

MURDO HOUSING & REDEVELOPMENT COMMISSION
MURDO, SOUTH DAKOTA

PROJECT NUMBER: SD023

ANNUAL CONTRIBUTION CONTRACT NUMBER: DEN-537

FINANCIAL REPORT

FOR THE ONE YEAR ENDING DECEMBER 31, 2019

WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA

P.O. Box 262

Madison, South Dakota 57042

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

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FOR THE ONE YEAR ENDING DECEMBER 31, 2019

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

INDEPENDENT AUDIT SERVICES, P.C.

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Madison, South Dakota 57042
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Board of Commissioners
Murdo Housing & Redevelopment Commission
Murdo, South Dakota

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

I have audited the accompanying basic financial statements of the Murdo Housing & Redevelopment Commission (Commission), a component unit of the City of Murdo, Jones County, South Dakota, as of and for the one year ending December 31, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Murdo Housing & Redevelopment Commission, a component unit of the City of Murdo, South Dakota as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information (no opinion)

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (page 3 to 6) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters - Other Supplementary Information (opinion)

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements as a whole.

The financial data schedules (page 17 and 18) are presented for purposes of additional analysis, as required by the U.S. Department of Housing and Urban Development, and are not a required part of the basic financial statements.

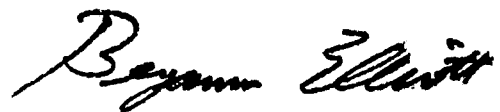
The financial data schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subject to the auditing procedures applied in the audit of the basic financial 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 my opinion, the financial data schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 21, 2020 (page 19) on my tests of its compliance with certain provisions of laws, regulations, contracts, and other matters and my consideration of the Commission's internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's compliance and internal control over financial reporting.

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

December 21, 2020



MURDO HOUSING & REDEVELOPMENT COMMISSION
Murdo, South Dakota

Management's Discussion and Analysis

December 31, 2019

Management's Discussion and Analysis (MD&A) is a reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June 1999.

Our discussion and analysis of the Murdo Housing & Redevelopment Commission (herein referred to as "the Housing Authority"), Murdo, South Dakota, financial performance provides an overview of the Housing Authority's financial activities for the fiscal year ended December 31, 2019. Please read the MD&A in conjunction with the Housing Authority's financial statements.

For accounting purposes, the Housing Authority 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 Statement of Net Position. 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 of the Housing Authority for the year ended December 31, 2019 were \$1,080,586. Total liabilities were \$85,203. Total assets exceeded total liabilities by \$995,383 (net position).

Unrestricted net position totals \$70,185. This is the amount of the Authority's reserve.

Total operating and non-operating revenue for the year ended December 31, 2019, was \$557,692 and expenses totaled \$210,485, revenue exceeded expenses by \$347,207.

Overview of the Financial Statements

This annual report includes this Management Discussion and Analysis report, the Basic Financial Statements and the Notes to the Financial Statements. The Housing Authority's financial statements are presented as program level financial statements because the Housing Authority only has proprietary funds.

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

All of the current year's revenues and expenses are accounted for in the Statement of Changes in Net Position. This statement measures the success of the Housing Authority's operations over the past year and can be used to determine whether the Housing Authority 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 did cash come 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 Authority's basic financial statements are the Statement of Net Position and the Statement of Changes in Net Position. The Statement of Net Position provides a summary of the Housing Authority's assets and liabilities as of the close of business on December 31, 2019. The Statement of Changes in Net Position summarizes the

revenues and sources of those revenues, and expenses incurred in operating the Housing Authority for the year ended December 31, 2019.

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the 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 Authority’s properties.

Statement of Net Position

FOR THE YEAR ENDED December 31	2019	2018
Current assets and prepaid expense	\$155,388	\$118,993
Inventory held for resale	\$0	\$0
Capital assets, net	\$925,198	\$562,901
Pension assets, net		
Total Assets	\$1,080,586	\$681,894
Deferred Outflows of Resources	\$0	\$0
Current liabilities	\$85,203	\$33,718
Non-current liabilities	\$0	\$0
Total liabilities	\$85,023	\$33,718
Deferred Inflow of Resources	\$0	\$0
Net Position		
Invested in capital assets, net of related debt	\$925,198	\$562,902
Restricted	\$0	\$0
Unrestricted	\$70,185	\$85,274
Total Net Position	<u>\$995,383</u>	<u>\$648,176</u>
Total Liabilities, Deferred inflow of Resources and Equity/Net Position	<u>\$1,080,586</u>	<u>\$681,894</u>

Comparative Statement of Revenues, Expenses and Changes in Net Position

FOR THE YEAR ENDED December 31	2019	2018	Change
Program Revenue			
Tenant revenue	\$106,055	\$100,307	\$5,748
Other income	<u>\$4,858</u>	<u>\$6,287</u>	<u>(\$1,429)</u>
Federal grants and subsidies	\$445,700	\$129,868	\$315,831
Interest income	\$1,079	\$660	\$418
Total revenue	<u>\$557,692</u>	<u>\$237,122</u>	<u>\$320,569</u>
Program Expenses			
Administration	\$45,929	\$47,322	(\$1,393)
Tenant Services	\$805	\$369	\$436
Utilities	\$47,647	\$42,848	\$4,799
Ordinary maintenance & operations	\$37,152	\$50,271	(\$13,119)
Protective services	\$0	\$0	\$0
General expenses	\$22,173	\$21,075	\$1,099
Non-routine maintenance	\$0	\$0	\$0
Depreciation	\$56,779	\$64,564	(\$7,785)
Interest Expense	\$0	\$0	\$0
HAP	\$0	\$0	\$0
Pension net revenue			
Total expenses	<u>\$210,485</u>	<u>\$226,448</u>	<u>(\$15,963)</u>
Gain/loss - disposition of assets	\$0	\$0	\$0
Transfer of funds	\$0	\$0	\$0
Change in Net Position	<u>\$347,207</u>	<u>\$10,674</u>	<u>\$336,533</u>
Beginning Net Position	<u>\$648,176</u>	<u>\$637,502</u>	<u>\$10,674</u>
Pension assets, net			
Pension related deferred outflow			
Ending Net Position	<u>\$995,383</u>	<u>\$648,176</u>	<u>\$347,207</u>

Federal grants total \$445,700.

Capital Assets

**Capital Assets at Year-end
(Net of Accumulated Depreciation)**

FOR THE YEAR ENDED December 31	2019	2018	change

Land	\$65,700	\$65,700	\$0
Buildings	\$1,754,070	\$1,754,070	\$0
Furniture, Equipment & Machinery - Admin	\$49,660	\$49,660	\$0
Furniture, Equipment & Machinery - Dwelling	\$29,279	\$29,279	\$0
Construction in Progress	\$479,791	\$60,715	\$419,076
Subtotal	\$2,278,500	\$1,959,424	\$419,076
Accumulated Depreciation	(\$1,453,302)	(\$1,396,523)	(\$56,778)
Total Capital assets	<u>\$925,198</u>	<u>\$562,901</u>	<u>\$362,298</u>

Long Term Debt

The Housing Authority has no long-term debt.

Economic Factors

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority 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 Authority's Financial Management

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Rebecca Wulf, Executive Director, at Murdo Housing & Redevelopment Commission, 714 East 5th Street, Murdo, South Dakota 57559 -- (605) 669-2681

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

Project Number: SD023
Annual Contribution Contract Number: DEN-537

STATEMENT OF NET POSITION
ENTERPRISE FUND AS OF DECEMBER 31, 2019

	12-31-2019
ASSETS	
Current assets:	
Cash	66,454.65
Cash - restricted	10,732.00
Money market	34,952.62
Certificates of deposit	16,551.17
Investments:	
GNMA bonds	6,745.24
Accounts receivable:	
Tenant	4,575.63
Tenant - vacated units	270.00
Tenant - allowance for doubtful accts.	(659.43)
HUD - operating	7,014.00
HUD - CFP	3,626.84
Accrued interest receivable	51.38
Prepaid insurance	3,185.87
Deferred charges	1,887.32
Total current assets	155,387.29
Noncurrent assets:	
Capital assets:	
Land	65,699.87
Buildings	1,747,714.29
Improvements	6,356.00
Equipment - dwellings	29,279.04
Equipment - administration	49,659.69
Accumulated depreciation	(1,453,301.79)
Construction-in-progress	479,791.19
Total noncurrent assets	925,198.29
Total assets	1,080,585.58
LIABILITIES	
Current liabilities:	
Accounts payable	39,492.80
Payroll payable	2,312.96
Payroll deductions	5,133.63
Tenant security deposits	4,800.00
Accrued payment in lieu of taxes - 2018	5,741.63
Accrued payment in lieu of taxes - 2019	5,840.82
Accrued payable - HUD	10,732.00
Accrued payable - other	4,529.80
Prepaid tenant receivables	6,619.00
Total liabilities	85,202.64
NET POSITION	
Net invested in capital assets	925,198.29
Unrestricted	70,184.65
Total net position	995,382.94

See accompanying notes.

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

Project Number: SD023
Annual Contribution Contract Number: DEN-537

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
ENTERPRISE FUND FOR THE YEAR ENDING DECEMBER 31, 2019

	12-31-2019

Operating revenues:	
Dwelling rents	106,055.00
Excess utilities	10.00
Other income	4,847.63

Total operating revenues	110,912.63

Operating expenses:	
Administration	45,928.54
Tenant services	804.48
Utilities	47,646.84
Maintenance and operations	37,152.31
General expenses	22,173.25
Depreciation	56,779.07

Total operating expenses	210,484.49

Operating income (loss):	(99,571.86)
Nonoperating revenues (expenses):	
HUD operating subsidy	54,772.00
Interest earned	1,078.57

Total nonoperating revenues (expenses):	55,850.57

HUD capital contributions - 518	27,679.84
HUD capital contributions - 915	363,248.50

Change in net position	347,207.05
Total net position:	
January 1, 2019	648,175.89

December 31, 2019	995,382.94
	=====

See accompanying notes.

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

Project Number: SD023
 Annual Contribution Contract Number: DEN-537

STATEMENT OF CASH FLOWS
 ENTERPRISE FUND FOR THE YEAR ENDING DECEMBER 31, 2019

	12-31-2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Tenant receipts	107,320.43
Other receipts	4,847.63
Payroll and related payments	(52,054.23)
Vendor payments	(89,075.20)

Net cash provided (used) by operating activities	(28,961.37)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
HUD operating subsidy	47,758.00

Net cash provided (used) by non-capital financing ac	47,758.00

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
HUD capital contributions - 518	38,480.44
HUD capital contributions - 915	373,980.50
Cash paid for buildings and structures	(390,927.90)

Net cash provided (used) by capital financing activi	21,533.04

CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	1,060.87
Net purchase of certificates of deposit	(142.05)
Net redemption of GNMA bonds	1,251.41

Net cash provided (used) by investing activities	2,170.23

Net increase (decrease) in cash and cash equivalents	42,499.90

Cash and cash equivalents:	
January 1, 2019	69,639.37

December 31, 2019	112,139.27
	=====
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	(99,571.42)
Adjustments required for reconciliation:	
Depreciation expense	56,779.07
Change in:	
Receivables, tenant	(2,275.20)
Receivables, other	(1,887.32)
Prepaid insurance	5,389.85
Accounts payable	4,532.08
Payroll payable	906.72
Payroll deductions payable	3,790.12
Accrued payment in lieu of taxes	(74.27)
Accrued payable - other	(81.63)
Tenant prepaids	3,330.63
Tenant security deposits	200.00

Net cash provided (used) by operating activities	(28,961.37)
	=====
Noncash activities: None	
See accompanying notes.	

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity:

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

The Commission is a Public Housing Authority, established under the authority of SDCL 11-7, to operate 32 low-income public housing units in Murdo, South Dakota. The U.S. Department of Housing and Urban Development (HUD) subsidize these units.

At December 31, 2019, the Commission's officials were:

Mayor, City of Murdo
David Geisler

Executive Director:
Rebecca Wulf

Board of Commissioners:
Jim McNeely, Chairperson
Robert Brost
Don Heib
Cindy O'Hern
Teresa Palmer

Attorney:
David J. Larson

The Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

b. Basis of Presentation:

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

Enterprise funds:

Enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The Commission maintains one enterprise fund to account for its rental operation and related capital projects. This fund is a major fund since it is the only fund.

c. Measurement Focus and Basis of Accounting:

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

Enterprise Funds:

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

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

d. Capital Assets and Depreciation:

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

Approximately 0% of the December 31, 2019 capital assets are determined by estimates of historical cost.

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

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

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

e. Operating and Nonoperating Revenues:

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

Tenant rent generally is based on the higher of 30% of their adjusted gross income (based on HUD guidelines) or 10% of their gross income. HUD pays the remainder of the rent through a public housing program subsidy.

f. Net Position Classifications:

Net position is displayed in three components:

1. Net Invested in Capital Assets: Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position: Consists of net position with constraints placed on their use by either (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

3. Unrestricted Net Position: All other net position that does not meet the criteria of 1 or 2 above.

g. Application of Net Position:

It is the Commission's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.

h. Allowance for Doubtful Accounts:

Write-off of unpaid rents is minimal. However, an allowance for doubtful accounts of \$659.43 has been established.

i. Accounting Estimates:

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

- * Allowance for doubtful accounts -- estimated uncollectables
- * Depreciation -- estimated service lives

2. CASH, DEPOSITS, INVESTMENTS, RISK AND CASH FLOWS

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

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

The actual bank balances at December 31, 2019 were: Insured \$93,743 and Collateralized** \$0.00 for a total of \$93,743.

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

The carrying amount of these deposits at December 31, 2019 was \$93,738.

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

Additionally, SDCL 4-5-6 permits Housing & Redevelopment Commission funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements

described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safe-keeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

At December 31, 2019 the Commission had the following investments:

	Credit Rating	Maturity Date	Maturity Face Value	Current Fair Value	Interest Rate Risk
Edward Jones Money Market (84%)	AAA	na	34,953	34,953	memo 1
GNMA Bonds - various (16%)	various	various	6,745	6,745	memo 2
	---			-----	
	100%			41,698	

memo

- 1 Fixed principal. Interest rate varies. Not subject to interest rate risk. Edward Jones is a SIPC member.
- 2 Fixed principal and fixed interest rate. Fair value will change with change in interest rates. Not directly guaranteed by the U.S. Government.

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

Interest Rate Risk - The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All certificates of deposits are at fixed interest rates for a specified term.

Concentration of Credit Risk - The Commission places no limit on the amount that may be deposited or invested in any one institution. At December 31, 2019, the Commission has cash of \$77,187 and certificates of deposit of \$16,551 at First Fidelity Bank. In addition, the Commission has the investments described above valued at \$41,698.

Credit Risk - State law, under SDCL 4-5-6, limits eligible investments of the Commission to "...securities...directly or indirectly backed by the full faith and credit of the United States government". The Commission has no investment policy that would further limit its investment choices beyond the statutory requirements of SDCL 4-5-6.

Custodial Credit Risk (Deposits) - The risk that, in the event of a depository failure, the Commission's deposits may not be returned to it. At December 31, 2019, the Commission's deposits in financial institutions were not exposed to deposit custodial credit risk.

Custodial Credit Risk (Investments) - The risk that, in the event of failure of the counterparty to a transaction, the Commission will not be able to recover the value of investment or collateral securities that are in possession of an outside party. At December 31, 2019, the Commission's investments in financial institutions were not exposed to investment custodial credit risk.

Cash Flows - For the purposes of the statement of cash flows, the Commission considers all highly liquid investments (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents.

3. RECEIVABLES AND PREPAID EXPENSES

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

The premiums on all major insurance policies are charged to prepaid insurance and amortized (expensed) over the life of the policy on a monthly basis.

4. PAYABLES, ACCRUED EXPENSES, AND SECURITY DEPOSITS

Payables are not aggregated in these financial statements. Payables are for amounts due to vendors and contractors of \$39,493; payroll related payables of \$7,447; tenant security deposits of \$4,800; accrued payables of \$26,844; and prepaid rents of \$6,619 for a total of \$85,203.

5. CAPITAL FUNDING PROGRAM

The following Capital Funding Program (CFP) subsidies were spent on improvements to buildings and structures.

CFP 518	\$ 27,679.84	normal CFP
CFP 915	363,248.50	emergency grant

	\$ 390,928.34	

6. CHANGES IN CAPITAL ASSETS (see schedule one)

A summary of the changes in capital assets for the one year ending December 31, 2019 is presented in schedule one at the end of these footnotes.

There is construction-in-progress at December 31, 2019 of \$479,791.19.

7. RESTRICTED NET POSITION

There is no restricted net position at December 31, 2019.

8. PAYMENTS IN LIEU OF TAXES

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

Payments in lieu of taxes for the one year ending December 31, 2019 was determined as follows:

	<u>12-31-2019</u>
Rental income	106,055
Less: allowable utility costs	(47,647)

Net shelter rent	58,408
	=====
PILOT for one year ending December 31, 2019 (10% of net shelter rent)	5,841
	=====

9. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees' and natural disasters. During the one year ending December 31, 2019, the Commission managed its risks as follows:

Health insurance:

None

Liability, fire, and worker's compensation insurance:

The Commission maintains liability, fire, fidelity, and worker's compensation insurance through commercial carriers.

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.

10. COMMITMENTS AND CONTINGENCIES

Litigation: At December 31, 2019 the Commission was not involved in any threatened litigation.

Examinations: The Commission is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing grants given to the Commission in the current and prior years.

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

11. ECONOMIC DEPENDENCY

For the year ending December 31, 2019 the Commission receives approximately 33% of its operating revenue from HUD. If the amount of revenue received from HUD falls below critical levels, the Commission's operations could be adversely affected.

12. OTHER DISCLOSURES

The Commission has no significant related party activity.

The Commission had no debt, short-term debt or conduit debt during the one year ending December 31, 2019.

Additional foundation repairs of \$100,000+ were made in 2020.

The Commission holds \$11,766.90 in its Resident Participation account.

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

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
CHANGES IN CAPITAL ASSETS
FOR THE ONE YEAR ENDING DECEMBER 31, 2019

	Beginning 12-31-18	Book Adjustments	Additions	(Deletions)	Ending 12-31-19	Accumulated Depreciation 12-31-18	Book Adjustments	(Additions)	Deletions	Ending 12-31-19	Remaining Cost 12-31-19
Land	65,699.87				65,699.87	-				-	65,699.87
Buildings and structures	1,747,714.29				1,747,714.29	(1,320,236.86)	(0.24)	(53,788.20)		(1,374,025.30)	373,688.99
Improvements	6,356.00				6,356.00	(4,873.01)		(423.73)		(5,296.74)	1,059.26
Equipment - dwellings	29,279.05	(0.01)			29,279.04	(24,142.66)		(1,884.18)		(26,026.84)	3,252.20
Equipment - administratic	49,659.69				49,659.69	(47,270.19)		(682.72)		(47,952.91)	1,706.78
Construction-in-progress	60,715.44		419,075.75		479,791.19	-				-	479,791.19
	<u>1,959,424.34</u>	<u>(0.01)</u>	<u>419,075.75</u>	<u>-</u>	<u>2,378,500.08</u>	<u>(1,396,522.72)</u>	<u>(0.24)</u>	<u>(56,778.83)</u>	<u>-</u>	<u>(1,453,301.79)</u>	<u>925,198.29</u>

MURDO HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF MURDO, SOUTH DAKOTA
MURDO, SOUTH DAKOTA
DECEMBER 31, 2019

Financial Data Schedule

Financial Data Schedule (FDS)
For the Year Ending December 31, 2019
Required by the Dept. of Housing and Urban Development

Line Item #		Audit 12-31-2019	Reclass	Low Rent Public Housing CFDA # 14.850 12-31-2019	Public Housing Capital Fund Program CFDA # 14.872 12-31-2019
ASSETS					
Current assets:					
111.00	Cash - unrestricted	66,455	4,800	61,655	
112.00	Cash - restricted, modernization	10,732		10,732	
114.00	Cash - tenant deposits	0	(4,800)	4,800	
122.00	Accounts receivable - HUD	10,641		10,641	
125.00	Accounts receivable - miscellaneous	0			
126.00	Accounts receivable - tenants	4,846		4,846	
126.10	Allowance for doubtful accounts - tennant	(659)		(659)	
129.00	Accrued interest receivable	51		51	
131.00	Investments	58,249		58,249	
142.00	Prepaid expenses and other assets	5,073		5,073	
150.00	Total current assets:	155,388	0	155,388	0
Noncurrent assets:					
161.00	Land	65,700		65,700	
162.00	Buildings	1,754,070		1,754,070	
163.00	Furniture, equipment - dwellings	29,279		29,279	
164.00	Furniture, equipment - administration	49,660		49,660	
166.00	Accumulated depreciation	(1,453,302)		(1,453,302)	
167.00	Construction-in-progress	479,791	28,148	451,643	
160.00	Total non-current assets:	925,198	28,148	897,050	0
190.00	Total assets	1,080,586	28,148	1,052,438	0
LIABILITIES					
Current liabilities:					
312.00	Accounts payable <= 90 days	39,493	28,148	11,345	
321.00	Accrued payroll taxes	7,447		7,447	
331.00	Accounts payable - HUD	10,732		10,732	
333.00	Accounts payable - other govts.	11,582		11,582	
341.00	Tenant security deposits	4,800		4,800	
342.00	Deferred revenues - other	6,619		6,619	
346.00	Accrued liabilities - other	4,530		4,530	
310.00	Total current liabilities	85,203	28,148	57,055	0
350.00	Total non-current liabilities	0	0	0	0
300.00	Total liabilities	85,203	28,148	57,055	0
NET POSITION					
508.10	Invested in capital assets, net of debt	925,198	28,148	897,050	
511.40	Restricted net position	0			
512.40	Unrestricted net position	70,185	(28,148)	98,333	
513.00	Total net position	995,383	0	995,383	0
Total liabilities and net position		1,080,586	28,148	1,052,438	0

MURDO HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF MURDO, SOUTH DAKOTA
MURDO, SOUTH DAKOTA
DECEMBER 31, 2019

Financial Data Schedule

Financial Data Schedule (FDS)
For the Year Ending December 31, 2019
Required by the Dept. of Housing and Urban Development

Low Rent
Public
Housing
CFDA #
14.850a
12-31-2019

Public
Housing
Capital Fund
Program
CFDA #
14.872
12-31-2019

Line Item #		Audit 12-31-2019	Reclass	Low Rent Public Housing CFDA # 14.850a 12-31-2019	Public Housing Capital Fund Program CFDA # 14.872 12-31-2019
REVENUE					
703.00	Net tenant rental revenue	106,055		106,055	
704.00	Tenant revenue - other	10		10	
706.00	HUD PHA operating grant	0	(54,772)	54,772	
706.10	Capital grants (HUD)	0	(390,928)		390,928
711.00	Investment income - unrestricted	0	(1,079)	1,079	
715.00	Other revenue	4,848		4,848	
700.00	Total revenue	110,913	(446,779)	166,764	390,928
EXPENSES					
Expenses - administrative:					
911.00	Salaries	31,200		31,200	
915.00	Employee benefit contributions	2,455		2,455	
916.00	Office expenses	7,450		7,450	
918.00	Travel	2,048		2,048	
919.00	Other	2,776		2,776	
Expenses - tenant services:					
924.00	Other	805		805	
Expenses - utilities:					
931.00	Water	2,414		2,414	
932.00	Electricity	44,072		44,072	
936.00	Sewer	1,161		1,161	
Expenses - ordinary maint. & operation:					
941.00	Labor	21,386		21,386	
942.00	Materials and other	6,060		6,060	
943.00	Contract services	7,996		7,996	
945.00	Employee benefit contributions	1,710		1,710	
Expenses - general:					
961.10	Property insurance	11,446		11,446	
961.20	Liability insurance	0			
961.30	Workman's compensation	4,069		4,069	
961.40	All other insurance	453		453	
963.00	Payment in lieu of taxes	5,841		5,841	
964.00	Bad debt - tenant rents	364		364	
Other expenses:					
974.00	Depreciation	56,779		56,779	
900.00	Total expenses	210,485	0	210,485	0
Other financing sources (uses):					
706.00	HUD PHA operating grant	54,772	54,772		
711.00	Investment income - unrestricted	1,079	1,079		
713.00	Sale of capital asset (comp for damages)	0			
1001.00	Operating transfers in	0	(390,928)	390,928	
1002.00	Operating transfers (out)	0	390,928		(390,928)
1010.00	Total other financing sources (uses):	55,851	55,851	390,928	(390,928)
706.10	Capital grants (HUD)	390,928	390,928	0	0
Change in net position					
		347,207	0	347,207	0
NET POSITION					
1103.00	Beginning	648,176		648,176	0
	Ending	995,383	0	995,383	0

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

Board of Commissioners
Murdo Housing & Redevelopment Commission
Murdo, South Dakota

Independent Auditor's Report

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Murdo Housing & Redevelopment Commission (Commission), a component unit of the City of Murdo, South Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued my unqualified report thereon dated December 21, 2020.

Compliance and Other Matters:

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

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

Internal Control Over Financial Reporting:

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

A deficiency in internal control exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

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

I did note minor matters involving internal control over financial reporting that I reported to the governing body and management of the Murdo Housing & Redevelopment Commission in a separate Letter of Comments dated December 21, 2020.

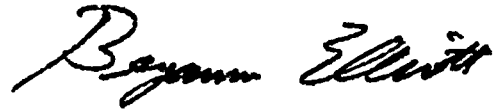
Purpose of the Report

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

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

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

December 21, 2020

A handwritten signature in black ink that reads "Benjamin Elliott". The signature is written in a cursive style with a large, stylized initial 'B'.

MURDO HOUSING & REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE CITY OF MURDO, SOUTH DAKOTA
DECEMBER 31, 2019

SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS

There are no current written audit findings.