

MURDO HOUSING & REDEVELOPMENT COMMISSION  
MURDO, SOUTH DAKOTA

PROJECT NUMBER: SD023

ANNUAL CONTRIBUTION CONTRACT NUMBER: DEN-537

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FINANCIAL REPORT

FOR THE THREE YEARS ENDING DECEMBER 31, 2023

WITH INDEPENDENT AUDITOR'S REPORTS

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**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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PROJECT NUMBER: SD023  
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FOR THE THREE YEARS ENDING DECEMBER 31, 2023

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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.

Benjamin Elliott, CPA  
P.O. Box 262  
Madison, South Dakota 57042  
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Board of Commissioners  
Murdo Housing & Redevelopment Commission  
Murdo, South Dakota

## INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Opinion:*

I have audited the accompanying financial statements of the Murdo Housing & Redevelopment Commission (Commission), a component unit of the City of Murdo, Jones County, South Dakota, as of December 31, 2023 and for each of the years in the three year period then ending 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 my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Murdo Housing & Redevelopment Commission as of December 31, 2023, and the respective changes in financial position, and cash flows thereof, for each of the years in the three year period then ending in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standard applicable to financial audits contained in Government Auditing Standards (*Government Auditing Standards*), issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Murdo Housing & Redevelopment Commission, a component unit of the City of Murdo, Jones County, South Dakota, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### *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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

*Auditor's Responsibility for the Audit of the Financial Statements:*

My 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 my opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I:

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

I am 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 I identified during the audit.

*Required Supplementary Information: (Omitted)*

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

*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.

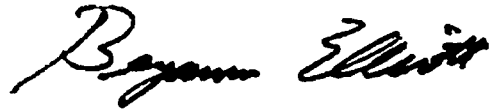
The financial data schedules on pages 14 to 17 are presented for purposes of additional analysis, as required by the U.S. Department of Housing and Urban Development, and are not a required part of the basic financial statements.

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 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 September 30, 2024 (page 18) on my consideration of the Murdo Housing & Redevelopment Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of my 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.

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



September 30, 2024

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, 2023

	12-31-2023
ASSETS	-----
Current assets:	
Cash	12,240.25
Money market	41,994.94
Investments: GNMA bonds	2,771.70
Accounts receivable:	
Tenant	3,997.50
Tenant - allowance for doubtful accts.	(991.18)
County - PILOT	9,592.15
HUD	70,055.99
Accrued interest receivable	11.58
Prepaid insurance	1,060.22
Inventories	3,494.29
Allowance for obsolescence	(349.43)
	-----
Total current assets	143,878.01
	-----
Noncurrent assets:	
Capital assets:	
Land	65,699.87
Buildings	2,636,975.33
Equipment - dwellings	11,130.71
Equipment - administration	56,520.29
Accumulated depreciation	(1,685,624.98)
Construction-in-progress	2,661.35
	-----
Total noncurrent assets	1,087,362.57
	-----
Non-current asset	5,992.00
	-----
	-----
Total assets	1,237,232.58
	=====
LIABILITIES	
Current liabilities:	
Accounts payable	2,263.54
Payroll deductions	1,479.45
Tenant security deposits	5,550.00
Accrued utilities	3,926.69
Other current liabilities	2,592.22
Prepaid tenant rents	11.00
	-----
Total current liabilities	15,822.90
	-----
Non-current liability	4,173.18
	-----
Total liabilities	19,996.08
	=====
NET POSITION	
Net invested in capital assets	1,087,362.57
Unrestricted	129,873.93
	-----
Total net position	1,217,236.50
	=====

See accompanying notes.

MURDO HOUSING AND REDEVELOPMENT COMMISSION  
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MURDO, SOUTH DAKOTA

Project Number: SD023

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
ENTERPRISE FUND FOR THE THREE YEARS ENDING DECEMBER 31, 2023

	2023	2022	2021
	-----	-----	-----
Operating revenues:			
Tenant rents	107,439.93	118,425.00	94,377.00
Other income	6,022.45	13,823.21	12,644.37
	-----	-----	-----
Total operating revenues	113,462.38	132,248.21	107,021.37
	-----	-----	-----
Operating expenses:			
Administration	58,426.25	66,495.48	47,149.39
Tenant services		168.12	953.72
Utilities	38,599.58	45,857.01	41,610.95
Maintenance and operations	73,119.54	73,993.27	67,981.02
Protective service	330.00	272.62	0.00
General expenses	44,288.83	27,804.62	21,653.52
Depreciation	106,380.15	107,545.32	51,439.25
Loss on disposal	2,316.00		589.02
	-----	-----	-----
Total operating expenses	323,460.35	322,136.44	231,376.87
	-----	-----	-----
Operating income (loss):	-209,997.97	-189,888.23	-124,355.50
Nonoperating revenues (expenses):			
HUD operating subsidy	48,498.97	36,959.00	72,179.00
Interest earned	1,893.89	367.60	
Capital credits	2,231.40	2,282.52	5,158.22
Insurance settlement		15,388.20	
	-----	-----	-----
Total nonoperating revenues (expenses):	52,624.26	54,997.32	77,337.22
	-----	-----	-----
HUD capital contributions	99,454.99	78,851.00	212,112.80
	-----	-----	-----
Change in net position	-57,918.72	-56,039.91	165,094.52
Net position:			
January 1, 2021			1,166,100.61
			-----
December 31, 2021		1,331,195.13	1,331,195.13
		-----	-----
December 31, 2022	1,275,155.22	1,275,155.22	
	-----	=====	
December 31, 2023	1,217,236.50		
	=====		

See accompanying notes.

MURDO HOUSING AND REDEVELOPMENT COMMISSION  
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MURDO, SOUTH DAKOTA

Project Number: SD023  
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STATEMENT OF CASH FLOWS  
ENTERPRISE FUND FOR THE THREE YEARS ENDING DECEMBER 31, 2023

	2023	2022	2021
	-----	-----	-----
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Tenant receipts	107,988.11	113,889.95	96,116.14
Other receipts	6,022.45	13,823.21	12,644.37
Payroll and related payments	-90,840.91	-100,286.83	-75,837.50
Vendor payments	-138,085.47	-107,306.49	-105,378.81
	-----	-----	-----
Net cash provided (used) by operating activities	-114,915.82	-79,880.16	-72,455.80
	-----	-----	-----
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
HUD operating subsidy	48,498.97	36,959.00	72,179.00
Insurance settlement		15,388.20	
	-----	-----	-----
Net cash provided (used) by non-capital financing activities	48,498.97	52,347.20	72,179.00
	-----	-----	-----
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>			
HUD capital contributions	63,660.00	119,966.00	146,111.41
Cash paid for buildings and structures	-4,977.35	-108,996.46	-143,177.31
	-----	-----	-----
Net cash provided (used) by capital financing activities	58,682.65	10,969.54	2,934.10
	-----	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	1,882.31	367.60	60.38
Capital credits	2,231.40	2,282.52	5,158.22
Net redemption of GNMA bonds	507.27	7.47	2,653.65
Net redemption of certificates of deposit			46,651.89
	-----	-----	-----
Net cash provided (used) by investing activities	4,620.98	2,657.59	54,524.14
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents:	-3,113.22	-13,905.83	57,181.44
	-----	-----	-----
Cash and cash equivalents:			
January 1, 2021			14,072.80
			-----
December 31, 2021		71,254.24	71,254.24
		-----	-----
December 31, 2022	57,348.41	57,348.41	
	-----	-----	
December 31, 2023	54,235.19		
	-----		
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	-209,997.97	-189,888.23	-124,355.50
<b>Adjustments required for reconciliation:</b>			
Depreciation expense	106,380.15	107,545.32	51,439.25
Loss on disposal	2,316.00		589.02
<b>Change in:</b>			
Receivables, tenant	2,594.18	6,360.32	-4,970.86
Receivables, other		3,449.36	-3,064.18
Inventory	-708.53	-2,436.33	
Prepaid insurance	4,232.93	1,465.85	102.96
Non-current asset	-691.91		
Accounts payable	-1,472.05	3,299.98	11.02
Payroll deductions payable	287.07	-774.46	1,956.12
Accrued payment in lieu of taxes	-16,334.35	1,465.60	-1,229.99
Accrued liabilities	524.66	527.80	356.36
Tenant prepaids	-1,396.00	-9,714.37	4,079.00
Tenant security deposits	-650.00	-1,181.00	2,631.00
	-----	-----	-----
Net cash provided (used) by operating activities	-114,915.82	-79,880.16	-72,455.80
	-----	-----	-----
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, 2023, the Commission's officials were:

Mayor, City of Murdo  
David Geisler

Executive Director:  
Linda Michalek

Board of Commissioners:  
Cindy Fox, Chairperson  
Don Heib  
Tim Hochhalter  
Gerald 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 \$1,000. 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 acquisition value on the date donated.

Approximately 0% of the December 31, 2023 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 not 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 \$991.18 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, 2023 were: Insured \$27,095 and Collateralized" \$0.00 for a total of \$27,095.

\*\* 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, 2023 was \$12,240.

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, 2023 the Commission had the following investments:

	Credit Rating	Maturity Date	Maturity Face Value	Current Fair Value	Interest Rate Risk
Edward Jones Money Market (94%)	AAA	na	41,995	41,995	memo 1
GNMA Bonds - various ( 6%)	various	various	2,693	2,772	memo 2
	---			-----	
	100%			44,767	

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 (if any) 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, 2023, the Commission has cash of \$12,240. In addition, the Commission has the investments described above valued at \$44,767.

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, 2023, 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, 2023, 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 \$2,263; payroll related payables of \$1,479; tenant security deposits of \$5,550; accrued payables of \$3,927; and prepaid rents and other liabilities of \$2,604 for a total of \$15,823.

#### 5. CHANGES IN CAPITAL ASSETS (see schedule one)

A summary of the changes in capital assets for the one year ending December 31, 2023 is presented in schedule one at the end of these footnotes.

There is construction-in-progress at December 31, 2023 of \$2,661.

#### 6. RESTRICTED NET POSITION

There is no restricted net position at December 31, 2023.

#### 7. 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>12-31-2023</u>	<u>12-31-2022</u>	<u>12-31-2021</u>
Rental income	95,920	113,279	94,377
Less: allowable utility costs	(38,600)	(45,857)	(41,611)
	-----	-----	-----
Net shelter rent	<u>57,320</u>	<u>67,422</u>	<u>52,766</u>
PILOT for one year ending December 31, 202x			
(10% of net shelter rent)		6,742	5,276
( 5% of net shelter rent)	<u>2,866</u>	<u>-----</u>	<u>-----</u>

#### 8. 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 three years ending December 31, 2023, 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.

## 9. COMMITMENTS AND CONTINGENCIES

Litigation: At December 31, 2023 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.

## 10. ECONOMIC DEPENDENCY

For the year ending December 31, 2023 the Commission receives approximately 53% 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.

## 11. OTHER DISCLOSURES

The Commission has no significant related party activity.

The Commission had no debt, short-term debt or conduit debt during the three years ending December 31, 2023.

The Commission's non-current asset is for the lease of a copy machine valued at \$6,127 less amortization of \$135 for \$5,992. The current portion of the lease obligation is \$1,127 and the non-current portion of the lease obligation is \$4,173.

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 THREE YEARS ENDING DECEMBER 31, 2023

	Beginning 12-31-22	Book Adjustments	Additions	(Deletions)	Ending 12-31-23	Accumulated Depreciation 12-31-22	Book Adjustments	(Additions )	Deletions	Ending 12-31-23	Remaining Cost 12-31-23
Land	65,699.87				65,699.87	-				-	65,699.87
Buildings and structures	2,684,255.49			(47,280.16)	2,636,975.33	(1,573,712.02)	0.01	(105,937.84)	47,280.16	(1,632,369.69)	1,004,605.64
Improvements	6,356.00			(6,356.00)	-	(6,356.00)			6,356.00	-	-
Equipment - dwellings	11,130.71				11,130.71	(10,864.88)	(0.02)	(265.81)		(11,130.71)	-
Equipment - administration	58,836.29			(2,316.00)	56,520.29	(44,264.09)	0.01	(176.49)	2,316.00	(42,124.57)	14,395.72
Construction-in-progress	-		2,661.34		2,661.34	-				-	2,661.34
	2,826,278.36	-	2,661.34	(55,952.16)	2,772,987.54	(1,635,196.99)	-	(106,380.14)	55,952.16	(1,685,624.97)	1,087,362.57

	Beginning 12-31-21	Book Adjustments	Additions	(Deletions)	Ending 12-31-22	Accumulated Depreciation 12-31-21	Book Adjustments	(Additions )	Deletions	Ending 12-31-22	Remaining Cost 12-31-22
Land	65,699.87				65,699.87	-				-	65,699.87
Buildings and structures	1,784,585.69		899,669.80		2,684,255.49	(1,467,364.23)	0.04	(106,347.83)		(1,573,712.02)	1,110,543.47
Improvements	6,356.00				6,356.00	(6,144.22)		(211.78)		(6,356.00)	-
Equipment - dwellings	11,130.71				11,130.71	(10,333.22)	0.01	(531.67)		(10,864.88)	265.83
Equipment - administration	57,953.88		882.41		58,836.29	(43,810.05)		(454.04)		(44,264.09)	14,572.20
Construction-in-progress	791,555.80			(791,555.80)	-	-				-	-
	2,717,281.95	-	900,552.21	(791,555.80)	2,826,278.36	(1,527,651.72)	0.05	(107,545.32)	-	(1,635,196.99)	1,191,081.37

	Beginning 12-31-20	Book Adjustments	Additions	(Deletions)	Ending 12-31-21	Accumulated Depreciation 12-31-20	Book Adjustments	(Additions )	Deletions	Ending 12-31-21	Remaining Cost 12-31-21
Land	65,699.87				65,699.87	-				-	65,699.87
Buildings and structures	1,792,272.29			(7,686.60)	1,784,585.69	(1,426,801.50)	(0.04)	(48,004.86)	7,442.17	(1,467,364.23)	317,221.46
Improvements	6,356.00				6,356.00	(5,720.48)		(424.13)	0.39	(6,144.22)	211.78
Equipment - dwellings	29,279.04	0.01		(18,148.34)	11,130.71	(27,413.55)		(531.68)	17,612.01	(10,333.22)	797.49
Equipment - administration	49,659.69	(0.01)	15,406.98	(7,112.78)	57,953.88	(48,635.63)		(2,478.57)	7,304.15	(43,810.05)	14,143.83
Construction-in-progress	663,785.46		127,770.34		791,555.80	-				-	791,555.80
	2,607,052.35	-	143,177.32	(32,947.72)	2,717,281.95	(1,508,571.16)	(0.04)	(51,439.24)	32,358.72	(1,527,651.72)	1,189,630.23

MURDO HOUSING AND REDEVELOPMENT COMMISSION  
 A COMPONENT UNIT OF THE CITY OF MURDO, SOUTH DAKOTA  
 MURDO, SOUTH DAKOTA  
 DECEMBER 31, 2023

Financial Data Schedule

Financial Data Schedule (FDS)  
 For the Year Ending December 31, 2023  
 Required by the Dept. of Housing and Urban Development

Low Rent  
 Public  
 Housing  
 CFDA #  
 14.850  
 12-31-2023

Public  
 Housing  
 Capital Fund  
 Program  
 CFDA #  
 14.872  
 12-31-2023

Line Item #		Audit 12-31-2023	Reclass	14.850 12-31-2023	14.872 12-31-2023
<b>ASSETS</b>					
Current assets:					
111.00	Cash - unrestricted	6,690		6,690	
114.00	Cash - tenant deposits	5,550		5,550	
122.00	Accounts receivable - HUD	70,056		70,056	
124.00	Accounts receivable - governments	9,592		9,592	
126.00	Accounts receivable - tenants	3,997		3,997	
126.10	Allowance for doubtful accounts - tenants	(991)		(991)	
129.00	Accrued interest receivable	12		12	
131.00	Investments	44,767		44,767	
142.00	Prepaid expenses	1,060		1,060	
143.00	Inventories	3,494		3,494	
143.10	Allowance for obsolete inventories	(349)		(349)	
150.00	Total current assets:	143,878	0	143,878	0
Noncurrent assets:					
161.00	Land	65,700		65,700	
162.00	Buildings	2,636,975	(46,686)	2,683,661	
163.00	Furniture, equipment - dwellings	11,131		11,131	
164.00	Furniture, equipment - administration	56,520	(2,316)	58,836	
166.00	Accumulated depreciation	(1,685,625)	37,176	(1,722,801)	
167.00	Construction-in-progress	2,661		2,661	
160.00	Total non-current assets:	1,087,362	(11,826)	1,099,188	0
174.00	Other assets	5,992		5,992	
190.00	Total assets	1,237,232	(11,826)	1,249,058	0
<b>LIABILITIES</b>					
Current liabilities:					
312.00	Accounts payable <= 90 days	2,264		2,264	
321.00	Accrued payroll taxes	1,479		1,479	
341.00	Tenant security deposits	5,550		5,550	
342.00	Deferred revenues - other	11		11	
345.00	Other current liabilities	2,592		2,592	
346.00	Accrued liabilities - other	3,927		3,927	
310.00	Total current liabilities	15,823	0	15,823	0
355.00	Loan liability - non-current	4,173		4,173	0
300.00	Total liabilities	19,996	0	19,996	0
<b>NET ASSETS</b>					
508.40	Invested in capital assets, net of debt	1,087,362	(11,826)	1,099,188	
512.40	Unrestricted net assets	129,874		129,874	
513.00	Total net assets	1,217,236	(11,826)	1,229,062	0
600.00	Total liabilities and net assets	1,237,232	(11,826)	1,249,058	0



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

Financial Data Schedule (FDS)  
For the Year Ending December 31, 2023  
Required by the Dept. of Housing and Urban Development

Line Item #	Audit 12-31-2023	Reclass	Low Rent	Public
			Public Housing CFDA # 14.850a 12-31-2023	Housing Capital Fund Program CFDA # 14.872 12-31-2023
<b>REVENUE</b>				
703.00	Net tenant rental revenue	107,440	11,520	95,920
704.00	Tenant revenue - other	0	(11,520)	11,520
706.00	HUD PHA operating grant	0	(121,045)	121,045
706.10	Capital grants (HUD)	0	(21,170)	21,170
711.00	Investment income - unrestricted	0	(1,894)	1,894
715.00	Other revenue	6,022	(2,997)	9,019
700.00	Total revenue	113,462	(147,106)	239,398
<b>EXPENSES</b>				
Expenses - administrative:				
911.00	Salaries	40,890		40,890
914.00	Advertising and marketing	286		286
915.00	Employee benefit contributions	3,546		3,546
916.00	Office expenses	4,946		4,946
917.00	Legal expense	3,261		3,261
919.00	Other	5,498		5,498
Expenses - tenant services:				
924.00	Other	0		0
Expenses - utilities:				
931.00	Water	2,264		2,264
932.00	Electricity	35,340		35,340
936.00	Sewer	996		996
Expenses - ordinary maint. & operation:				
941.00	Labor	43,071		43,071
942.00	Materials and other	13,877		13,877
943.00	Contract services	12,244	(3,777)	16,021
945.00	Employee benefit contributions	3,927		3,927
Expenses - protective service				
953.00	Other	330		330
Expenses - general:				
961.10	Property insurance	20,793		20,793
961.20	Liability insurance	45		45
961.30	Workman's compensation	4,733		4,733
961.40	All other insurance	512		512
962.00	Other	267		267
963.00	Payment in lieu of taxes	2,866		2,866
964.00	Bad debt - tenant rents	15,072		15,072
Other expenses:				
972.00	Gain or (loss)	2,316	2,316	0
974.00	Depreciation	106,380	(3,475)	109,855
900.00	Total expenses	323,460	(4,936)	328,396
Other financing sources (uses):				
706.00	HUD PHA operating grant	48,499	48,499	0
711.00	Investment income - unrestricted	4,125	4,125	0
1001.00	Operating transfers in	0	(21,046)	21,046
1002.00	Operating transfers (out)	0	21,046	(21,046)
1010.00	Total other financing sources (uses):	52,624	52,624	0
706.10	Capital grants (HUD)	99,455	99,455	0
Change in net assets				
		(57,919)	9,909	(88,998)
<b>NET ASSETS</b>				
1103.00	Beginning	1,275,155	20,831	1,254,324
1104.00	Prior period adjustments	0	(42,566)	42,566
1162.00	Building purchase	0		21,170
	Ending	1,217,236	(11,826)	1,229,062

MURDO HOUSING AND REDEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF MURDO, SOUTH DAKOTA  
MURDO, SOUTH DAKOTA  
DECEMBER 31, 2023

Financial Data Schedule

Financial Data Schedule (FDS)  
For the Year Ending December 31, 2022  
Required by the Dept. of Housing and Urban Development

Line Item #	Audit 12-31-2022	Reclass	Low Rent	Public
			Public Housing CFDA # 14.850a 12-31-2022	Housing Capital Fund Program CFDA # 14.872 12-31-2022
<b>REVENUE</b>				
703.00	Net tenant rental revenue	118,425	5,146	113,279
704.00	Tenant revenue - other	0	(5,146)	5,146
706.00	HUD PHA operating grant	0	(89,428)	89,428
706.10	Capital grants (HUD)	0	(101,758)	101,758
711.00	Investment income - unrestricted	0	(368)	368
715.00	Other revenue	13,823	(16,066)	29,889
700.00	Total revenue	132,248	(207,620)	238,110
<b>EXPENSES</b>				
Expenses - administrative:				
911.00	Salaries	43,785		43,785
914.00	Advertising and marketing	325		325
915.00	Employee benefit contributions	5,716		5,716
916.00	Office expenses	8,777		8,777
917.00	Legal expense	1,470		1,470
919.00	Other	6,422	(2)	6,424
Expenses - tenant services:				
924.00	Other	168		168
Expenses - utilities:				
931.00	Water	3,600		3,600
932.00	Electricity	40,712		40,712
936.00	Sewer	1,545		1,545
Expenses - ordinary maint. & operation:				
941.00	Labor	45,205		45,205
942.00	Materials and other	14,263		14,263
943.00	Contract services	9,512		9,512
945.00	Employee benefit contributions	5,013		5,013
Expenses - protective service:				
953.00	Other	273		273
Expenses - general:				
961.10	Property insurance	12,752		12,752
961.20	Liability insurance	1,257		1,257
961.30	Workman's compensation	4,658		4,658
961.40	All other insurance	3,639		3,639
962.00	Other	3,300		3,300
963.00	Payment in lieu of taxes	6,742		6,742
964.00	Bad debt - tenant rents	(4,543)	(4,543)	0
Other expenses:				
974.00	Depreciation	107,545	(359)	107,904
974.00	Gain or (loss)	0		
900.00	Total expenses	322,136	(4,904)	327,040
Other financing sources (uses):				
706.00	HUD PHA operating grant	36,959	36,959	0
711.00	Investment income - unrestricted	2,650	2,650	0
713.00	Sale of capital asset (comp for damages)	15,388	15,388	
1001.00	Operating transfers in	0	(13,063)	13,063
1002.00	Operating transfers (out)	0	13,063	(13,063)
1010.00	Total other financing sources (uses):	54,997	54,997	0
706.10	Capital grants (HUD)	78,851	78,851	0
Change in net assets				
		(56,040)	(68,868)	(88,930)
<b>NET ASSETS</b>				
1103.00	Beginning	1,331,195	18,089	1,313,106
1104.00	Prior period adjustments	0	71,610	(71,610)
1163.00	Dwelling equipment purchase	0		101,758
	Ending	1,275,155	20,831	1,254,324

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

Financial Data Schedule (FDS)  
For the Year Ending December 31, 2021  
Required by the Dept. of Housing and Urban Development

Low Rent Public  
Housing Capital Fund  
Housing Program  
CFDA # CFDA #  
14.850a 14.872  
12-31-2021 12-31-2021

Line Item #	Audit 12-31-2021	Reclass	14.850a 12-31-2021	14.872 12-31-2021
<b>REVENUE</b>				
703.00 Net tenant rental revenue	94,377		94,377	
706.00 HUD PHA operating grant	0	(72,179)	72,179	
706.10 Capital grants (HUD)	0	(202,738)		202,738
711.00 Investment income - unrestricted	0	(3)	3	
715.00 Other revenue	12,644	(5,980)	18,624	
716.00 Gain or (loss)	0	1,013	(1,013)	
700.00 Total revenue	107,021	(279,887)	184,170	202,738
<b>EXPENSES</b>				
Expenses - administrative:				
911.00 Salaries	26,302		26,302	
912.00 Auditing fee	3,500		3,500	
915.00 Employee benefit contributions	1,995		1,995	
916.00 Office expenses	12,480		12,480	
919.00 Other	2,872		2,872	
Expenses - tenant services:				
924.00 Other	954		954	
Expenses - utilities:				
931.00 Water	2,487		2,487	
932.00 Electricity	37,951		37,951	
936.00 Sewer	1,173		1,173	
Expenses - ordinary maint. & operation:				
941.00 Labor	45,857		45,857	
942.00 Materials and other	10,496		10,496	
943.00 Contract services	7,988		7,988	
945.00 Employee benefit contributions	3,640		3,640	
Expenses - general:				
961.10 Property insurance	9,824	(3,797)	13,621	
962.00 Other	368		368	
963.00 Payment in lieu of taxes	5,276		5,276	
964.00 Bad debt - tenant rents	6,185		6,185	
Other expenses:				
972.00 Gain or (loss)	589	589	0	
974.00 Depreciation	51,439	423	51,016	
900.00 Total expenses	231,376	(2,785)	234,161	0
Other financing sources (uses):				
706.00 HUD PHA operating grant	72,179	72,179	0	
711.00 Investment income - unrestricted	5,158	5,158	0	
1010.00 Total other financing sources (uses):	77,337	77,337	0	0
706.10 Capital grants (HUD)	212,113	212,113		0
Change in net assets	165,095	12,348	(49,991)	202,738
<b>NET ASSETS</b>				
1103.00 Beginning	1,166,100		1,166,100	0
1104.00 Prior period adjustments	0	5,741	(5,741)	
1162.00 Building purchase	0		202,738	(202,738)
Ending	1,331,195	18,089	1,313,106	0

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*

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 December 31, 2023 and for each of the years in the three year period then ended, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued my report thereon dated September 30, 2024 which was unmodified.

Report on 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) as a basis for designing 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 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 Commission's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or 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.

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. However, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses.

I did identify deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2023-01 that I consider to be a significant deficiency.

*Government Auditing Standards* require the auditor to perform limited procedures on the Commission's response to the internal control over financial reporting finding identified in my audit described in the accompanying schedule of findings and responses. The Commission's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

I did note minor matters involving internal control over financial reporting that I reported to the governing body and management of the Commission in a separate Letter of Comments dated September 30, 2024.

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.

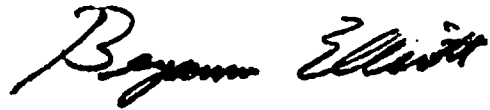
The results of my tests did not disclose an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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. This 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. 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



September 30, 2024

MURDO HOUSING & REDEVELOPMENT COMMISSION  
A COMPONENT UNIT OF THE CITY OF MURDO, SOUTH DAKOTA  
DECEMBER 31, 2023

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SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit finding:

Not applicable to this audit.

Prior Other Audit Findings:

None reported.

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Part I - Summary of the Independent Auditor's Results:

*Financial Statements*

Type of auditor's report issued: Unmodified on its only fund

Noncompliance:

\* Material to financial statements noted? NONE REPORTED

Internal control over financial reporting:

\* Material weakness(es) identified? NONE REPORTED

\* Significant deficiency(ies) identified  
that are not considered to be material  
weaknesses?

Finding 2023-01

Part II - Findings Relating to the Financial Statements

Finding 2023-01: Preparation of Financial Statements  
(internal control)

*Criteria:*

A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements.

*Condition:*

The Commission has elected not to have an internal control system designed to provide for the preparation of the financial statement being audited. As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

*Effect:*

This control deficiency could result in a misstatement of the financial statements that would not be prevented or detected.

*Recommendation:*

This situation is not unusual for a Commission. 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.

*Management Response:*

Due to cost constraints, the Commission will continue to have the auditor draft the financial statements and accompanying notes to the financial statements.