Redevelopment Commissions do not pay property taxes based on normal property value assessments and tax levies for real property owned by the Commissions. Instead, they make payments in lieu of taxes (PILOT) based on 10% of gross rents less utility costs.

Payments in lieu of taxes for Rosebud Apartments for the two years ending September 30, 2017 were determined as follows:

	9-30-17	9-30-16
Rental income	\$ 25,707.00	\$ 15,352.00
Less: allowable utility costs	(5,222.04)	(5,353.44)
	-----	-----
Net shelter rent	\$ 20,484.96	\$ 9,998.56
	=====	=====
PILOT for FY17 and FY16 (10% of net shelter rent)	\$ 2,048.50	\$ 999.86
	=====	=====

10. PENSION PLAN

Summary of Significant Accounting Policies:

For purpose of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, 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, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are at fair value.

See the full September 30, 2017 financial report of Burke Housing & Redevelopment Commission for the pension plan's Description, Benefits Provided, Contributions, Pension Plan Assets etc., Actuarial Assumptions, Investments, Discount Rate, Sensitivity of Assets, Pension Plan Fiduciary Net Position information, Schedule of the Commission's Proportionate Share of the South Dakota Retirement System's Net Pension Liability (Asset), and Schedule of the Commission's Contributions to the South Dakota Retirement System.

11. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees' and natural disasters. During the year ending September 30, 2017 the Commission managed its risks as follows:

Health insurance: None

Liability, fire, and worker's compensation insurance:

The Commission maintains liability, fire, and worker's compensation insurance through a commercial carrier. Settled Claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment benefits:

The Commission maintains unemployment insurance through the State of South Dakota. No unemployment benefits were paid during the year ending September 30, 2017 and no payments are expected in the near future.

12. COMMITMENTS AND CONTINGENCIES

Litigation: At September 30, 2017 the Commission was not involved in any threatened litigation.

Examinations: The Commission is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing grants given to the Commission in the current and prior years. There were no examinations during the year ending September 30, 2017.

Grant Disallowances: Amounts received or receivable from HUD are subject to audit and adjustments by HUD. Any disallowed claims, including amounts already collected, may constitute a liability of the Commission. The amounts, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Commission expects such amounts, if any, would be immaterial.

Economic Dependency: The Commission receives approximately 55% of its revenues from HUD and SDHDA, with 45% coming from tenant revenue, interest on investments, and other sources. If the amount of revenues received from HUD or SDHDA falls, the Commission's operation would be adversely affected.

13. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The Commission purchases less than \$1,000 a year each from three board members who own businesses in Burke.

The Commission expects to use its remaining South Dakota Housing Development Authority funds for lights, electric heat panels and expanding and resurfacing Rosebud Apartment's parking lot.

BURKE HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF BURKE, SOUTH DAKOTA

South Dakota Housing Development Authority
Rosebud Apartments: Number SD99-H001-110

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE THREE
CHANGES IN RESTRICTED DEPOSITS AT SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY
FOR THE YEAR ENDING SEPTEMBER 30, 2017 AND SEPTEMBER 30, 2016

	Beginning 9-30-16	HAP Receipts	Monthly Transfers	Other Transfers	Interest Earned	Disbursements	Ending 9-30-17
Replacement Reserve	23,400.40				546.75		23,947.15
Painting Reserve	-						-
Development Cost Escrow	66.14				1.55		67.69
	23,466.54	-	-	-	548.30	-	24,014.84

	Beginning 9-30-15	HAP Receipts	Monthly Transfers	Other Transfers	Interest Earned	Disbursements	Ending 9-30-16
Replacement Reserve	44,540.09			(22,108.28)	968.59		23,400.40
Painting Reserve	11,200.53			(11,200.53)			-
Development Cost Escrow	11,174.21			(11,172.41)	64.34		66.14
	66,914.83	-	-	(44,481.22)	1,032.93	-	23,466.54

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

Board of Commissioners
Rosebud Apartments
Burke Housing & Redevelopment Commission
Burke, South Dakota

Independent Auditor's Report

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rosebud Apartments, a major fund of the Burke Housing & Redevelopment Commission (Commission), a component unit of the City of Burke, South Dakota, as of and for the one year ending September 30, 2017 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements for Rosebud Apartments, and have issued my unmodified report thereon dated May 9, 2018.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Commission's financial statements for Rosebud Apartments are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed no instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting:

In planning and performing my audit of Rosebud Apartments financial statements, I considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, I do not express an opinion on the effectiveness of Burke Housing & Redevelopment Commission's internal control for Rosebud Apartments.

A deficiency in internal control exist 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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 the attention of those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

I did note minor matters involving internal control over financial reporting that I reported to the governing body and management of Burke Housing & Redevelopment Commission in a separate Letter of Comments dated May 9, 2018.

Purpose of the Report

The purpose of this report is solely to describe the scope of my testing of compliance and internal control and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's compliance or on its internal control at Rosebud Apartments. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's compliance and internal control. 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.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota



May 9, 2018

BURKE HOUSING & REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF BURKE, SOUTH DAKOTA
ROSEBUD APARTMENTS
SEPTEMBER 30, 2017

SCHEDULE OF PRIOR AUDIT FINDINGS

There are no prior written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS

There are no current written audit findings.

BURKE HOUSING & REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF BURKE, SOUTH DAKOTA

South Dakota Housing Development Authority
Rosebud Apartments: Number SD99-H001-110

SUPPLEMENTAL INFORMATION
AS OF AND FOR THE YEAR ENDING SEPTEMBER 30, 2017

1. SCHEDULE OF BANK ACCOUNTS (with account numbers)

	Applicable Book Balance at 9-30-2017
First Fidelity Bank	
Burke, South Dakota	
Checking Operating No. 929444	112,195.49
Savings Security Deposits No. 1094615	2,698.46

	114,893.95
	=====

2. SCHEDULE OF TENANT SECURITY DEPOSITS HELD IN TRUST

Cash:	
Beginning balance (9-30-2016)	1,723.14
Deposits:	
Tenant security deposits	1,674.00
Other	5.00
Interest earned	3.32
Disbursements:	
Security deposits returned or held for clean	(707.00)

Ending balance (9-30-2017)	2,698.46
	=====

Liability:	
Beginning balance (9-30-2016)	1,709.00
Deposits received	1,674.00
Security deposits returned or held for clean	(707.00)

Ending balance (9-30-2017)	2,676.00
	=====

3. SCHEDULE OF ACCOUNTS RECEIVABLE AND PAYABLE

	9-30-2017	9-30-2016
Accounts Receivable:		
Tenants	0.00	0.00
Due from Burke Public Housing	0.00	0.00
Accrued interest	41.89	41.89
	-----	-----
	41.89	41.89
	=====	=====
Accounts Payable:		
Administration:		
Insurance	1,054.50	0.00
Other	108.00	125.00
Utilities:		
Electric/water/sewer	480.24	555.70
Maintenance:		
Garbage	75.00	90.00
	-----	-----
	1,717.74	770.70
	=====	=====

BURKE HOUSING & REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF BURKE, SOUTH DAKOTA

South Dakota Housing Development Authority
Rosebud Apartments: Number SD99-H001-110

SUPPLEMENTAL INFORMATION
AS OF AND FOR THE YEAR ENDING SEPTEMBER 30, 2017

4. SCHEDULE OF OPERATING RECEIPTS AND DISBURSEMENTS

Operating receipts:		
Rental income - tenant portion	25,707.00	
- HAP portion	33,370.00	
Other income	681.75	59,758.75
Non-operating receipts:		
Interest earned - Replacement reserve	546.75	
- DCE	1.55	
- Savings	3.32	
- Financial	210.94	762.56

Total receipts		60,521.31
Disbursements:		
Administrative and renting	1,739.66	
Management fees	4,361.00	
Utilities	5,222.04	
Maintenance and operations	7,458.49	
Real estate taxes (PILOT)	2,048.50	
Payroll taxes and benefits	278.01	
Insurance - property and liability	2,853.26	
Bad debts	0.00	23,960.96

Net operating receipts		36,560.35
Other:		
Decrease in accounts receivable		0.00
Decrease in prepaid rents		64.00
Decrease in prepaid insurance		736.26
Decrease in revolving fund		0.00
(Increase) in accounts payable		(215.00)
(Increase) in accrued payroll		0.38
Decrease in accrued expenses		2,602.68
Decrease in tenant security deposits		967.00
Increase in SDHDA restricted deposits		(548.30)
Purchase capital assets		(8,049.90)
Purchase certificate of deposit		(210.94)

Net increase (decrease) in cash (see also page 5)		31,906.53

Cash at September 30, 2016		82,987.42

Cash at September 30, 2017		114,893.95
		=====

5. SCHEDULE OF SURPLUS CASH AND RESIDUAL RECEIPTS

ADD		
Tenant receivables		0.00
Cash on hand and in banks		114,893.95

Total cash		114,893.95

LESS		
Accounts payable due within 30 days		183.00
Accrued payroll taxes due within 30 days		23.72
Insurance payable		1,054.50
Utilities payable		480.24
Tenant security deposits		2,676.00
Accrued payment in lieu of taxes		2,048.50
Prepaid rent		66.00
Due to other funds		392.00

Total current obligations		6,923.96

Surplus cash and residual receipts		107,969.99
		=====

6. SCHEDULE OF ACCRUED TAXES

Accrued payroll taxes	23.72
Accrued payment in lieu of taxes	2,048.50
	=====

7. SCHEDULE OF CHANGES IN CAPITAL ASSETS
(See page 12)

BURKE HOUSING & REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF BURKE, SOUTH DAKOTA

South Dakota Housing Development Authority
Rosebud Apartments: Number SD99-H001-110

SUPPLEMENTAL INFORMATION
AS OF AND FOR THE YEAR ENDING SEPTEMBER 30, 2017

8. CERTIFICATION OF FIDELITY BOND

The undersigned hereby certifies to the South Dakota Housing Development Authority (SDHDA) that the attached, original copy of the Fidelity Bond Policy Number _____ in the amount of \$134,000, issued to Burke Housing & Redevelopment Commission, in connection with SDHDA Development Number SD99-H001-110 meets the minimum fidelity bond requirements as established by SDHDA.

The next renewal date for the policy is 7-14-18.

I further certify that I do X do not _____ carry Insurance Agents Errors and Omission insurance.

Fidelity Agency
Insurance Agency
Address:

Date as of:
May 9, 2018

Jody Long
Signed by:

agent
Title

9. CERTIFICATION BY REPRESENTATIVE OF OWNERSHIP

I hereby certify that I have examined the foregoing financial statements and supplementary information of ROSEBUD APARTMENTS, PROJECT SD99-H001-110, as of September 30, 2017, and to the best of my knowledge and belief, the same is a true statement of the financial condition as of September 30, 2017.

Dave Engelmeier
Chairman of the Board
Burke Housing & Redevelopment Authority

Date as of:
May 9, 2018

BURKE HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF BURKE, SOUTH DAKOTA
BURKE, SOUTH DAKOTA

South Dakota Housing Development Authority
Rosebud Apartments: Number SD99-H001-110
Financial Statement Groupings
For the One Year Ending September 30, 2017
For the One Year Ending September 30, 2016

Account Numbers	9-30-2017		9-30-2016	
	Account Amounts	Financial Statement Grouping	Account Amounts	Financial Statement Grouping
ASSETS				
Cash	112,195.49	112,195.49	81,264.28	81,264.28
Savings	22.46	22.46	14.14	14.14
Savings - security deposits	2,676.00	2,676.00	1,709.00	1,709.00
Certificate of deposit	35,315.65	35,315.65	35,104.71	35,104.71
Accounts receivable - tenants				
Accrued interest receivable	41.89	41.89	41.89	41.89
Prepaid insurance	1,587.74	1,587.74	2,324.00	2,324.00
Due from Public Housing				
Capital assets:				
Land	11,500.00	11,500.00	11,500.00	11,500.00
Buildings	300,525.91	300,525.91	294,299.11	294,299.11
A/D - Buildings	(253,244.79)		(248,378.69)	
Equipment - dwellings	46,673.89	46,673.89	44,850.79	44,850.79
A/D - Equipment - dwellings	(43,245.74)		(42,716.03)	
Equipment - administration	830.00	830.00	830.00	830.00
A/D - Equipment - administration	(830.00)		(830.00)	
Accumulated depreciation		(297,320.53)		(291,924.72)
SD Housing deposits - restricted	24,014.84	24,014.84	23,466.54	23,466.54
Net pension assets	9.35	9.35		
Total Assets	238,072.69	238,072.69	203,479.74	203,479.74
DEFERRED OUTFLOW OF RESOURCES				
Pension related deferred outflow of r	906.22	906.22	2,507.77	2,507.77
Total Deferred Outflow of Recsources	906.22	906.22	2,507.77	2,507.77
Total Assets and Deferred	238,978.91	238,978.91	205,987.51	205,987.51
LIABILITIES				
A/P - vendors and contract	183.00	183.00	215.00	215.00
Accrued payroll taxes payable	23.72	23.72	23.34	23.34
Insurance payable	1,054.50	1,054.50		
Utilities payable	480.24	480.24	555.70	555.70
Tenant security deposits	2,676.00	2,676.00	1,709.00	1,709.00
Accrued PILOT	2,048.50	2,048.50	999.86	999.86
Prepaid rents	66.00	66.00	2.00	2.00
Due to other funds	392.00	392.00		
Net pension liability			742.60	742.60
Total Liabilities	6,923.96	6,923.96	4,247.50	4,247.50
DEFERRED INFLOW OF RESOURCES				
Pension related deferred inflow of r	179.74	179.74	917.19	917.19
Total Deferred Inflow of Recsources	179.74	179.74	917.19	917.19
NET POSITION				
Net invested in capital assets:				
Capital assets	359,529.80		351,479.90	
Accumulated depreciation	(297,320.53)		(291,924.72)	
Related debt	0.00	62,209.27	0.00	59,555.18
Restricted: SD Housing cash	24,014.84	24,014.84	23,466.54	23,466.54
Restricted: Pension purposes	735.83	735.83	847.98	847.98
Unrestricted	144,915.27	144,915.27	116,953.12	116,953.12
Net Position	231,875.21	231,875.21	200,822.82	200,822.82
Total Liabilities, Deferred, and Net Position	238,978.91	238,978.91	205,987.51	205,987.51

BURKE HOUSING AND REDEVELOPMENT COMMISSION

A COMPONENT UNIT OF THE CITY OF BURKE, SOUTH DAKOTA
BURKE, SOUTH DAKOTA

South Dakota Housing Development Authority
Rosebud Apartments: Number SD99-H001-110

Financial Statement Groupings
For the One Year Ending September 30, 2017
For the One Year Ending September 30, 2016

Account Numbers		9-30-2017		9-30-2016	
		Account Amounts	Financial Statement Grouping	Account Amounts	Financial Statement Grouping
	OPERATING REVENUE				
5120	Dwelling rental	25,707.00	25,707.00	15,352.00	15,352.00
5490	Other	681.75	681.75	272.50	272.50
	Total Operating Revenue	26,388.75	26,388.75	15,624.50	15,624.50
	OPERATING EXPENSES				
	Administration:				
6210	Sundry - advertising	55.66		57.11	
6320	Management fee	4,361.00		2,989.00	
6340	Legal	0.00		0.00	
6350	Auditing	1,680.00		1,680.00	
6385	Other	4.00	6,100.66	0.00	4,726.11
	Utilities:				
6450	Electricity	1,252.02		1,832.80	
6451	Water	1,378.02		1,280.64	
6451	Sewer	2,592.00	5,222.04	2,240.00	5,353.44
	Maintenance and operation:				
6430	Janitorial	2,036.50		3,387.88	
6511	Protective services	0.00		0.00	
6512	Electrical repairs	0.00		0.00	
6515	Building maintenance and supplies	2,331.94		2,623.34	
6520	Contract	0.00		0.00	
6521	Grounds supplies	21.50		36.00	
6522	Grounds contract	514.93		513.00	
6525	Rubbish removal	870.00		882.15	
6532	Contract cleaning	0.00		0.00	
6541	Repairs material	0.00		0.00	
6542	Repairs contract	1,497.75		120.00	
6546	Plumbing maintenance/repair	185.87		868.56	
6560	Exterminating expense	0.00		1,617.99	
6562	Painting and decorating	0.00		0.00	
6590	Miscellaneous	0.00		0.00	
6711	Payroll taxes	0.00		259.19	
6723	Pension benefits	0.00	7,458.49	0.00	10,308.11
	General expenses:				
6710	Property taxes (PILOT)	2,048.50		999.86	
	Payroll taxes	155.80			
6720	Insurance- property & liability	2,853.26		3,626.13	
6723	Insurance- health	122.21		245.01	
7190	Bad debt	0.00	5,179.77	1,403.16	6,274.16
8110	Depreciation	5,395.81	5,395.81	4,314.84	4,314.84
	Pension expense	112.15	112.15	15.53	15.53
	Total Operating Expense	29,468.92	29,468.92	30,992.19	30,992.19
	Operating income (loss)	(3,080.17)	(3,080.17)	(15,367.69)	(15,367.69)
	Nonoperating revenue (expense):				
5121	SDHDA (HUD HAP payment)	33,370.00	33,370.00	26,598.00	26,598.00
5420	Interest earned - replacement escrow	546.75			
5420	Interest earned - development cost e:	1.55		1,032.45	
	Interest earned - savings	3.32		0.48	
5420	Interest earned - certificate of dep:	210.94	762.56	146.60	1,179.53
	Total nonoperating revenue (expense)	34,132.56	34,132.56	27,777.53	27,777.53
	Net income (loss) before extraordinary items	31,052.39	31,052.39	12,409.84	12,409.84
	Extraordinary items - none	0.00	0.00	0.00	0.00
	Change in net assets	31,052.39	31,052.39	12,409.84	12,409.84
	Net assets:				
	September 30, 2015			188,412.98	188,412.98
	September 30, 2016	200,822.82	200,822.82	200,822.82	200,822.82
	September 30, 2017	231,875.21	231,875.21		