

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA
(A COMPONENT UNIT OF THE CITY OF
HOT SPRINGS, SOUTH DAKOTA)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
WITH SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2023

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
The Housing and Redevelopment Commission
of the City of Hot Springs, South Dakota

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of **The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota, a component unit of the City of Hot Springs, South Dakota (the Commission)**, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on Business-Type Activities and Discretely Presented Component Unit section of our report the financial statements referred to above do not present fairly the financial position of the Commission, as of December 31, 2023, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse Opinion on Business-Type Activities and Discretely Presented Component Unit

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

Matter Giving Rise to Adverse Opinion on Business-Type Activities and Discretely Presented Component Unit

Management has not been able to maintain or provide adequate supporting documentation for several material accounts and transactions, including cash, payroll, revenue, accounts payable, expenses, and capital asset additions. As a result, we were unable to verify the appropriateness, classification, accuracy, and validity of the reported balances and transactions.

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Responsibilities of Management 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying financial data schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects on the supplementary information of the adverse opinion on the basic financial statements as explained in the Basis for Adverse Opinion on Business-Type Activities and Discretely Presented Component Unit section, the financial data schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2025, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
December 23, 2025

HOT SPRINGS HOUSING AND REDEVELOPMENT COMMISSION
Hot Springs, South Dakota

Management's Discussion and Analysis
Year Ended December 31, 2023

Introduction

This Management's Discussion and Analysis (MD&A) of the Hot Springs Housing & Redevelopment Commission (Housing Commission) provides an introduction and overview to the financial statements of the Housing Commission for the year ended December 31, 2023. The Housing Commission presents this discussion and analysis of its financial performance during the year ended December 31, 2023, to assist the reader in focusing on significant financial issues.

The primary focus of the Housing Commission's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the Housing Commission. The information contained in this MD&A should be considered in conjunction with the Housing Commission's financial statements and related notes to the financial statements.

For accounting purposes, the Housing Commission is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

Financial Highlights

Total assets and deferred outflows of the Housing Commission for the year ended December 31, 2023, were \$5,860,004. Total liabilities and deferred inflows were \$1,731,599. Total assets and deferred outflows exceeded total liabilities and deferred inflows by \$4,128,405 (net position).

Unrestricted Net Position totals (\$630,115). This is the amount of the Housing Commission's reserve.

Total operating and non-operating revenues, and capital contributions for the year ended December 31, 2023, were \$2,330,423 and total operating and nonoperating expenses totaled \$1,837,114; change in net position was \$493,309.

Overview of the Financial Statements

The audited financial statements include this management discussion and analysis, and the basic financial statements which includes notes to the financial statements. The Housing Commission's financial statements are presented as program level financial statements because the Housing Commission only has proprietary funds.

The financial statements of the Housing Commission report information of the Housing Commission using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the Housing Commission's activities. The Statement of Net Position includes all of the Housing Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to the Housing Commission's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Housing Commission and assessing the liquidity and financial flexibility of the Housing Commission.

HOT SPRINGS HOUSING AND REDEVELOPMENT COMMISSION
Hot Springs, South Dakota

Management's Discussion and Analysis, continued
Year Ended December 31, 2023

All of the current year revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Housing Commission's operations over the past year and can be used to determine whether the Housing Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where cash came from, what was cash used for, and what was the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

The Housing Commission's basic financial statements include the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. The Statement of Net Position provides a summary of the Housing Commission's assets and liabilities as of the close of business on December 31, 2023. The Statement of Revenues, Expenses and Changes in Net Position also summarizes the revenues and sources of those revenues, and expenses incurred in operating the Housing Commission for the year ended December 31, 2023.

The Housing Commission's financial statements account for the following programs:

Conventional Public Housing – Under the Conventional Public Housing Program, the Housing Commission rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD), and HUD provides Operating Subsidy and Capital Grant funding to enable the Public Housing Authority (PHA) to provide the housing at a rent that is based upon 30% of household income.

Capital Fund Program - The Capital Fund Program is the primary funding source for physical and management improvements to the Housing Commission's properties.

City Housing / Townhouses – The Housing Commission completed construction and is operating a residential rental facility for moderate income families and individuals (receives HUD funding through the South Dakota Housing Development Authority (SDHDA)).

HOT SPRINGS HOUSING AND REDEVELOPMENT COMMISSION
Hot Springs, South Dakota

Management's Discussion and Analysis, continued
Year Ended December 31, 2023

Condensed Statement of Net Position

| As of December 31, | 2023 | 2022 | Change |
|----------------------------------|---------------------|---------------------|-------------------|
| Current and other assets | \$ 163,273 | \$ 431,768 | \$ (268,495) |
| Capital assets, net | <u>5,626,171</u> | <u>5,167,278</u> | <u>458,893</u> |
| Total Assets | <u>5,789,444</u> | <u>5,599,046</u> | <u>190,398</u> |
| | | | |
| Deferred outflows of resources | <u>70,560</u> | <u>66,024</u> | <u>4,536</u> |
| | | | |
| Current liabilities | 621,102 | 693,707 | (72,605) |
| Non-current liabilities | <u>1,062,985</u> | <u>1,294,962</u> | <u>(231,977)</u> |
| Total Liabilities | <u>1,684,087</u> | <u>1,988,669</u> | <u>(304,582)</u> |
| | | | |
| Deferred inflows of resources | <u>47,512</u> | <u>41,306</u> | <u>6,206</u> |
| | | | |
| Net investment in capital assets | 4,447,129 | 3,776,361 | 670,768 |
| Restricted | 311,391 | 318,773 | (7,382) |
| Unrestricted | <u>(630,115)</u> | <u>(460,039)</u> | <u>(170,076)</u> |
| Total Net Position | <u>\$ 4,128,405</u> | <u>\$ 3,635,095</u> | <u>\$ 493,310</u> |

Comparative Statement of Revenues, Expenses and Changes in Net Position

| Year Ended December 31, | 2023 | 2022 | Change |
|-------------------------------------|---------------------|---------------------|----------------|
| Program Revenue | | | |
| Tenant revenue | \$ 772,730 | \$ 719,111 | \$ 53,619 |
| Other income | 268,788 | 184,467 | 84,321 |
| Federal grants and subsidies | 1,275,573 | 1,041,785 | 233,788 |
| Interest income | <u>13,332</u> | <u>1,948</u> | <u>11,384</u> |
| Total Revenue | <u>2,330,423</u> | <u>1,947,311</u> | <u>383,112</u> |
| | | | |
| Program Expenses | | | |
| Administration | 372,142 | 413,773 | (41,631) |
| Tenant services | 5,066 | 2,889 | 2,177 |
| Utilities | 400,299 | 367,737 | 32,562 |
| Ordinary maintenance and operations | 640,438 | 472,009 | 168,429 |
| General | 56,933 | 41,484 | 15,449 |
| Insurance | 58,873 | 54,992 | 3,881 |
| Interest | 14,800 | 23,374 | (8,574) |
| Depreciation | <u>288,563</u> | <u>240,444</u> | <u>48,119</u> |
| Total Expenses | <u>1,837,114</u> | <u>1,616,702</u> | <u>220,412</u> |
| | | | |
| Change in Net Position | <u>493,309</u> | <u>330,609</u> | \$ 162,700 |
| | | | |
| Beginning Net Position | <u>3,635,096</u> | <u>3,304,487</u> | |
| Ending Net Position | <u>\$ 4,128,405</u> | <u>\$ 3,635,096</u> | |

HOT SPRINGS HOUSING AND REDEVELOPMENT COMMISSION
Hot Springs, South Dakota

Management's Discussion and Analysis, continued
Year Ended December 31, 2023

Capital Assets

| As of December 31, | <u>Capital Assets at Year-end</u> (Net of Accumulated Depreciation) | | |
|---------------------------------------|---|---------------------|-------------------|
| | 2023 | 2022 | Change |
| Land | \$ 127,652 | \$ 127,652 | \$ - |
| Buildings | 9,351,424 | 8,832,398 | 519,026 |
| Furniture, Equipment & Mach. - Admin. | 932,802 | 755,661 | 177,141 |
| Construction in Progress | 206,710 | 155,420 | 51,290 |
| Subtotal | <u>10,618,588</u> | <u>9,871,131</u> | <u>747,457</u> |
| Accumulated Depreciation | <u>(4,992,417)</u> | <u>(4,703,853)</u> | <u>(288,564)</u> |
| Total Capital Assets | <u>\$ 5,626,171</u> | <u>\$ 5,167,278</u> | <u>\$ 458,893</u> |

Capital assets additions consist primarily of ongoing unit modifications in the public housing structure and elevator upgrades in the city housing structure.

Long-Term Liabilities

| As of December 31, | <u>Long-Term Liabilities at Year End</u> | | |
|-----------------------------|---|---------------------|---------------------|
| | 2023 | 2022 | Change |
| Notes Payable | \$ 1,294,861 | \$ 1,520,063 | \$ (225,202) |
| Compensated Absences | 7,292 | 14,384 | (7,092) |
| Total Long-Term Liabilities | <u>\$ 1,302,153</u> | <u>\$ 1,534,447</u> | <u>\$ (232,294)</u> |

Notes payable consist of long-term financing provided to the public housing program by the component unit. Long-term mortgages payable for city housing has been provided for through the South Dakota Housing and Development Authority.

The Housing Commission classifies employee's leave as long-term liabilities. The total amount is expected to be paid out in the upcoming fiscal year.

Economic Factors

The Housing Commission is primarily dependent upon HUD for the funding of operations; therefore, the Housing Commission is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the federal budget for the current year (and future years).

Contacting the Housing Commission's Financial Management

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Housing Commission's finances and to show the Housing Commission's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Rich Galbraith, Executive Director, at Hot Springs Housing Authority, 201 S. River St., Hot Springs, South Dakota 57747 -- (605) 745-4067.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
STATEMENT OF NET POSITION
DECEMBER 31, 2023

| | Business-Type Activities | Component Unit |
|---|-------------------------------------|---------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 122,944 | \$ 123,695 |
| Receivables: | | |
| Tenants, net of allowance for doubtful accounts | 30,884 | 4,728 |
| HUD other projects | 6,843 | - |
| Other | 548 | - |
| Notes - current portion | - | 16,228 |
| Internal balances | (350,511) | 350,511 |
| Accrued interest | 287 | - |
| Prepaid expenses | 33,140 | 6,562 |
| Inventories | 30,795 | - |
| Total current assets | (125,070) | 501,724 |
| Noncurrent assets: | | |
| Mortgage escrow deposits held in trust | 287,455 | - |
| Notes receivable - less current portion | - | 99,591 |
| Net pension asset | 888 | - |
| Capital assets: | | |
| Capital assets not being depreciated | 334,363 | 23,021 |
| Capital assets being depreciated, net | 5,291,808 | 157,894 |
| Total capital assets, net | 5,626,171 | 180,915 |
| Total noncurrent assets | 5,914,514 | 280,506 |
| Total assets | 5,789,444 | 782,230 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension related deferred outflows | 70,560 | - |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 98,295 | 7,839 |
| Construction contract payable | 51,146 | - |
| Due to other governments | 83,327 | 6,096 |
| Accrued payroll | 90,283 | - |
| Accrued interest payable | 1,151 | - |
| Tenant security deposits | 54,838 | 6,237 |
| Prepaid rents | 2,894 | 826 |
| Current portion of notes payable | 216,930 | - |
| Current portion of operating notes payable | 16,228 | - |
| Current portion of accrued compensated absences | 6,010 | - |
| Total current liabilities | 621,102 | 20,998 |
| Noncurrent liabilities: | | |
| Notes payable | 962,112 | - |
| Operating notes payable | 99,591 | - |
| Compensated absences | 1,282 | - |
| Total noncurrent liabilities | 1,062,985 | - |
| Total liabilities | 1,684,087 | 20,998 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension related deferred inflows | 47,512 | - |
| NET POSITION | | |
| Net investment in capital assets | 4,447,129 | 180,915 |
| Restricted | 311,391 | - |
| Unrestricted | (630,115) | 580,317 |
| Total net position | \$ 4,128,405 | \$ 761,232 |

The accompanying notes are
an integral part of these financial statements.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2023

| | Business-Type Activities | Component Unit |
|---|-------------------------------------|---------------------------|
| OPERATING REVENUES | | |
| Dwelling rental | \$ 754,828 | \$ 77,034 |
| Tenant revenue - other | 17,902 | 209 |
| Total operating revenues | <u>772,730</u> | <u>77,243</u> |
| OPERATING EXPENSES | | |
| Administration | 372,142 | 27,805 |
| Tenant services | 5,066 | - |
| Utilities | 400,299 | 40,712 |
| Maintenance and operation | 640,438 | 64,364 |
| Insurance | 58,873 | 9,658 |
| Other general expenses | 56,933 | 7,107 |
| Depreciation | 288,563 | 26,948 |
| Total operating expenses | <u>1,822,314</u> | <u>176,594</u> |
| Operating (loss) | <u>(1,049,584)</u> | <u>(99,351)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| HUD PHA grants | 893,401 | 89,705 |
| Investment income | 13,332 | 2,888 |
| Other income | 268,788 | 4,017 |
| Interest expense | (14,800) | - |
| Net nonoperating revenues (expenses) | <u>1,160,721</u> | <u>96,610</u> |
| Income before contributions | 111,137 | (2,741) |
| Capital contributions | <u>382,172</u> | <u>-</u> |
| Change in net position | <u>493,309</u> | <u>(2,741)</u> |
| Net position - beginning of year | <u>3,635,096</u> | <u>763,973</u> |
| Net position - end of year | <u>\$ 4,128,405</u> | <u>\$ 761,232</u> |

The accompanying notes are
an integral part of these financial statements.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA,
STATEMENT OF CASH FLOWS - PAGE 1 OF 2
YEAR ENDED DECEMBER 31, 2023**

| | Business-Type Activities | Component Unit |
|---|-------------------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from tenants | \$ 763,639 | \$ 76,280 |
| Payments to employees | (413,414) | - |
| Payments to others for goods and services | (1,211,954) | (148,812) |
| Payments in lieu of taxes | (28,826) | - |
| Tenant deposits received | 8,205 | 936 |
| Tenant deposits refunded or retained | (8,400) | (1,055) |
| Net cash provided by (used in) operating activities | (890,750) | (72,651) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| Operating grants received | 893,401 | 89,705 |
| Internal balance advances | 177,439 | (177,439) |
| Other income | 349,087 | 4,469 |
| Deposits to mortgage escrow accounts | (131,682) | - |
| Withdrawals from mortgage escrow accounts | 137,592 | - |
| Net cash provided by (used in) non-capital financing activities | 1,425,837 | (83,265) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Capital grants received | 389,594 | - |
| Acquisition of capital assets | (696,311) | (75,787) |
| Principal payments on notes payable | (211,875) | - |
| Principal payments on operating notes payable | (13,327) | - |
| Interest payments on notes payable | (15,253) | - |
| Net cash provided by (used in) capital and related financing activities | (547,172) | (75,787) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment income | 13,089 | 2,888 |
| Principal payments received on note receivable | - | 13,326 |
| Net cash provided by (used in) investing activities | 13,089 | 16,214 |
| Change in cash | 1,004 | (215,489) |
| Balances - beginning of year | 121,940 | 339,184 |
| Balances - end of year | \$ 122,944 | \$ 123,695 |

The accompanying notes are an integral part
of these financial statements.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA,
STATEMENT OF CASH FLOWS - PAGE 2 of 2
YEAR ENDED DECEMBER 31, 2023**

| | Business-Type Activities | Component Unit |
|---|-------------------------------------|---------------------------|
| Reconciliation of operating (loss) to net cash provided by (used in) operating activities: | | |
| Operating (Loss) | \$ (1,049,584) | \$ (99,351) |
| Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation | 288,563 | 26,948 |
| Change in operating assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts receivable - tenants | (8,690) | (1,719) |
| Prepaid expenses | (12,419) | (185) |
| Inventories | 19,979 | - |
| Pension related assets | 1,483 | - |
| Increase (decrease) in: | | |
| Accounts payable | (213,790) | (2,645) |
| Accrued payroll | 84,153 | - |
| Accrued compensated absences | (7,092) | - |
| Prepaid rents | (401) | 756 |
| Due to other governments | 7,243 | 3,664 |
| Tenants security deposits | (195) | (119) |
| Net cash provided by (used in) operating activities | \$ (890,750) | \$ (72,651) |

The accompanying notes are an integral part
of these financial statements.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota (Commission) was organized in 1972 pursuant to the Municipal Housing and Redevelopment Act of South Dakota as a public housing agency formed to provide financial assistance for low income public housing pursuant to the United States Housing Act of 1937, (42 U.S.C. 1401, et seq.). The mayor and city commission appoint the five members of the governing board for five year staggered terms. The public housing authority (PHA) board elects its own chairperson and recruits and employs its management personnel and other workers. The local governing board of the City of Hot Springs, South Dakota retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the governing board the ability to impose its will on the Commission.

The primary government is the City of Hot Springs, South Dakota.

The Governmental Accounting Standards Board (GASB) establishes the criteria for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the primary government appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. Organizations for which the Commission is not financially accountable are also included when doing so is necessary in order to prevent the Commission's financial statements from being misleading.

The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the Commission.

The Fall River Housing & Redevelopment Commission was organized in May 1976 under the authority of South Dakota Codified Law 11-7-7 as a public housing agency formed to provide financial assistance for low income public housing pursuant to the United States Housing Act of 1937, (42 U.S.C. 1401, et seq.). Four of the five commissioners serve on both Hot Springs and Fall River housing authorities and Fall River Housing and Redevelopment is managed by Hot Springs Housing and Redevelopment Commission.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Reporting Entity, continued

No separate audited financial statements for the component unit are issued. Separate unaudited financial statements for The Fall River Housing & Redevelopment Commission can be obtained from their administrative office at 201 S River, Hot Springs, South Dakota 57747.

Nature of Business

The Commission administers HUD Project SD019-001 under Annual Contribution Contract C-866, which consists of 100 conventional low rent units. In addition, the Commission operates South Dakota Housing Development Authority (SDHDA) Project SD 99-H001-057 a historical landmark known as the Evans Hotel (the Project), which has 85 Section 8 units. The Commission acts as a management agent for the Fall River Housing and Redevelopment Commission which owns 24 units of Section 8 housing in Edgemont, South Dakota.

There is a joint powers agreement between Pennington County Housing and Redevelopment Commission and the Housing and Redevelopment Commission of the City of Hot Springs, South Dakota. It is agreed to by the parties for Pennington County Housing and Redevelopment Commission to operate, manage and administer the HUD Section 8 Housing Choice Vouchers of Hot Springs in Fall River County, South Dakota. No monies have been exchanged nor are due as of and for the year ended December 31, 2023, relating to this agreement.

Basis of Presentation

All activities of the Commission are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Cash and Cash Equivalents

For purposes of financial statement reporting, the Commission considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Certificates of deposit, regardless of maturity, are considered to be cash equivalents.

Accounts Receivable

All tenant accounts receivable are shown net of an allowance for doubtful accounts. Receivables from vacated tenants comprise the allowance.

Inventories

Inventories consist of supplies or fuel, and are valued at cost. Inventory items are initially recorded as assets and charged to expense as they are consumed.

Capital Assets

All acquisitions of property and equipment in excess of \$1,000 and all costs for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets, continued

Purchased capital assets are recorded at cost. Donated capital assets are valued at their estimated fair value on the date donated. Interest costs incurred during construction of capital assets are capitalized along with other capital asset costs. Depreciation is computed by the straight-line method over the following estimated useful lives:

| | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings | 40 |
| Building improvements | 15 |
| Improvements other than buildings | 15 |
| Furniture and equipment | 3-10 |

Land is an inexhaustible capital asset and is not depreciated.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of net position may report a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

Long-Term Liabilities

Long-term liabilities primarily consist of notes payable and compensated absences. Under terms of employment, employees are granted vacation leave in varying amounts. All vested vacation is accrued when incurred and is presented as compensated absences in the financial statements. Payments for vacation leave will be made at rates in effect when the benefits are used.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Pensions

For purposes of measuring the net pension (asset)/liability, deferred outflows of resources and deferred inflows of resources related to pensions, the pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS), and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. The Commission contributions and net pension asset are recognized on an accrual basis of accounting.

Other Postemployment Benefits

The Commission does not provide any other postemployment benefits to employees.

Fraud Recovery

The U.S. Department of Housing and Urban Development (HUD) requires the Commission to account for monies recovered from tenants who committed fraud or misrepresentation on the application process for rent calculations and now owe additional rent for prior periods or retroactive rent as fraud recovery. The monies recovered are shared by HUD and the local authority.

Equity Classifications

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

- a. Net investment 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.
- b. Restricted net position - Is a net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted net position - Any net position that does not meet the definition of "restricted" or "net investment in capital assets."

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 which both restricted and unrestricted net position are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the entity. For the Commission, these revenues are charges for dwelling rents. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the entity. Revenues and expenses not meeting these definitions are reported as nonoperating. The primary nonoperating revenue is federal grants.

Use of Estimates

The preparation of financial statements in accordance 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 income and expense during the reporting period. Actual results could differ from those estimates.

Budgets

The Commission is not legally required to adopt a budget, however the Commission is contractually required by HUD to approve an annual operating budget for its HUD programs. Capital fund budgets are adopted on a "project length" basis. The budgets are prepared in accordance with HUD requirements and therefore, are not comparable to the GAAP financial presentation in this report. Therefore, budgetary data is not included in the basic financial statements.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

Deposits - The Commission's deposits are made in qualified public depositories as defined by SDCL 4-6A-1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial risk. As of December 31, 2023, the Commission's deposits were insured or collateralized and were not exposed to custodial credit risk.

Investments – As of December 31, 2023, the Commission had no investments.

Authorized Investments by the Commission – The Commission does not have a formal investment policy that further limits investments beyond those imposed by statutes.

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.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK, continued

Credit 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. As of December 31, 2023, the Commission had no investments.

Concentration of Credit Risk - The Commission places no limit on the amount that may be invested in anyone issuer. As of December 31, 2023, the Commission had no investments.

3. MORTGAGE ESCROW DEPOSITS HELD IN TRUST

The Commission has entered into a Regulatory Agreement with South Dakota Housing Development Authority (SDHDA) in conjunction with the Project which requires certain funds on deposit in designated reserve accounts for restricted use in paying designated costs and expenses. Those funds are held in trust by SDHDA and are invested by them in cash deposits or reinvestments in obligations of or fully guaranteed as to principal by the United States of America. These deposits totaled \$287,455 at December 31, 2023.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

| Business-Type Activities: | Beginning Balances | Increases | Decreases | Transfers | Ending Balances |
|---|-----------------------|-------------------|-------------|------------------|---------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 127,652 | \$ - | \$ - | \$ - | \$ 127,652 |
| Construction in progress | 155,420 | 382,172 | - | (330,881) | 206,711 |
| Total capital assets not being depreciated | <u>283,072</u> | <u>382,172</u> | <u>-</u> | <u>(330,881)</u> | <u>334,363</u> |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 8,832,398 | 171,392 | - | 347,634 | 9,351,424 |
| Furniture and equipment | 755,660 | 193,894 | - | (16,753) | 932,801 |
| Total capital assets being depreciated | <u>9,588,058</u> | <u>365,286</u> | <u>-</u> | <u>330,881</u> | <u>10,284,225</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | 4,328,248 | 225,494 | - | - | 4,553,742 |
| Furniture and equipment | 375,605 | 63,070 | - | - | 438,675 |
| Total accumulated depreciation | <u>4,703,853</u> | <u>288,564</u> | <u>-</u> | <u>-</u> | <u>4,992,417</u> |
| Total capital assets being depreciated, net | <u>4,884,205</u> | <u>76,722</u> | <u>-</u> | <u>330,881</u> | <u>5,291,808</u> |
| Capital assets, net | <u>\$ 5,167,277</u> | <u>\$ 458,894</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,626,171</u> |

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

4. CAPITAL ASSETS, continued

| Component Unit: | Beginning Balances | Increases | Decreases | Transfers | Ending Balances |
|---|-----------------------|------------------|-------------|-------------|--------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 23,021 | \$ - | \$ - | \$ - | \$ 23,021 |
| Total capital assets not being depreciated | <u>23,021</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>23,021</u> |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 829,744 | 75,787 | - | - | 905,531 |
| Furniture and equipment | 49,867 | - | - | - | 49,867 |
| Total capital assets being depreciated | <u>879,611</u> | <u>75,787</u> | <u>-</u> | <u>-</u> | <u>955,398</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | 721,050 | 26,822 | - | - | 747,872 |
| Furniture and equipment | 49,506 | 126 | - | - | 49,632 |
| Total accumulated depreciation | <u>770,556</u> | <u>26,948</u> | <u>-</u> | <u>-</u> | <u>797,504</u> |
| Total capital assets being depreciated, net | <u>109,055</u> | <u>48,839</u> | <u>-</u> | <u>-</u> | <u>157,894</u> |
| Capital assets, net | <u>\$ 132,076</u> | <u>\$ 48,839</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 180,915</u> |

5. DUE TO OTHER GOVERNMENTS

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 due as of December 31, 2023, was \$83,327.

6. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|----------------------|----------------------|-------------|---------------------|--------------------|------------------------|
| Notes Payable | \$ 1,520,063 | \$ - | \$ (225,202) | \$1,294,861 | \$ 233,158 |
| Compensated Absences | <u>14,384</u> | <u>-</u> | <u>(7,092)</u> | <u>7,292</u> | <u>6,010</u> |
| Total | <u>\$ 1,534,447</u> | <u>\$ -</u> | <u>\$ (232,294)</u> | <u>\$1,302,153</u> | <u>\$ 239,168</u> |

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

6. LONG-TERM LIABILITIES, continued

Notes payable at December 31, 2023, is comprised of the following:

| | |
|--|----------------------------|
| Mortgage payable (2nd mortgage) - South Dakota Housing Development Authority, monthly installments of \$17,747 deferred until January 2021 including interest at 2.50%, due December 2025; secured by land, building and equipment | \$ 415,042 |
| Mortgage payable (3rd mortgage) - South Dakota Housing Development Authority, irregular installments deferred until September 2021 including interest at 0%, due September 2029; secured by land, building and equipment | 764,000 |
| Note payable due to Fall River Housing and Redevelopment Commission: \$220,000 dated August 7, 2014; final maturity date September, 2029; 3% interest rate; monthly payments of \$1,519 beginning July 1, 2015; unsecured | <u>115,819</u> |
| Total | <u><u>\$ 1,294,861</u></u> |

The annual requirements to amortize debt outstanding as of December 31, 2023, excluding compensated absences are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|----------------------------|-------------------------|----------------------------|
| 2024 | 233,158 | 11,561 | \$ 244,719 |
| 2025 | 237,567 | 5,633 | 243,200 |
| 2026 | 237,925 | 2,306 | 240,231 |
| 2027 | 238,409 | 1,822 | 240,231 |
| 2028 | 238,908 | 1,323 | 240,231 |
| 2029-2033 | <u>108,894</u> | <u>1,087</u> | <u>109,981</u> |
| Total | <u><u>\$ 1,294,861</u></u> | <u><u>\$ 23,732</u></u> | <u><u>\$ 1,318,593</u></u> |

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

6. LONG-TERM LIABILITIES, continued

In connection with obtaining the financing from South Dakota Housing Development Authority, the Project has entered into a Regulatory Agreement which provides, in part, for the following:

- a. Rents may not exceed those established by South Dakota Housing Development Authority.
- b. The Project is required to keep certain funds on deposit in designated "reserve" accounts for restricted use in paying designated costs and expenses. These accounts, whether in the form of a cash deposit or reinvestment in obligations of or fully guaranteed as to principal by the United States of America, shall at all times be under the control of South Dakota Housing Development Authority (SDHDA). The development cost escrow reserve fund was established with loan funds at loan closing. This fund is available in the event of any required design modifications of the Project or to cover any delinquent mortgage payments. The residual receipts reserve is funded annually by the Project. The annual required deposit varies and generally represents the excess of cash and certain receivables over certain current obligations of the Project at year end. The funds are accumulated for the financial benefit of the Project and may be utilized only at the sale discretion of the SDHDA. Other required reserves are for replacements, decorating, taxes and insurance. These reserves require monthly deposits and are designated for the purposes described by their titles.
- c. The Project may not make any capital expenditures not approved by the SDHDA.
- d. The term of the Regulatory Agreement is to maturity or termination of the insured mortgage.

7. MANAGEMENT AGREEMENT

The Commission entered into a Regulatory Agreement Assumption Agreement with South Dakota Housing Development Authority on November 30, 2007. The agreement provided in part for the payment of a management fee in an amount equal to 6.1 % of the gross rents received during the year excluding vacancies. Management fees earned totaled \$47,590 for the year ended December 31, 2023.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

8. RESTRICTED NET POSITION

As of December 31, 2023, net position restrictions as shown on the Statement of Net Position are the reserve for replacements in the amount of \$287,455, the access to which is controlled by the revenue bond holder and net pension (asset)/liability components in the amount of \$23,936, which recognizes the Commission's proportionate share of the restricted net pension (asset)/liability resulting from their membership in the South Dakota Retirement System.

9. PENSION PLAN

Plan Information

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

Benefits Provided

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

9. PENSION PLAN, continued

Benefits Provided, continued

All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 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 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, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

9. PENSION PLAN, continued

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Commission's share of contributions to the SDRS for the fiscal years ended December 31, 2023, 2022 and 2021 was \$15,361, \$11,857 and \$11,156 respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2023, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System, for the Commission as of the measurement period ending June 30, 2023 and reported by the Commission as of December 31, 2023, are as follows:

| | |
|--|------------------|
| Proportionate share of pension liability | \$1,318,943 |
| Less proportionate share of net pension restricted for pension benefits | <u>1,319,831</u> |
| Proportionate share of net pension liability (asset) | <u>\$ (888)</u> |

At December 31, 2023, the Commission reported a liability (asset) of \$(888) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023 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, 2023, the Commission's proportion was 0.00910200% which is an increase (decrease) of 0.0016840% from its proportion measured as of June 30, 2022.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

9. PENSION PLAN, continued

Pension Liabilities (Assets), Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions, continued:

For the year ended December 31, 2023, the Commission recognized a pension expense (reduction of pension expense) of \$1,481. At December 31, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 25,182 | \$ - |
| Changes in assumptions | 30,373 | 44,399 |
| Net difference between projected and actual earnings on pension plan investments | 5,915 | - |
| Changes in proportion and difference between Commission contributions and proportionate share of contributions | 817 | 3,113 |
| Commission contributions subsequent to the measurement date | 8,273 | - |
| Total | \$ 70,560 | \$ 47,512 |

\$8,273 reported as deferred outflow of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

| Year Ended December 31 | | |
|---------------------------|----|----------|
| 2024 | \$ | 11,539 |
| 2025 | | (14,089) |
| 2026 | | 16,384 |
| 2027 | | 941 |
| 2028 | | - |
| Total | \$ | 14,775 |

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

9. PENSION PLAN, continued

Actuarial Assumptions

The total pension liability/(asset) in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|--|
| Inflation | 2.50 percent |
| Salary Increases | Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service |
| Discount Rate | 6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00% |
| Future COLAs | 1.91% |

Mortality Rates

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2022.

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 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 HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

9. PENSION PLAN, continued

Actuarial Assumptions, continued

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 weighing 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, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------|------------------------------|---|
| Public Equity | 56.3% | 3.8% |
| Investment Grade Debt | 22.8% | 1.7% |
| High Yield Debt | 7.0% | 2.7% |
| Real Estate | 12.0% | 3.5% |
| Cash | 1.9% | 0.8% |
| Total | <u>100%</u> | |

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.50%. 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).

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

9. PENSION PLAN, continued

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

The following presents the Commission's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, 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 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|-------------|--------------------------|--------------|
| Commission's proportionate share of the net pension liability/(asset) | \$ 182,090 | \$ (888) | \$ (150,530) |

Pension Plan Fiduciary Net Position

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

10. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During the year ended December 31, 2023 the Commission managed its risks as follows:

Employee Health Insurance

The Commission purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance

The Commission purchases liability insurance related to torts, theft, or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

10. RISK MANAGEMENT, continued

Worker's Compensation

The Commission purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits

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.

11. RELATED PARTY TRANSACTIONS

Fall River Housing & Redevelopment Commission paid \$22,817 and \$0- to the Housing and Redevelopment Commission of the City of Hot Springs related to management fees and maintenance and operations, respectively for the year ended December 31, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOTSPRINGS, SOUTH DAKOTA**

SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION (ASSET)/LIABILITY

South Dakota Retirement System

Last 10 Years *

| | <u>2023</u> | | <u>2022</u> | | <u>2021</u> | | <u>2020</u> | | <u>2019</u> |
|---|-------------|----|-------------|----|-------------|----|-------------|----|-------------|
| Commission's proportion of the net pension liability/asset | 0.0091020% | | 0.0074180% | | 0.0081350% | | 0.0081346% | | 0.0084987% |
| Commission's proportionate share of net pension liability (asset) | \$ (888) | \$ | (701) | \$ | (62,300) | \$ | (353) | \$ | (901) |
| Commission's covered-employee payroll | \$ 227,101 | \$ | 174,743 | \$ | 197,597 | \$ | 176,986 | \$ | 181,177 |
| Commission's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 0.39% | | 0.40% | | 31.53% | | 0.20% | | 0.50% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 100.10% | | 100.10% | | 105.52% | | 100.04% | | 100.09% |
| | <u>2018</u> | | <u>2017</u> | | <u>2016</u> | | <u>2015</u> | | |
| Commission's proportion of the net pension liability/asset | 0.0074358% | | 0.0074958% | | 0.0096870% | | 0.0097012% | | |
| Commission's proportionate share of net pension liability (asset) | \$ (173) | \$ | (680) | \$ | 32,722 | \$ | (41,146) | | |
| Commission's covered-employee payroll | \$ 154,585 | \$ | 152,304 | \$ | 184,053 | \$ | 177,114 | | |
| Commission's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 0.11% | | 0.45% | | 17.78% | | 23.23% | | |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 100.02% | | 100.10% | | 96.89% | | 104.10% | | |

* 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 of previous fiscal year. Until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

See Independent Auditor's Report

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

SCHEDULE OF CONTRIBUTIONS

South Dakota Retirement System

Last 10 Years *

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 15,361 | \$ 11,857 | \$ 11,156 | \$ 10,979 | \$ 11,729 |
| Contributions in relation to the contractually required contribution | <u>15,361</u> | <u>11,857</u> | <u>11,156</u> | <u>10,979</u> | <u>11,729</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Commission's covered-employee payroll | \$ 256,482 | \$ 189,679 | \$ 188,591 | \$ 183,484 | \$ 194,418 |
| Contributions as a percentage of covered-employee payroll | 5.99% | 6.25% | 5.92% | 5.98% | 6.03% |
| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | |
| Contractually required contribution | \$ 9,264 | \$ 9,148 | \$ 10,078 | \$ 10,786 | |
| Contributions in relation to the contractually required contribution | <u>9,264</u> | <u>9,148</u> | <u>10,078</u> | <u>10,786</u> | |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | |
| Commission's covered-employee payroll | \$ 160,390 | \$ 152,472 | \$ 167,827 | \$ 179,766 | |
| Contributions as a percentage of covered-employee payroll | 5.78% | 6.00% | 6.00% | 6.00% | |

* Until a full 10-year trend is compiled, the Commission will present information for those years for which information is available

See Independent Auditor's Report

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions

Changes From Prior Valuation

The June 30, 2023 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2022 Actuarial Valuation.

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

Benefit Provision Changes

During the 2023 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial Method Changes

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

Actuarial Assumption Changes

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

As of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum Cola ASSUMPTION OF 2.10%.

As of June 30, 2023 the FVFR assuming future COLA's equal the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions

Actuarial Assumption Changes, continued

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

SUPPLEMENTARY INFORMATION

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA

FINANCIAL DATA SCHEDULE - BALANCE SHEET
DECEMBER 31, 2023

| Line Item No. | Description | Total Programs | Eliminations | Total Low Rent and Capital Fund | 14.856 | |
|---------------|--|---------------------|---------------------|---------------------------------|---------------------|-------------------|
| | | | | | N/C S/R Section 8 | Component Unit |
| 111 | Cash - Unrestricted | \$ 185,564 | \$ - | \$ 66,219 | \$ 1,887 | \$ 117,458 |
| 112 | Cash - Restricted - Modernization and Development | \$ 287,455 | \$ - | \$ - | \$ 287,455 | \$ - |
| 113 | Cash - Other Restricted | \$ - | \$ - | \$ - | \$ - | \$ - |
| 114 | Cash - Tenant Security Deposits | \$ 61,075 | \$ - | \$ 29,473 | \$ 25,365 | \$ 6,237 |
| 115 | Cash - Restricted for Payment of Current Liabilities | \$ - | \$ - | \$ - | \$ - | \$ - |
| 100 | Total Cash | \$ 534,094 | \$ - | \$ 95,692 | \$ 314,707 | \$ 123,695 |
| 121 | Accounts Receivable - PHA Projects | \$ - | \$ - | \$ - | \$ - | \$ - |
| 122-010 | Operating Subsidy | \$ - | \$ - | \$ - | \$ - | \$ - |
| 122-020 | Capital Fund | \$ 6,843 | \$ - | \$ 6,843 | \$ - | \$ - |
| 122-030 | Other | \$ - | \$ - | \$ - | \$ - | \$ - |
| 122 | Accounts Receivable - HUD Other Projects | \$ 6,843 | \$ - | \$ 6,843 | \$ - | \$ - |
| 124 | Accounts Receivable - Other Government | \$ - | \$ - | \$ - | \$ - | \$ - |
| 125-010 | Not For Profit | \$ - | \$ - | \$ - | \$ - | \$ - |
| 125-020 | Partnership | \$ - | \$ - | \$ - | \$ - | \$ - |
| 125-030 | Joint Venture | \$ - | \$ - | \$ - | \$ - | \$ - |
| 125-040 | Tax Credit | \$ - | \$ - | \$ - | \$ - | \$ - |
| 125-050 | Other | \$ 548 | \$ - | \$ 548 | \$ - | \$ - |
| 125-060 | Other Comments | | | | | |
| 125 | Accounts Receivable - Miscellaneous | \$ 548 | \$ - | \$ 548 | \$ - | \$ - |
| 126 | Accounts Receivable - Tenants | \$ 59,156 | \$ - | \$ 34,204 | \$ 16,605 | \$ 8,347 |
| 126.1 | Allowance for Doubtful Accounts -Tenants | \$ (23,544) | \$ - | \$ (14,952) | \$ (4,973) | \$ (3,619) |
| 126.2 | Allowance for Doubtful Accounts - Other | \$ - | \$ - | \$ - | \$ - | \$ - |
| 127 | Notes, Loans, & Mortgages Receivable - Current | \$ 16,228 | \$ - | \$ - | \$ - | \$ 16,228 |
| 128 | Fraud Recovery | \$ - | \$ - | \$ - | \$ - | \$ - |
| 128.1 | Allowance for Doubtful Accounts - Fraud | \$ - | \$ - | \$ - | \$ - | \$ - |
| 129 | Accrued Interest Receivable | \$ 287 | \$ - | \$ 287 | \$ - | \$ - |
| 120 | Total Receivables, Net of Allowances for Doubtful Accounts | \$ 59,518 | \$ - | \$ 26,930 | \$ 11,632 | \$ 20,956 |
| 131 | Investments - Unrestricted | \$ - | \$ - | \$ - | \$ - | \$ - |
| 132 | Investments - Restricted | \$ - | \$ - | \$ - | \$ - | \$ - |
| 135 | Investments - Restricted for Payment of Current Liability | \$ - | \$ - | \$ - | \$ - | \$ - |
| 142 | Prepaid Expenses and Other Assets | \$ 39,702 | \$ - | \$ 4,817 | \$ 28,323 | \$ 6,562 |
| 143 | Inventories | \$ 30,795 | \$ - | \$ 20,010 | \$ 10,785 | \$ - |
| 143.1 | Allowance for Obsolete Inventories | \$ - | \$ - | \$ - | \$ - | \$ - |
| 144 | Inter Program Due From | \$ 350,511 | \$ (167,120) | \$ 162,358 | \$ 4,762 | \$ 350,511 |
| 145 | Assets Held for Sale | \$ - | \$ - | \$ - | \$ - | \$ - |
| 150 | Total Current Assets | \$ 1,014,620 | \$ (167,120) | \$ 309,807 | \$ 370,209 | \$ 501,724 |
| 161 | Land | \$ 150,673 | \$ - | \$ 75,752 | \$ 51,900 | \$ 23,021 |
| 162 | Buildings | \$ 10,024,248 | \$ - | \$ 5,538,600 | \$ 3,603,541 | \$ 882,107 |
| 163 | Furniture, Equipment & Machinery - Dwellings | \$ 924,014 | \$ - | \$ - | \$ 874,147 | \$ 49,867 |
| 164 | Furniture, Equipment & Machinery - Administration | \$ 58,654 | \$ - | \$ 52,712 | \$ 5,942 | \$ - |
| 165 | Leasehold Improvements | \$ - | \$ - | \$ - | \$ - | \$ - |
| 166 | Accumulated Depreciation | \$ (5,789,921) | \$ - | \$ (3,367,472) | \$ (1,624,945) | \$ (797,504) |
| 167 | Construction in Progress | \$ 206,711 | \$ - | \$ 206,711 | \$ - | \$ - |
| 168 | Infrastructure | \$ 232,707 | \$ - | \$ 148,806 | \$ 60,477 | \$ 23,424 |
| 160 | Total Capital Assets, Net of Accumulated Depreciation | \$ 5,807,086 | \$ - | \$ 2,655,109 | \$ 2,971,062 | \$ 180,915 |
| 171-010 | Not For Profit | \$ - | \$ - | \$ - | \$ - | \$ - |
| 171-020 | Partnership | \$ - | \$ - | \$ - | \$ - | \$ - |
| 171-030 | Joint Venture | \$ - | \$ - | \$ - | \$ - | \$ - |
| 171-040 | Tax Credit | \$ - | \$ - | \$ - | \$ - | \$ - |
| 171-050 | Other | \$ 99,591 | \$ - | \$ - | \$ - | \$ 99,591 |
| 171-060 | Other Comments | | | | | |
| 171 | Notes, Loans and Mortgages Receivable - Non-Current | \$ 99,591 | \$ - | \$ - | \$ - | \$ 99,591 |
| 172-010 | Not For Profit | \$ - | \$ - | \$ - | \$ - | \$ - |
| 172-020 | Partnership | \$ - | \$ - | \$ - | \$ - | \$ - |
| 172-030 | Joint Venture | \$ - | \$ - | \$ - | \$ - | \$ - |
| 172-040 | Tax Credit | \$ - | \$ - | \$ - | \$ - | \$ - |
| 172-050 | Other | \$ - | \$ - | \$ - | \$ - | \$ - |
| 172-060 | Other Comments | | | | | |
| 172 | Notes, Loans, & Mortgages Receivable - Non Current - Past Due | \$ - | \$ - | \$ - | \$ - | \$ - |
| 173 | Grants Receivable - Non Current | \$ - | \$ - | \$ - | \$ - | \$ - |
| 174-010 | Not For Profit | \$ - | \$ - | \$ - | \$ - | \$ - |
| 174-020 | Partnership | \$ - | \$ - | \$ - | \$ - | \$ - |
| 174-030 | Joint Venture | \$ - | \$ - | \$ - | \$ - | \$ - |
| 174-040 | Tax Credit | \$ - | \$ - | \$ - | \$ - | \$ - |
| 174-050 | Other | \$ 888 | \$ - | \$ 888 | \$ - | \$ - |
| 174-060 | Other Comments | | | SDRS Pension Asset | | |
| 174 | Other Assets | \$ 888 | \$ - | \$ 888 | \$ - | \$ - |
| 176-010 | Not For Profit | \$ - | \$ - | \$ - | \$ - | \$ - |
| 176-020 | Partnership | \$ - | \$ - | \$ - | \$ - | \$ - |

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA

FINANCIAL DATA SCHEDULE - BALANCE SHEET
DECEMBER 31, 2023

| Line Item No. | Description | Total Programs | Eliminations | Total Low Rent and Capital Fund | 14.856 | |
|---------------|--|----------------|--------------|---------------------------------|-------------------|----------------|
| | | | | | N/C S/R Section 8 | Component Unit |
| 176-030 | Joint Venture | \$ - | \$ - | \$ - | \$ - | \$ - |
| 176-040 | Tax Credit | \$ - | \$ - | \$ - | \$ - | \$ - |
| 176-050 | Other | \$ - | \$ - | \$ - | \$ - | \$ - |
| 176-060 | Other Comments | | | | | |
| 176 | Investments in Joint Ventures | \$ - | \$ - | \$ - | \$ - | \$ - |
| 180 | Total Non-Current Assets | \$ 5,907,565 | \$ - | \$ 2,655,997 | \$ 2,971,062 | \$ 280,506 |
| 190 | Total Assets | \$ 6,922,185 | \$ (167,120) | \$ 2,965,804 | \$ 3,341,271 | \$ 782,230 |
| 200 | Deferred Outflow of Resources | \$ 70,560 | \$ - | \$ 70,560 | \$ - | \$ - |
| 290 | Total Assets and Deferred Outflow of Resources | \$ 6,992,745 | \$ (167,120) | \$ 3,036,364 | \$ 3,341,271 | \$ 782,230 |
| 311 | Bank Overdraft | \$ - | \$ - | \$ - | \$ - | \$ - |
| 312 | Accounts Payable <= 90 Days | \$ 76,129 | \$ - | \$ 22,460 | \$ 45,830 | \$ 7,839 |
| 313 | Accounts Payable >90 Days Past Due | \$ 30,005 | \$ - | \$ - | \$ 30,005 | \$ - |
| 321 | Accrued Wage/Payroll Taxes Payable | \$ 90,283 | \$ - | \$ 90,283 | \$ - | \$ - |
| 322 | Accrued Compensated Absences - Current Portion | \$ 6,010 | \$ - | \$ 6,010 | \$ - | \$ - |
| 324 | Accrued Contingency Liability | \$ - | \$ - | \$ - | \$ - | \$ - |
| 325 | Accrued Interest Payable | \$ 1,151 | \$ - | \$ 286 | \$ 865 | \$ - |
| 331-010 | Operating Subsidy | \$ - | \$ - | \$ - | \$ - | \$ - |
| 331-020 | Capital Fund | \$ - | \$ - | \$ - | \$ - | \$ - |
| 331-030 | Other | \$ - | \$ - | \$ - | \$ - | \$ - |
| 331 | Accounts Payable - HUD PHA Programs | \$ - | \$ - | \$ - | \$ - | \$ - |
| 332 | Account Payable - PHA Projects | \$ 51,146 | \$ - | \$ - | \$ 51,146 | \$ - |
| 333 | Accounts Payable - Other Government | \$ 89,423 | \$ - | \$ 39,629 | \$ 43,698 | \$ 6,096 |
| 341 | Tenant Security Deposits | \$ 61,075 | \$ - | \$ 29,473 | \$ 25,365 | \$ 6,237 |
| 342-010 | Operating Subsidy | \$ - | \$ - | \$ - | \$ - | \$ - |
| 342-020 | Capital Fund | \$ - | \$ - | \$ - | \$ - | \$ - |
| 342-030 | Other | \$ 3,720 | \$ - | \$ 1,229 | \$ 1,665 | \$ 826 |
| 342 | Deferred Revenues | \$ 3,720 | \$ - | \$ 1,229 | \$ 1,665 | \$ 826 |
| 343-010 | CFFP | \$ - | \$ - | \$ - | \$ - | \$ - |
| 343-020 | Capital Projects/Mortgage Revenue | \$ 216,930 | \$ - | \$ - | \$ 216,930 | \$ - |
| 343 | Current Portion of Long-term Debt - Capital Projects/Mortgage | \$ 216,930 | \$ - | \$ - | \$ 216,930 | \$ - |
| 344 | Current Portion of Long-term Debt - Operating Borrowings | \$ 16,228 | \$ - | \$ 16,228 | \$ - | \$ - |
| 345 | Other Current Liabilities | \$ - | \$ - | \$ - | \$ - | \$ - |
| 346 | Accrued Liabilities - Other | \$ - | \$ - | \$ - | \$ - | \$ - |
| 347 | Inter Program - Due To | \$ 350,511 | \$ (167,120) | \$ 32,101 | \$ 485,530 | \$ - |
| 348-010 | Not For Profit | \$ - | \$ - | \$ - | \$ - | \$ - |
| 348-020 | Partnership | \$ - | \$ - | \$ - | \$ - | \$ - |
| 348-030 | Joint Venture | \$ - | \$ - | \$ - | \$ - | \$ - |
| 348-040 | Tax Credit | \$ - | \$ - | \$ - | \$ - | \$ - |
| 348-050 | Other | \$ - | \$ - | \$ - | \$ - | \$ - |
| 348-060 | Other Comments | | | | | |
| 348 | Loan Liability - Current | \$ - | \$ - | \$ - | \$ - | \$ - |
| 310 | Total Current Liabilities | \$ 992,611 | \$ (167,120) | \$ 237,699 | \$ 901,034 | \$ 20,998 |
| 351-010 | CFFP | \$ - | \$ - | \$ - | \$ - | \$ - |
| 351-020 | Capital Projects/Mortgage Revenue | \$ 962,112 | \$ - | \$ - | \$ 962,112 | \$ - |
| 351 | Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue | \$ 962,112 | \$ - | \$ - | \$ 962,112 | \$ - |
| 352 | Long-term Debt, Net of Current - Operating Borrowings | \$ 99,591 | \$ - | \$ 99,591 | \$ - | \$ - |
| 353 | Non-current Liabilities - Other | \$ - | \$ - | \$ - | \$ - | \$ - |
| 354 | Accrued Compensated Absences - Non Current | \$ 1,282 | \$ - | \$ 1,282 | \$ - | \$ - |
| 355-010 | Not For Profit | \$ - | \$ - | \$ - | \$ - | \$ - |
| 355-020 | Partnership | \$ - | \$ - | \$ - | \$ - | \$ - |
| 355-030 | Joint Venture | \$ - | \$ - | \$ - | \$ - | \$ - |
| 355-040 | Tax Credit | \$ - | \$ - | \$ - | \$ - | \$ - |
| 355-050 | Other | \$ - | \$ - | \$ - | \$ - | \$ - |
| 355-060 | Other Comments | | | | | |
| 355 | Loan Liability - Non Current | \$ - | \$ - | \$ - | \$ - | \$ - |
| 356 | FASB 5 Liabilities | \$ - | \$ - | \$ - | \$ - | \$ - |
| 357-010 | Pension Liability | \$ - | \$ - | \$ - | \$ - | \$ - |
| 357-020 | OPEB Liability | \$ - | \$ - | \$ - | \$ - | \$ - |
| 357 | Accrued Pension and OPEB Liabilities | \$ - | \$ - | \$ - | \$ - | \$ - |
| 357 | Accrued Pension and OPEB Liabilities | \$ - | \$ - | \$ - | \$ - | \$ - |
| 350 | Total Non-Current Liabilities | \$ 1,062,985 | \$ - | \$ 100,873 | \$ 962,112 | \$ - |
| 300 | Total Liabilities | \$ 2,055,596 | \$ (167,120) | \$ 338,572 | \$ 1,863,146 | \$ 20,998 |
| 400 | Deferred Inflow of Resources | \$ 47,512 | \$ - | \$ 47,512 | \$ - | \$ - |
| 508.4 | Net Investment in Capital Assets | \$ 4,628,044 | \$ - | \$ 2,655,109 | \$ 1,792,020 | \$ 180,915 |
| 511.4 | Restricted Net Position | \$ 311,391 | \$ - | \$ 23,936 | \$ 287,455 | \$ - |

See Independent Auditor's Report

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA

FINANCIAL DATA SCHEDULE - BALANCE SHEET
DECEMBER 31, 2023

| Line Item No. | Description | Total Programs | Eliminations | Total Low Rent and Capital Fund | 14.856 | |
|---------------|--|----------------|--------------|---------------------------------|-------------------|----------------|
| | | | | | N/C S/R Section 8 | Component Unit |
| 512.4 | Unrestricted Net Position | \$ (49,798) | \$ - | \$ (28,765) | \$ (601,350) | \$ 580,317 |
| 513 | Total Equity - Net Assets / Position | \$ 4,889,637 | \$ - | \$ 2,650,280 | \$ 1,478,125 | \$ 761,232 |
| 600 | Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position | \$ 6,992,745 | \$ (167,120) | \$ 3,036,364 | \$ 3,341,271 | \$ 782,230 |

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA

FINANCIAL DATA SCHEDULE - INCOME STATEMENT
YEAR ENDED DECEMBER 31, 2023

| Line Item No. | Description | Total Programs | Eliminations | Low Rent | Capital Fund Program | N/C S/R Section 8 | Component Unit |
|---------------|---|---------------------|--------------|---------------------|----------------------|-------------------|-------------------|
| | | | | 14.850 | 14.872 | 14.856 | |
| 70300 | Net Tenant Rental Revenue | \$ 831,862 | \$ - | \$ 392,891 | \$ - | \$ 361,937 | 77,034 |
| 70400 | Tenant Revenue - Other | \$ 18,111 | \$ - | \$ 4,462 | \$ - | \$ 13,440 | 209 |
| 70500 | Total Tenant Revenue | \$ 849,973 | \$ - | \$ 397,353 | \$ - | \$ 375,377 | \$ 77,243 |
| 70600 | HUD PHA Operating Grants | \$ 983,106 | \$ - | 429,732 | \$ 80,680 | \$ 382,989 | \$ 89,705 |
| 70610 | Capital Grants | \$ 382,172 | \$ - | - | \$ 382,172 | \$ - | \$ - |
| 70710 | Management Fee | \$ 6 | \$ - | \$ - | \$ - | 6 | - |
| 70720 | Asset Management Fee | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 70730 | Book Keeping Fee | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 70740 | Front Line Service Fee | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 70750 | Other Fees | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 70700 | Total Fee Revenue | \$ 6 | \$ - | \$ - | \$ - | \$ 6 | \$ - |
| 70800 | Other Government Grants | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 71100 | Investment Income - Unrestricted | \$ 4,226 | \$ - | \$ 1,316 | \$ - | \$ 22 | 2,888 |
| 71200 | Mortgage Interest Income | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 71300 | Proceeds from Disposition of Assets Held for Sale | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 71310 | Cost of Sale of Assets | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 71400 | Fraud Recovery | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 71500 | Other Revenue | \$ 272,799 | \$ - | \$ 264,319 | \$ - | \$ 4,463 | 4,017 |
| 71600 | Gain or Loss on Sale of Capital Assets | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 72000 | Investment Income - Restricted | \$ 11,994 | \$ - | \$ - | \$ - | \$ 11,994 | \$ - |
| 70000 | Total Revenue | \$ 2,504,276 | \$ - | \$ 1,092,720 | \$ 462,852 | \$ 774,851 | \$ 173,853 |
| 91100 | Administrative Salaries | \$ 134,216 | \$ - | \$ 104,036 | \$ - | \$ 30,180 | \$ - |
| 91200 | Auditing Fees | \$ 46,338 | \$ - | \$ 6,809 | \$ - | \$ 39,529 | \$ - |
| 91300-010 | To PHA Administered Program (i.e., COCC) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 91300-020 | To a Third Party/Outside Entity | \$ 104,591 | \$ - | \$ 34,184 | \$ - | \$ 47,590 | 22,817 |
| 91300 | Management Fee | \$ 104,591 | \$ - | \$ 34,184 | \$ - | \$ 47,590 | \$ 22,817 |
| 91300 | Management Fee | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 91310 | Book-keeping Fee | \$ 9,687 | \$ - | \$ 9,687 | \$ - | \$ - | \$ - |
| 91400 | Advertising and Marketing | \$ 6,691 | \$ - | \$ 6,671 | \$ - | \$ 20 | \$ - |
| 91500 | Employee Benefit contributions - Administrative | \$ 26,687 | \$ - | \$ 26,687 | \$ - | \$ - | \$ - |
| 91600 | Office Expenses | \$ 65,127 | \$ - | \$ 56,582 | \$ - | \$ 4,325 | 4,220 |
| 91700 | Legal Expense | \$ 3,014 | \$ - | \$ - | \$ - | \$ 2,246 | 768 |
| 91800 | Travel | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 91810 | Allocated Overhead | \$ 227 | \$ - | \$ 227 | \$ - | \$ - | \$ - |
| 91900 | Other | \$ 3,369 | \$ - | \$ - | \$ - | \$ 3,369 | \$ - |
| 91000 | Total Operating - Administrative | \$ 399,947 | \$ - | \$ 244,883 | \$ - | \$ 127,259 | \$ 27,805 |
| 92000 | Asset Management Fee | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 92100 | Tenant Services - Salaries | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 92200 | Relocation Costs | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 92300 | Employee Benefit Contributions - Tenant Services | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 92400 | Tenant Services - Other | \$ 5,066 | \$ - | \$ 5,066 | \$ - | \$ - | \$ - |
| 92500 | Total Tenant Services | \$ 5,066 | \$ - | \$ 5,066 | \$ - | \$ - | \$ - |
| 93100 | Water | \$ 29,122 | \$ - | \$ 13,095 | \$ - | \$ 13,662 | 2,365 |
| 93200 | Electricity | \$ 162,272 | \$ - | \$ 68,372 | \$ - | \$ 56,123 | 37,777 |
| 93300 | Gas | \$ 175,781 | \$ - | \$ 77,465 | \$ - | \$ 98,316 | \$ - |
| 93400 | Fuel | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 93500 | Labor | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 93600 | Sewer | \$ 65,507 | \$ - | \$ 34,530 | \$ - | \$ 30,407 | 570 |
| 93700 | Employee Benefit Contributions - Utilities | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 93800 | Other Utilities Expense | \$ 8,329 | \$ - | \$ - | \$ - | \$ 8,329 | \$ - |
| 93000 | Total Utilities | \$ 441,011 | \$ - | \$ 193,462 | \$ - | \$ 206,837 | \$ 40,712 |
| 94100 | Ordinary Maintenance and Operations - Labor | \$ 254,695 | \$ - | \$ 210,115 | \$ - | \$ 44,580 | \$ - |
| 94200 | Ordinary Maintenance and Operations - Materials and Other | \$ 132,185 | \$ - | \$ 81,623 | \$ - | \$ 35,361 | 15,201 |
| 94300-010 | Garbage and Trash Removal Contracts | \$ 24,455 | \$ - | \$ 12,708 | \$ - | \$ 8,406 | 3,341 |
| 94300-020 | Heating & Cooling Contracts | \$ 39,854 | \$ - | \$ 6,207 | \$ - | \$ 33,647 | \$ - |
| 94300-030 | Snow Removal Contracts | \$ 2,078 | \$ - | \$ 1,728 | \$ - | \$ 350 | \$ - |
| 94300-040 | Elevator Maintenance Contracts | \$ 36,219 | \$ - | \$ 14,436 | \$ - | \$ 21,783 | \$ - |
| 94300-050 | Landscape & Grounds Contracts | \$ 23,414 | \$ - | \$ 5,977 | \$ - | \$ 4,241 | 13,196 |
| 94300-060 | Unit Turnaround Contracts | \$ 84 | \$ - | \$ 84 | \$ - | \$ - | \$ - |
| 94300-070 | Electrical Contracts | \$ 2,715 | \$ - | \$ 1,292 | \$ - | \$ 1,423 | \$ - |
| 94300-080 | Plumbing Contracts | \$ 249 | \$ - | \$ - | \$ - | \$ 249 | \$ - |
| 94300-090 | Extermination Contracts | \$ 7,800 | \$ - | \$ 4,575 | \$ - | \$ 2,275 | 950 |

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA

FINANCIAL DATA SCHEDULE - INCOME STATEMENT
YEAR ENDED DECEMBER 31, 2023

| Line Item No. | Description | Total Programs | Eliminations | 14.850 Low Rent | 14.872 Capital Fund Program | 14.856 N/C S/R Section 8 | Component Unit |
|---------------|--|---------------------|--------------|---------------------|--------------------------------|-----------------------------|-------------------|
| 94300-100 | Janitorial Contracts | \$ 2,700 | \$ - | \$ - | \$ - | \$ 2,700 | \$ - |
| 94300-110 | Routine Maintenance Contracts | \$ 25,175 | \$ - | \$ 3,057 | \$ - | \$ 22,118 | \$ - |
| 94300-120 | Miscellaneous Contracts | \$ 78,221 | \$ - | \$ 16,505 | \$ - | \$ 30,040 | \$ 31,676 |
| 94300 | Ordinary Maintenance and Operations Contracts | \$ 242,964 | \$ - | \$ 66,569 | \$ - | \$ 127,232 | \$ 49,163 |
| 94500 | Employee Benefit Contributions - Ordinary Maintenance | \$ 74,958 | \$ - | \$ 74,958 | \$ - | \$ - | \$ - |
| 94000 | Total Maintenance | \$ 704,802 | \$ - | \$ 433,265 | \$ - | \$ 207,173 | \$ 64,364 |
| 95100 | Protective Services - Labor | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 95200 | Protective Services - Other Contract Costs | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 95300 | Protective Services - Other | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 95500 | Employee Benefit Contributions - Protective Services | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 95000 | Total Protective Services | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 96110 | Property Insurance | \$ 57,521 | \$ - | \$ 19,909 | \$ - | \$ 27,954 | \$ 9,658 |
| 96120 | Liability Insurance | \$ 465 | \$ - | \$ 465 | \$ - | \$ - | \$ - |
| 96130 | Workmen's Compensation | \$ 7,287 | \$ - | \$ 7,287 | \$ - | \$ - | \$ - |
| 96140 | All Other Insurance | \$ 3,258 | \$ - | \$ 3,258 | \$ - | \$ - | \$ - |
| 96100 | Total insurance Premiums | \$ 68,531 | \$ - | \$ 30,919 | \$ - | \$ 27,954 | \$ 9,658 |
| 96200 | Other General Expenses | \$ 200 | \$ - | \$ - | \$ - | \$ 200 | \$ - |
| 96210 | Compensated Absences | \$ 1,402 | \$ - | \$ 1,402 | \$ - | \$ - | \$ - |
| 96300 | Payments in Lieu of Taxes | \$ 39,733 | \$ - | \$ 19,943 | \$ - | \$ 16,126 | \$ 3,664 |
| 96400 | Bad debt - Tenant Rents | \$ 22,705 | \$ - | \$ 6,967 | \$ - | \$ 12,295 | \$ 3,443 |
| 96500 | Bad debt - Mortgages | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 96600 | Bad debt - Other | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 96800 | Severance Expense | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 96000 | Total Other General Expenses | \$ 64,040 | \$ - | \$ 28,312 | \$ - | \$ 28,621 | \$ 7,107 |
| 96710 | Interest of Mortgage (or Bonds) Payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 96720 | Interest on Notes Payable (Short and Long Term) | \$ 14,800 | \$ - | \$ 2,123 | \$ - | \$ 12,677 | \$ - |
| 96730 | Amortization of Bond Issue Costs | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 96700 | Total Interest Expense and Amortization Cost | \$ 14,800 | \$ - | \$ 2,123 | \$ - | \$ 12,677 | \$ - |
| 96900 | Total Operating Expenses | \$ 1,698,197 | \$ - | \$ 938,030 | \$ - | \$ 610,521 | \$ 149,646 |
| 97000 | Excess of Operating Revenue over Operating Expenses | \$ 806,079 | \$ - | \$ 154,690 | \$ 462,852 | \$ 164,330 | \$ 24,207 |
| 97100 | Extraordinary Maintenance | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 97200 | Casualty Losses - Non-capitalized | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 97300 | Housing Assistance Payments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 97350 | HAP Portability-In | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 97400 | Depreciation Expense | \$ 315,511 | \$ - | \$ 167,148 | \$ - | \$ 121,415 | \$ 26,948 |
| 97500 | Fraud Losses | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 97600 | Capital Outlays - Governmental Funds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 97700 | Debt Principal Payment - Governmental Funds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 97800 | Dwelling Units Rent Expense | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 90000 | Total Expenses | \$ 2,013,708 | \$ - | \$ 1,105,178 | \$ - | \$ 731,936 | \$ 176,594 |
| 10010 | Operating Transfer In | \$ - | \$ (75,533) | \$ 75,533 | \$ - | \$ - | \$ - |
| 10020 | Operating transfer Out | \$ - | \$ 75,533 | \$ - | \$ (75,533) | \$ - | \$ - |
| 10030-010 | Not For Profit | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 10030-020 | Partnership | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 10030-030 | Joint Venture | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 10030-040 | Tax Credit | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 10030-050 | Other | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 10030-060 | Other Comments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 10030 | Operating Transfers from/to Primary Government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 10040 | Operating Transfers from/to Component Unit | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 10050 | Proceeds from Notes, Loans and Bonds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 10060 | Proceeds from Property Sales | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 10070 | Extraordinary Items, Net Gain/Loss | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 10080 | Special Items (Net Gain/Loss) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 10091 | Inter Project Excess Cash Transfer In | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 10092 | Inter Project Excess Cash Transfer Out | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 10093 | Transfers between Program and Project - In | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 10094 | Transfers between Project and Program - Out | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 10100 | Total Other financing Sources (Uses) | \$ - | \$ - | \$ 75,533 | \$ (75,533) | \$ - | \$ - |

THE HOUSING AND REDEVELOPMENT COMMISSION OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA

FINANCIAL DATA SCHEDULE - INCOME STATEMENT
YEAR ENDED DECEMBER 31, 2023

| | | | | 14.850 | 14.872 | 14.856 | |
|---------------|--|----------------|--------------|--------------|----------------------|-------------------|----------------|
| Line Item No. | Description | Total Programs | Eliminations | Low Rent | Capital Fund Program | N/C S/R Section 8 | Component Unit |
| 10000 | Excess (Deficiency) of Total Revenue Over (Under) Total | \$ 490,568 | \$ - | \$ 63,075 | \$ 387,319 | \$ 42,915 | \$ (2,741) |
| 11020 | Required Annual Debt Principal Payments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11030 | Beginning Equity | \$ 4,399,069 | \$ - | \$ 2,199,886 | \$ - | \$ 1,435,210 | \$ 763,973 |
| 11040-010 | Prior Period Adjustments and Correction of Errors | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11040-020 | Prior Period Adjustments and Correction of Errors | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11040-030 | Prior Period Adjustments and Correction of Errors | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11040-040 | Prior Period Adjustments and Correction of Errors | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11040-050 | Prior Period Adjustments and Correction of Errors | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11040-060 | Prior Period Adjustments and Correction of Errors | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11040-070 | Equity Transfers | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11040-080 | Equity Transfers | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11040-090 | Equity Transfers | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11040-100 | Equity Transfers | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11040-110 | Equity Transfers | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11040 | Prior Period Adjustments, Equity Transfers and Correction of | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11050 | Changes in Compensated Absence Balance | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11060 | Changes in Contingent Liability Balance | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11070 | Changes in Unrecognized Pension Transition Liability | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11080 | Changes in Special Term/Severance Benefits Liability | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11090 | Changes in Allowance for Doubtful Accounts - Dwelling Rents | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11100 | Changes in Allowance for Doubtful Accounts - Other | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11170 | Administrative Fee Equity | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11180 | Housing Assistance Payments Equity | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11190 | Unit Months Available | \$ 2,492 | \$ - | \$ 1,184 | \$ - | \$ 1,020 | \$ 288 |
| 11210 | Number of Unit Months Leased | \$ 2,290 | \$ - | \$ 1,138 | \$ - | \$ 910 | \$ 242 |
| 11270 | Excess Cash | \$ (1,913) | \$ - | \$ (1,913) | \$ - | \$ - | \$ - |
| 11610 | Land Purchases | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11620 | Building Purchases | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11630 | Furniture & Equipment - Dwelling Purchases | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11640 | Furniture & Equipment - Administrative Purchases | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11650 | Leasehold Improvements Purchases | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11660 | Infrastructure Purchases | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 13510 | CFFP Debt Service Payments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 13901 | Replacement Housing Factor Funds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA

Financial Data Schedule - Memo Account Information
Year Ended December 31, 2023

| Financial Statements | | |
|-----------------------------|--|--------------|
| Element | Description | Value |
| G3000-005 | Financial Statements Using Basis Other Than GAAP | NO |
| G3000-010 | Fund Opinion(s) | SINGLE FUND |
| - | Modified Opinion | NO |
| - | Unmodified Opinion | NO |
| - | Adverse Opinion | YES |
| - | Disclaimer Opinion | NO |
| G3000-020 | "Going Concern" Indicator | NO |
| G3000-030 | Significant Deficiency Indicator | YES |
| G3000-230 | Does the Deficiency relate to the Low Rent or Capital Fund? | YES |
| G3000-240 | Enter number of occurrences that relate to the Low Rent or Capital Fund Program. | 1 |
| G3000-040 | Material Weakness Indicator | YES |
| G3000-250 | Does the material weakness relate to the Low Rent or Capital Fund Program? | YES |
| G3000-260 | Enter number of occurrences that relate to the Low Rent or Capital Fund Program. | 1 |
| G3000-050 | Material Noncompliance Indicator | NO |
| G3000-270 | Does the non-compliance relate to the Low Rent or Capital Fund Program? | N/A |
| G3000-280 | Enter number of occurrences that relate to the Low Rent or Capital Fund Program. | - |
| G3000-060 | Fraud | NO |
| G3000-290 | Does the activity relate to the Low Rent or Capital Fund Program? | N/A |
| G3000-300 | Enter number of occurrences that relate to the Low Rent or Capital Fund Program. | - |
| G3000-070 | Illegal Acts | NO |
| G3000-310 | Does the activity relate to the Low Rent or Capital Fund Program? | N/A |
| G3000-320 | Enter number of occurrences that relate to the Low Rent or Capital Fund Program. | - |
| G3000-080 | Abuse | NO |
| G3000-330 | Does the activity relate to the Low Rent or Capital Fund Program? | N/A |
| G3000-340 | Enter number of occurrences that relate to the Low Rent or Capital Fund Program. | - |

See Independent Auditor's Report

THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA

Financial Data Schedule - Memo Account Information
Year Ended December 31, 2023

| Financial Statement Fund Opinion Details | | |
|---|---|----------------|
| Element | Description | Details |
| G3000-200 | Fund Type of the fund containing the listed program | MAJOR |
| G3000-210 | Fund Opinion of the fund containing the listed program | ADVERSE |
| G3000-220 | Is the departure or qualification related to the Capital Fund or Low Rent Programs? | N/A |

| Federal Programs | | |
|-------------------------|--|--------------|
| Element | Description | Value |
| G4000-020 | Dollar Threshold Used to Distinguish Type A and Type B Programs | \$750,000 |
| G4000-030 | Low-Risk Auditee Indicator | YES |
| G4000-040 | Indicator-Any Audit Findings Disclosed that are Required to be Reported | NO |
| G4000-080 | Was a Schedule of Prior Audit Findings prepared? | YES |
| G4100-040 | Total Federal Awards Expended (This cell is populated by G4100-030 from the "Federal Award Details" Tab) | \$1,365,278 |

THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA

Financial Data Schedule - Memo Account Information
Year Ended December 31, 2023

| Federal Award Details | | |
|------------------------------|---|----------------|
| Element | Description | Details |
| G4100-030 | Amount Expended | \$1,365,278 |
| G4200-010 | Major Federal Program Indicator | YES |
| G4200-050 | Type of Opinion on Major Federal Program | UNMODIFIED |
| G4200-060 | Number of Single Audit Compliance Audit Findings | 0 |
| G4200-100 | Significant Deficiency Indicator | NO |
| G4200-200 | Number of Significant Deficiencies | 0 |
| G4200-110 | Material Weakness Indicator | NO |
| G4200-210 | Number of Material Weaknesses | 0 |
| G4200-120 | Material Noncompliance Indicator | NO |
| G4200-220 | Number of Material Noncompliance | 0 |
| G4200-070 | Audit Finding Reference Number | N/A |
| G4200-090 | Are Awards Received Directly from a Federal Agency? | YES |
| G4100-050 | Total Amount of Questioned Costs | \$0 |

| Supplementary Information | | |
|----------------------------------|--|---------------|
| Element | Description | Value |
| G3100-040 | SAS 29 "in relation to" opinion on the Financial Data Schedule | FAIRLY STATED |
| G3100-050 | Is MD&A omitted ? | NO |
| G3100-060 | Is other supplementary information omitted? | NO |

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

| Federal Grantor/Pass-Through Grantor Program or Cluster Title | Assistance Listing Number | Disbursements/ Expenditures |
|--|--|--|
| Primary Government: | | |
| U.S. DEPARTMENT OF THE HOUSING AND URBAN DEVELOPMENT: | | |
| Direct Funding: | | |
| Public and Indian Housing Program: | 14.850 | |
| Operating Subsidy | | \$ 429,732 |
| Public Housing Capital Fund | 14.872 | 462,852 |
| Section 8 Project - Based Cluster: | | |
| Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation | 14.856 | 382,989 |
| Total Federal Funding - Primary Government | | 1,275,573 |
| Component Unit: | | |
| U.S. DEPARTMENT OF THE HOUSING AND URBAN DEVELOPMENT: | | |
| Passed through the South Dakota Housing Development Authority: | | |
| Section 8 Project - Based Cluster: | | |
| Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation | 14.856 | 89,705 |
| Total Federal Funding | | \$ 1,365,278 |

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Commission under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Commission has elected to not use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.



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

To the Board of Commissioners
The Housing and Redevelopment Commission
of the City of Hot Springs, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of **The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota (Commission)**, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 23, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 the Commission's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questions costs as item 2023-002 to be a material weakness.

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SIOUX FALLS OFFICE: 3600 S Westport, Suite 101 | Sioux Falls, SD 57106 | (605) 336-0372

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Commission's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Wohlberg Ritzman + Co., LLC

Yankton, South Dakota
December 23, 2025

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

To the Board of Commissioners
The Housing and Redevelopment Commission
of the City of Hot Springs, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Housing and Redevelopment Commission of the City of Hot Springs, South Dakota, a component unit of the City of Hot Springs, South Dakota's (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, 2023. The Commission's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Commission complied, in all material respects, with the 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, 2023.

Basis for Opinion on its Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Wohlberg Ritzman + Co., LLC

Yankton, South Dakota
December 23, 2025

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2023**

FINDINGS – FINANCIAL STATEMENTS AUDIT

Finding 2022-001 Preparation of Financial Statements

Condition:

The auditors were requested to assist with drafting the financial statements and related note disclosures for the year ended December 31, 2022. Although information was provided, the auditors prepared and proposed various adjusting journal entries, based on this information. This was needed to ensure that note disclosures included required elements.

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. The auditors recommend the Commission establish appropriate internal controls over financial reporting and the applicable staff responsible for the preparation of financial statements and related footnote disclosures receive continued training specific to governmental accounting principles so that they are able to ensure financial statements and the schedule of expenditures of federal awards are materially correct.

Current Status:

Revised and Repeated as Finding 2023-001.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Adverse

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiencies identified? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified? yes X none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)? yes X no

Identification of major programs:

| <u>Assistance Listing Number</u> | <u>Name of Federal Program or Cluster</u> |
|----------------------------------|--|
| 14.856 | Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation |

Dollar Threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023**

SECTION II - FINDINGS - FINANCIAL STATEMENTS AUDIT

Finding 2023-001 - Preparation of Financial Statements (Repeat Finding)

Significant Deficiency

Condition:

We were requested to assist with drafting the financial statement and related note disclosures for the year ended December 31, 2023. Although, information was provided, the auditors prepared and proposed various adjusting entries, based on this information. This was needed to ensure that note disclosures included required elements.

Questioned Costs: None.

Criteria:

In accordance with U.S. generally accepted accounting principles (US GAAP) it is management's responsibility to provide for the preparation of the Commission's financial statements and related note disclosures, which includes effective internal controls over the entire financial reporting process. It is the responsibility of the auditor to determine the fairness of the presentation of those statements.

Cause:

The Commission's staff has not fully developed their knowledge of accounting standards to allow for the preparation of the full disclosure financial statements as required by (US GAAP).

Effect:

This condition may affect the Commission's ability to recognize and report financial data that is timely, accurate, and consistent with the US GAAP requirements.

Recommendation:

We recommend the Commission expand internal controls over financial reporting to include further emphasis on the overall financial statements and required note disclosures. The designated auditee staff should receive appropriate training. Management will then be able to take responsibility for the preparation of its financial statements and related note disclosures.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023**

SECTION II - FINDINGS - FINANCIAL STATEMENTS AUDIT, continued

Finding 2023-001 - Preparation of Financial Statements, continued

Views of Responsible Officials:

Please refer to the Corrective Action Plan for management's views and planned corrective action.

Finding 2023-002 – Lack of Supporting Documentation

Material Weakness

Condition:

During the period under audit, the Commission did not maintain or provide adequate supporting documentation for several material accounts and transactions, including cash, payroll, revenue, accounts payable, expenses, and capital asset additions. As a result, we were unable to verify the appropriateness, classification, accuracy, and validity of the reported balances and transactions.

Questioned Costs: None

Criteria:

Under generally accounting principles (U.S GAAP), management is responsible for maintaining supporting documentation sufficient to substantiate all amounts recorded in the general ledger. Documentation must demonstrate that transactions are valid, properly authorized, accurately recorded, appropriately classified, and supported by verifiable evidence to allow for reliable financial reporting and external audit.

Cause:

The Commission did not provide adequate supporting documentation for several material accounts and transactions, including cash (general ledger balance of \$101,510), payroll, revenue (\$166,739), accounts payable (\$429,456), expenses (\$747,457), and capital assets (\$884,642). This lack of documentation appears to be due to insufficient enforcement of existing policies requiring the retention and proper organization of supporting records.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023**

SECTION II - FINDINGS - FINANCIAL STATEMENTS AUDIT, continued

Finding 2023-002 – Lack of Supporting Documentation, continued

Effect:

Failure to maintain adequate documentation increases the risk of unauthorized, inaccurate, or fraudulent transactions and limits management's ability to detect and correct errors. It also impairs the audit process and may result in material misstatements in the financial statements.

Recommendation:

We recommend that the Commission ensure complete, timely, and well-organized supporting documentation is maintained and readily available for all general ledger account balances and major transaction streams, including cash, payroll, revenue, accounts payable, expenses, and capital assets. The Commission should strengthen and enforce policies and procedures requiring the consistent retention of supporting records, to support accurate financial reporting and compliance with applicable regulations.

Views of Responsible Officials:

Please refer to the Corrective Action Plan for management's views and planned corrective action.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF HOT SPRINGS, SOUTH DAKOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023**

SECTION III - FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There are no major federal award program findings reported.

December 23, 2025

**CORRECTIVE ACTION PLAN
YEAR END DECEMBER 31, 2023**

The Housing and Redevelopment Commission of The City of Hot Springs, South Dakota respectfully submits the following corrective action plan for the audit findings for the year ended December 31, 2023.

Independent Public Accounting Firm:

Wohlenberg, Ritzman and Co. LLC
PO Box 1018
Yankton, SD 57078

Audit Period:

January 1, 2023 – December 31, 2023

The findings from the December 31, 2023 Schedule of the Findings and Questioned Costs are discussed below.

Findings Related to the Financial Statements

Finding 2023-001 Preparation of Financial Statements

Condition as Noted in Auditor's Finding:

“We were requested to assist with drafting the financial statements and related note disclosures for the year ended December 31, 2023. Although information was provided, the auditors prepared and proposed various adjusting entries, based on this information. This was needed to ensure that note disclosures elements.”

Responsible Individuals: Board of Commissioners and Management

Corrective Action Plan:

The Commission is aware of the risk associated with requesting the auditors to assist in the preparation of the financial statements. Planned actions include management to annually review the draft financial statements and related notes prepared by the auditor and the review of all recommended adjusting journal entries proposed by the auditor. Additional avenues will be



explored to provide staff with additional training to further their knowledge of accounting standards.

Anticipated Completion Date: Ongoing.
Finding 2023-002 Lack of Supporting Documentation

Condition as Noted in Auditor’s Finding:

“During the period under audit, the Commission did not maintain or provide adequate supporting documentation for several material accounts and transactions, including cash, payroll, revenue, account payable, expenses, and capital asset additions. As a result, we were unable to verify the appropriateness, classification, accuracy, and validity of the report balances and transactions.”

Responsible Individuals: Board of Commissioners and Management

Corrective Action Plan:

All financial records are now in the process of being stored digitally and staff are being instructed on how to share data appropriately with outside sources.

Anticipated Completion Date: Ongoing.

Sincerely,

Hot Springs Housing & Redevelopment Commission



Rich Galbraith
Executive Director

