

**THE HOUSING AND REDEVELOPMENT COMMISSION OF  
THE CITY OF SIOUX FALLS, SOUTH DAKOTA,  
A COMPONENT UNIT OF THE CITY OF  
SIOUX FALLS, SOUTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

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CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
The Housing and Redevelopment Commission  
of The City of Sioux Falls, South Dakota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota, a component unit of the City of Sioux Falls, South Dakota and its discretely presented component unit as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota, a component unit of the City of Sioux Falls, South Dakota as of September 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota, a component unit of the City of Sioux Falls, South Dakota's basic financial statements. The Commission's Financial Data Schedules (FDS), Capital Fund Program Schedule of Modernization Expenditures by Project Number, and South Sycamore Estates Statements and Supplementary Schedules as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis as required by Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements For Federal Awards*, and is also not a required part of the basic financial statements.

The Financial Data Schedules, Capital Fund Program Schedule of Modernization Expenditures by Project Number, South Sycamore Estates Statements and Supplementary Schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2017 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.



**BRADY, MARTZ & ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA**

January 19, 2017

**THE HOUSING AND REDEVELOPMENT COMMISSION  
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

As management of the Housing and Redevelopment Commission of the City of Sioux Falls (the Commission) a component unit of the City of Sioux Falls, South Dakota, we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with the Commission's financial statements.

**Financial Highlights**

- The assets of the Primary Government exceeded its liabilities at the close of the 2016 fiscal year by \$2,729,266 (net position), compared to net position of \$2,569,473 for the fiscal year 2015. This is a 6.22% increase from fiscal year 2015.
- The Primary Government's cash and cash equivalents balance at September 30, 2016 was \$1,736,661 representing an increase of \$105,563 from September 30, 2015.
- The Commission had total operating revenues of \$13,496,247, non-operating revenues of \$3,212 and operating expenses of \$13,182,055 for the year ended September 30, 2016. This compares to total operating revenues of \$62,052, non-operating revenues of \$12,548,386, and operating expenses of \$3,531 for the year ended September 30, 2015.

**Overview of the Financial Statements**

The Management's Discussion and Analysis is intended to serve as an introduction to the Commission's basic financial statements and to summarize what is included in them.

The financial statements are designed to be corporate-like in nature and activities are shown for the entire Commission.

These Statements include a Statement of Net Position. The Statement of Net Position reports all financial and capital resources for the Commission. The statement is presented in the format where assets equal liabilities plus net position. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Noncurrent".

The focus of the Statement of Net Position (the "Unrestricted net position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Commission. Net position (formerly equity) is reported in three broad categories:

Net Investment in Capital Assets: This component of net position consists of all Capital Assets, 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.

Restricted Net Position: This component of net position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

**THE HOUSING AND REDEVELOPMENT COMMISSION  
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Unrestricted Net Position: Consists of net position that does not meet the definition of "Net Investment in Capital Assets," or "Restricted Net Position."

The financial statements also include a Statement of Revenues, Expenses and Changes in Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Nonoperating Revenue and Expenses, such as investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

### **Financial Analysis**

#### **Assets**

Net position may serve, over a period of time, as a useful indicator of a government's financial position. In the case of the Primary Government, assets exceeded liabilities by \$2,729,266 at the close of fiscal year September 30, 2016.

Total assets, as of September 30, 2016, were \$3,443,531. Of this total, \$1,900,757 was current and other assets, while \$1,542,774 were capital assets. For fiscal year ended September 30, 2015, current and other assets were \$1,799,867 and capital assets were \$1,579,764. Current and other assets increased mainly due to an increase in cash and cash equivalents. The decrease in capital assets was mainly due to the depreciation of capital assets.

**THE HOUSING AND REDEVELOPMENT COMMISSION  
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	2016	2015	Change	
			Dollar	%
<b>Assets:</b>				
Current and Other Assets	\$ 1,900,757	\$ 1,799,867	\$ 100,890	5.61%
Capital Assets	<u>1,542,774</u>	<u>1,579,764</u>	<u>(36,990)</u>	-2.34%
Total Assets	<u>\$ 3,443,531</u>	<u>\$ 3,379,631</u>	<u>\$ 63,900</u>	1.89%
<b>Liabilities:</b>				
Long-Term Liabilities	\$ 430,067	\$ 530,071	\$ (100,004)	-18.87%
Other Liabilities	<u>284,198</u>	<u>280,087</u>	<u>4,111</u>	1.47%
Total Liabilities	<u>714,265</u>	<u>810,158</u>	<u>(95,893)</u>	-11.84%
<b>Net Position:</b>				
Net Investment in Capital Assets	1,175,576	1,181,222	(5,646)	-0.48%
Restricted	283,867	50,602	233,265	460.98%
Unrestricted	<u>1,269,823</u>	<u>1,337,649</u>	<u>(67,826)</u>	-5.07%
Total Net Position	<u>2,729,266</u>	<u>2,569,473</u>	<u>159,793</u>	6.22%
Total Liabilities and Net Position	<u>\$ 3,443,531</u>	<u>\$ 3,379,631</u>	<u>\$ 63,900</u>	1.89%

### Liabilities

Total liabilities as of September 30, 2016 were \$714,265 compared to total liabilities of \$810,158 for fiscal year ended September 30, 2015. No new long-term debt was issued during the year ended September 30, 2016.

### Net Position

Total net position, as of September 30, 2016, was \$2,729,266 which consisted of unrestricted net position of \$1,269,823, restricted net position for grantor agency of \$230,575, restricted net position for debt covenants of \$53,292, and net investment in capital assets of \$1,175,576. As of September 30, 2015, unrestricted net position was \$1,337,649, restricted net position for grantor agency was \$5,631, restricted net position for debt covenants of \$44,971, and net investment in capital assets was \$1,181,222 for a total net position of \$2,569,473.

A portion of the Primary Government's net position, 43%, reflects its investment in capital assets (e.g., buildings, machinery, and equipment). These assets are not available for future spending. The unrestricted net position of the Primary Government, 47%, is available for future use to provide program services. The total net position of the Primary Government increased \$159,793 during the fiscal year 2016. This increase was primarily a result of an increase in HUD PHA Grant revenue compared to 2015.

### Revenue

The operating revenues of the Primary Government by \$947,861 for fiscal year 2016. Total operating revenues for fiscal year September 30, 2016 were \$13,496,247, while in fiscal year September 30, 2015, total operating revenues were \$62,052. The main factor was an increase



**THE HOUSING AND REDEVELOPMENT COMMISSION  
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

in HUD PHA grants of \$783,108 from 2015. In addition, there was an increase in other revenue and management fees of \$156,232 from 2015.

**Operating Expenses**

Operating Expenses decreased by 9.03% or \$319 from fiscal year 2015 to fiscal year 2016.

**Nonoperating Revenues and Expenses**

Nonoperating expenses for fiscal year 2016 included a Casualty Loss of \$157,611, which is due to property damages from wind, hail, and fire.

**Changes in Net Position**

There was an decreased in net position of \$319 from fiscal year 2015 to fiscal year 2016. The ending total net position was \$2,729,266 in fiscal year 2016 while fiscal year 2015 ended with a total net position of \$2,569,473.

The following schedule compares the revenues, expenses and changes in net position for the current and previous fiscal year.

	2016	2015	Change	
			Dollar	%
<b>Revenues</b>				
Program Revenues				
Dwelling rental	\$ 178,119	\$ 179,398	\$ (1,279)	-0.71%
Tenant revenue-other	3,471	3,630	(159)	-4.38%
Fraud recovery	17,186	28,311	(11,125)	-39.30%
Other revenue and management fees	433,155	276,923	156,232	56.42%
HUD PHA grants	12,392,459	11,609,351	783,108	6.75%
Other Governmental grants	471,857	450,773	21,084	4.68%
General Revenues				
Interest income	3,212	3,531	(319)	-9.03%
Total Revenues	<u>13,499,459</u>	<u>12,551,917</u>	<u>947,542</u>	<u>7.55%</u>
<b>Expenses</b>				
Administrative	605,217	520,973	84,244	16.17%
Management fees	138,530	135,626	2,904	2.14%
Tenant services	813,747	779,708	34,039	4.37%
Utilities	24,880	30,306	(5,426)	-17.90%
Ordinary maintenance and operations	121,440	121,184	256	0.21%
Extraordinary maintenance	87,021	-	87,021	100%
General expense	160,759	177,100	(16,341)	-9.23%
Dwelling units rent expense	2,841	4,210	(1,369)	
Housing assistance payments	11,165,568	11,333,226	(167,658)	-1.48%
Depreciation and amortization	62,052	61,902	150	0.24%
Casualty Losses	<u>157,611</u>	<u>-</u>	<u>157,611</u>	
Total Expenses	<u>13,339,666</u>	<u>13,164,235</u>	<u>175,431</u>	<u>1.33%</u>
Change in Net Position	<u>159,793</u>	<u>(612,318)</u>	<u>772,111</u>	<u>-126.10%</u>
Beginning Net Position	<u>2,569,473</u>	<u>3,181,791</u>	<u>(612,318)</u>	<u>-19.24%</u>
Ending Net Position	<u>\$ 2,729,266</u>	<u>\$ 2,569,473</u>	<u>\$ 159,793</u>	<u>6.22%</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION  
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

**Capital Assets and Debt Administration**

***CAPITAL ASSETS***

As of September 30, 2016, the Primary Government's investment in capital assets was \$1,542,774 (net of accumulated depreciation). This investment in capital assets includes buildings, improvements, equipment, and computer hardware.

There was \$37,162 in capital assets purchased during fiscal year 2016 which consisted of building improvements, construction in progress, and equipment. Depreciation expense totaled \$62,052.

Please see Note 6 to the financial statements for additional information on capital assets.

***LONG-TERM DEBT***

The Primary Government had \$367,198 in outstanding debt as of the end of the fiscal year. This amount is owed by South Sycamore Estates, (a 16 unit apartment complex).

The Commission is liable for the accrued vacation and sick leave payable to qualifying employees. The increase is due to an increase in the amount of leave accumulated and outstanding at the end of the year.

Please see Note 8 to the financial statements for additional information on long-term debt.

**Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Primary Government's budget for the fiscal year:

- Wage increases of 2.5% for all employees and the related effects to employee benefits were budgeted.
- Health insurance premiums were budgeted with a projected 10% increase for fiscal year 2017.
- Revenues and expenses were adjusted according to existing contracts, projected increases and decreases and historical information.

**Component Unit**

Affordable Housing Solutions is a discretely presented component unit. A complete copy of this audit report can be obtained at the administrative office. Please see Note 1 to the financial statements.

**THE HOUSING AND REDEVELOPMENT COMMISSION  
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**Contacting the Authority's Financial Management**

The financial report is designed to provide a general overview of the Primary Government's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Sioux Falls Housing and Redevelopment Commission, 630 South Minnesota Avenue, Sioux Falls, SD 57104-4825. Also, separately issued financial statements for Affordable Housing Solutions (component unit) can be obtained at the above address.

**THE HOUSING AND REDEVELOPMENT COMMISSION  
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**  
STATEMENT OF NET POSITION  
AS OF SEPTEMBER 30, 2016

	<u>PRIMARY GOVERNMENT</u>	<u>COMPONENT UNIT</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents - unrestricted	\$ 1,310,800	\$ 322,044
Cash and cash equivalents - restricted	425,861	320,216
Receivables, (net of allowances for uncollectibles, if any):		
Tenants	6,648	3,942
Miscellaneous	25,899	300
HUD	28,434	-
Other Government	56,003	342,397
Interest	819	-
Prepaid expenses	46,293	7,045
Assets held for resale	-	<u>1,178,506</u>
Total current assets	<u>1,900,757</u>	<u>2,174,450</u>
Noncurrent assets:		
Notes receivable	-	41,903
Investment in Tax Credit Partnership	-	25,331
Capital assets, net of accumulated depreciation:		
Land	492,500	576,946
Buildings	997,133	1,813,792
Equipment	17,896	87,558
Leasehold improvements	35,245	235,410
Construction in progress	-	<u>444,083</u>
Total noncurrent assets	<u>1,542,774</u>	<u>3,225,023</u>
Total assets	<u>3,443,531</u>	<u>5,399,473</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable - vendors	103,643	233,290
Accounts payable - HUD	37,933	-
Accounts payable - other governments	3,845	1,163,864
Accrued wages and payroll taxes payable	27,718	2,171
Tenants security deposits	9,746	10,163
Unearned revenues	3,548	1,700
Accrued compensated absences - current portion	53,792	2,058
Accrued interest payable	-	1,589
Other current liabilities	12,628	59,575
Notes payable - current portion	31,345	<u>52,810</u>
Total current liabilities	<u>284,198</u>	<u>1,527,220</u>
Noncurrent liabilities:		
Accrued compensated absences (net of current portion)	28,213	-
Notes payable (net of current portion)	335,853	2,913,449
Noncurrent liability - other	66,001	-
Total noncurrent liabilities	<u>430,067</u>	<u>2,913,449</u>
Total liabilities	<u>714,265</u>	<u>4,440,669</u>
Net Position		
Net investment in capital assets	1,175,576	191,530
Restricted - Grantor Agencies	230,575	273,783
Restricted - Debt Covenants	53,292	71,932
Unrestricted	<u>1,269,823</u>	<u>421,559</u>
Total Net Position	<u>\$ 2,729,266</u>	<u>\$ 958,804</u>

See Notes to the Financial Statements

**THE HOUSING AND REDEVELOPMENT COMMISSION  
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>PRIMARY GOVERNMENT</u>	<u>COMPONENT UNIT</u>
<b>OPERATING REVENUES</b>		
Dwelling rental	\$ 178,119	\$ 266,350
Tenant revenue - other	3,471	3,537
Fraud recovery	17,186	-
HUD PHA grants	12,392,459	-
Other fees	252,448	-
Other governmental grants	471,857	72,585
Other revenue	<u>180,707</u>	<u>212,525</u>
Total operating revenues	<u>13,496,247</u>	<u>554,997</u>
<b>OPERATING EXPENSES</b>		
Administrative	605,217	148,129
Management fees	138,530	57,039
Tenants services	813,747	-
Utilities	24,880	57,861
Ordinary maintenance and operation	121,440	107,209
Extraordinary maintenance	87,021	-
General expense	160,759	47,930
Housing assistance payments	11,165,568	-
Dwelling units rent expense	2,841	-
Depreciation and amortization	<u>62,052</u>	<u>104,417</u>
Total operating expenses	<u>13,182,055</u>	<u>522,585</u>
Operating income (deficit)	<u>314,192</u>	<u>32,412</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	3,212	1,244
Interest expense	-	(5,088)
Casualty Losses-Non-Capitalized	<u>(157,611)</u>	<u>(113,424)</u>
Total nonoperating revenues (expenses)	<u>(154,399)</u>	<u>(117,268)</u>
Increase (Decrease) in Net Position	159,793	(84,856)
Total Net Position - beginning	<u>2,569,473</u>	<u>1,043,660</u>
Total Net Position - ending	<u>\$ 2,729,266</u>	<u>\$ 958,804</u>

See Notes to the Financial Statements

**THE HOUSING AND REDEVELOPMENT COMMISSION  
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b>PRIMARY GOVERNMENT</b>	<b>COMPONENT UNIT</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Rental receipts	\$ 175,196	\$ 266,512
Other cash payments received	434,800	(668,636)
Operating grants received	12,882,607	72,585
Payments to employees	(1,166,954)	(82,023)
Payments to other suppliers	(836,306)	503,868
Payments for housing assistance	(11,165,568)	-
Payment in lieu of taxes	(8,027)	(16,489)
Tenant deposits held in trust	760	1,176
	<u>316,508</u>	<u>76,993</u>
Net Cash Provided (Used) by Operating Activities		
	<u>316,508</u>	<u>76,993</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds on long-term debt	-	377,476
Payments for non-current liabilities	-	(3,084)
Principal paid on long-term debt	(31,344)	(69,521)
Interest paid on debt	-	(5,146)
Purchases of capital assets	(25,062)	(452,586)
	<u>(56,406)</u>	<u>(152,861)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities		
	<u>(56,406)</u>	<u>(152,861)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loss on Investment in Tax Credit Partnership	-	-
Interest Income	3,072	1,243
Casualty Losses-Non-Capitalized	(157,611)	(113,424)
	<u>(154,539)</u>	<u>(112,181)</u>
Net Cash Provided (Used) by Investing Activities		
	<u>(154,539)</u>	<u>(112,181)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	105,563	(188,049)
Cash and Cash Equivalents, Beginning of Year	<u>1,631,098</u>	<u>830,309</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,736,661</u>	<u>\$ 642,260</u>

See Notes to the Financial Statements

**THE HOUSING AND REDEVELOPMENT COMMISSION  
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA  
STATEMENT OF CASH FLOWS - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b>PRIMARY GOVERNMENT</b>	<b>COMPONENT UNIT</b>
<b>CASH FLOWS FROM</b>		
<b>OPERATING ACTIVITIES</b>		
Operating income	\$ 314,192	\$ 32,412
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	62,052	104,417
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - tenants	(82)	162
Accounts receivable - HUD	18,291	-
Accounts receivable - other	(19,012)	(153,328)
Prepaid expense	5,616	692
Assets held for resale	-	(731,370)
Increase (decrease) in:		
Accounts payable - vendors	(35,480)	149,386
Accounts payable - other governments	19,280	703,835
Accounts payable - HUD	-	(9,456)
Accrued wages and payroll taxes	(9,021)	(1,044)
Accrued compensated absences	896	296
Other current liabilities	(30,064)	(18,416)
Tenants security deposit	760	1,176
Unearned revenue	(10,920)	(1,769)
	<u>\$ 316,508</u>	<u>\$ 76,993</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 316,508</u>	<u>\$ 76,993</u>

See Notes to the Financial Statements

**THE HOUSING AND REDEVELOPMENT COMMISSION  
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**  
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**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota (the Commission) was organized in 1969 pursuant to the Municipal Housing and Redevelopment Act of South Dakota as a public housing agency formed to provide financial assistance for low income public housing pursuant to the United States Housing Act of 1937, (42 U.S.C. 1401 et seq.). The mayor and city council appoint the five members of the governing board for five-year staggered terms. The Public Housing Authority (PHA) board elects its own chairperson and recruits and employs its management personnel and other employees. The local governing board of the City of Sioux Falls, South Dakota has the ability to veto or otherwise modify a Housing Commission's decision to construct a specific project and issue debt.

The primary government is the City of Sioux Falls, South Dakota.

The Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota defines component units as all organizations, funds, departments, agencies, boards and other components for which the elected officials of the primary government exercise significant influence over and, or are financially accountable, or other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**Discretely Presented Component Unit**

Affordable Housing Solutions, a nonprofit organization incorporated in May 1978, is recognized by the Department of Housing and Urban Development as an instrumentality of the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota authorized by Section 11B of the United States Housing Act of 1937. The purpose of the Corporation is to promote, carryout and/or assist with the development, financing, and advancement of housing projects. The Board of Directors is composed of a minimum of nine and a maximum of fifteen directors endorsed by the Housing Commission.

Complete financial statements for the Component unit may be obtained at the unit's administrative office.

Affordable Housing Solutions  
630 South Minnesota Avenue  
Sioux Falls, South Dakota 57104-4825



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**Nature of Business**

The Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota administers various low-income housing assistance payment programs in Sioux Falls, South Dakota under the following ongoing contracts:

	Number of Units
Public Housing Program	
SD01600000115D and SD01600000116D	25
Capital Fund Program SD06P016501-15	
Section 8 Housing Choice Vouchers	1870
SD016VO0205-208, SD016VO0211-212, SD016VO0215-216, SD016VO0222-224 SD016VO14PR SD016AF0107, SD016AF0109-115 SD016AFR215 AND SD016AFR315 SD016AFHV12	
Section 8 Moderate Rehabilitation	
SD016MR0003	17
SD016MR0004	34
SD016MR0005	28
Section 8 New Construction	
SD998023003	46
Shelter Plus Care Program	
SD0016C8T001000 And SD0016L8T001501	4
SD0002C8T001100	5
SD0002L8T001407 and SD0002L8T001508	44
Family Self-Sufficiency Program	
SD016FSH614A014 SD016FSH1613A015	
HOME Investments Partnerships Program	
15-4182 AND 16-4188	
Housing Opportunities for Persons with AIDS	
15-028-53003-0 and 16-28-52004-0	
Other Projects:	
South Sycamore Estates	16
Management of Affordable Housing Solutions	
Management of Affordable Housing Solutions and owned rental properties	

**THE HOUSING AND REDEVELOPMENT COMMISSION  
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It was resolved by the Minnehaha County, South Dakota Commission, on December 5, 1995, that the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota is authorized to administer HUD funded programs in Minnehaha County, South Dakota.

**Basis of Presentation**

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

**Measurement Focus and Basis of Accounting**

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission are tenant rent, HUD and other operating grants and fraud recovery. Operating expenses include administrative expenses, tenant services, utilities, maintenance, housing assistance payments, general expenses and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Cash and Cash Equivalents**

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

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**Accounts Receivable**

All tenants accounts receivable are shown net of an allowance for doubtful accounts. Receivables from vacated tenants comprise the allowance. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

**Assets Held for Resale**

Assets held for resale of the Component Unit consist of properties purchased for the purpose of constructing or renovating homes for low and moderate income families through the neighborhood revitalization program. Assets held for resale are valued at cost.

**Capital Assets**

Capital assets are recorded at cost, or estimated historical cost. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. The Commission's policy is to capitalize those assets with a useful life greater than one year, and an initial acquisition cost as shown in the schedule below.

Donated capital assets are valued at their estimated fair value on the date donated.

The total proprietary fund business type capital assets as of September 30, 2016 includes approximately ten percent for which the costs were determined by estimations of the original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

For capital assets used in proprietary fund's operations, construction period interest is capitalized in accordance with accounting principles generally accepted in the United States of America.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Revenues, Expenses and Changes in Net Position, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	All		
Buildings:			
Single family dwellings	\$ 5,000	Straight-line	25-40 years
Multifamily and Commercial buildings	10,000	Straight-line	25-40 years
Modernization improvements:			
Single family dwellings	5,000	Straight-line	15 years
Multifamily and Commercial buildings	10,000	Straight-line	15 years
Leasehold improvements	5,000	Straight-line	15 years
Machinery and vehicles	5,000	Straight-line	5 years
Equipment and furnishings	2,500	Straight-line	5 years

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Land, an inexhaustible capital asset, is not depreciated.

**Restricted Assets**

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to Section 8 Housing Choice Voucher program excess funds received, Family Self Sufficiency (FSS) escrow amounts, promissory note trustee accounts and tenant security deposits.

**Compensated Absences**

The Commission allows employees to accumulate vacation leave as follows:

<u>Years of Service</u>	<u>Annual Accrual</u>	<u>Maximum Accrual</u>
0 - 5 years	80 hours	120 hours
6 -15 years	120 hours	180 hours
16 + years	160 hours	240 hours

Upon termination, all accumulated vacation leave will be paid to the employee.

Sick leave accumulates for full-time employees at a rate of 8 hours per month. Exempt employees have no limit on accumulated sick leave, but receive no compensation for any unused sick leave upon termination. Hourly employees are limited to 160 hours of accumulated sick leave. Fifty percent of the hours in excess of 160 hours of sick leave are paid to the employees at the end of each fiscal year. Upon termination, hourly employees are paid for fifty percent of their sick leave balance.

**Net Position**

Net position represents the residual interest in the Commission's assets after liabilities are deducted and they consist of three sections: Net investment in capital assets, Restricted, and Unrestricted. Net investment in capital assets includes capital assets net of accumulated depreciation and related debt. Restricted represents net position that has been restricted by HUD or others. All other net position is unrestricted.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the entity. For the Commission, these revenues are charges for dwelling rents and administrative fees. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the entity. Revenues and expenses not meeting these definitions are reported as nonoperating. HUD PHA grants are considered operating grants to match the housing voucher operating expenses.

**THE HOUSING AND REDEVELOPMENT COMMISSION  
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
AS OF SEPTEMBER 30, 2016

**Use of Estimates**

The preparation of financial statements required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

**Interprogram Eliminations and Reclassifications**

In the process of aggregating data for the financial statements, some amounts reported as interprogram activity and balances in the supplementary Financial Data Schedule have been eliminated or reclassified, as follows:

- a. In order to minimize the grossing-up effect on assets and liabilities within the primary government and component unit columns of the Statement of Net Position, amounts reported as interprogram receivables and payables have been eliminated, except for the net residual amounts due between the primary government and the component unit, which are presented as Intra-entity Balances.
- b. In order to minimize the doubling-up effect on primary government activity, certain “centralized expenses” including an administrative overhead component, are charged as direct expenses to programs in order to show all expenses that are associated with a service or program. When expenses are charged, corresponding revenue within the client’s non federal programs is also recorded. The Statement of Revenues, Expenses, and Changes in Net Position reflect the elimination of these activities.

**NOTE 2 DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK**

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

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

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Investments – The primary investment authority in statute specifically for Housing and Redevelopment Commissions is SDCL 11-7-31. SDCL 4-5-6 is the supplemental investment authority. These statutes permit housing authority funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that such securities shall either mature within eighteen months from the date of purchase or be redeemable at the option of the holder within eighteen months from the date of purchase and that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

**Custodial Credit Risk – Deposits** – The risk that, in the event of a depository failure, the Commission’s deposits may not be returned to it. The Commission does not have a deposit policy for custodial risk. As of September 30, 2016, the Commission’s deposits were fully insured or collateralized and were not exposed to custodial credit risk.

**Investments** – As of September 30, 2016, the Commission had no investments.

**Authorized Investments by the Commission** – The Commission has a formal investment policy that requires all deposits in excess of \$250,000, the amount insured by FDIC regardless of type, to be continuously and fully secured. The policy also sets forth the determination for the appropriate mixture of investments and requires the maintenance of an investment register.

**Interest Rate Risk** – The Commission’s formal investment policy considers maturity as one of the factors used to determine the appropriate mixture of investments. However, it does not set forth a limit for investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** – State law limits eligible investments for the Commission, as discussed above. The Commission’s investment policy does not further limit its investment choices. As of September 30, 2016, the Commission had no investments.

**Concentration of Credit Risk** – The Commission places no limit on the amount that may be invested in any one issuer. As of September 30, 2016, the Commission had no investments.

**THE HOUSING AND REDEVELOPMENT COMMISSION  
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**NOTE 3      RESTRICTED CASH AND CASH EQUIVALENTS**

Primary Government:

Housing Choice Voucher (HAP)	\$ 251,326
Housing Choice Voucher (FSS Escrow)	66,001
Family Self Sufficiency	422
Family Self Sufficiency (FSS) Escrow Accounts	14,725
Family Self Sufficiency (FSS) Special Needs Fund	1,030
Section 8 Mod Rehab	20,969
DHAP	4,505
Reserve for Replacements	38,304
Residual Receipts Reserve	7,172
Tax-Insurance Reserve	11,661
Tenant Security Deposits	<u>9,746</u>
Total Primary Government	<u>\$ 425,861</u>

Component Unit:

Neighborhood Revitalization	\$ 5,410
Field of Dreams	165,811
633 W 10th St	25,000
Affordable Housing Solutions Security Deposit Loan	1,909
Reserve for Replacement	43,405
Tax-Insurance Reserve	14,052
Operating Reserve	21,016
Tenant Security Deposits	10,163
Field of Dreams LLC	10,035
633 W 10th St LLC	<u>23,415</u>
Total Component Unit	<u>\$ 320,216</u>

**NOTE 4      NOTES RECEIVABLE**

Notes receivable for the Component Unit of \$41,903 at September 30, 2016 represents funds that were provided by grant proceeds to establish and maintain the “Neighborhood Revitalization Down Payment Assistance Program” (NRDAP) for qualifying homebuyers. The notes are interest free, deferred loans and are secured by the homebuyer’s property. The mortgage is registered with the Minnehaha County Register of Deeds and payable upon sale of the property.

**NOTE 5      INVESTMENT IN TAX CREDIT PARTNERSHIP (Component Unit)**

Affordable Housing Solutions (component unit) invested \$25,331 in 2013 into Spring Centre Apartments, LLC as part of a tax credit partnership. The Component Unit receives 1% of Spring Centre’s yearly earnings. The total Investment at September 30, 2016 was \$25,331.

**THE HOUSING AND REDEVELOPMENT COMMISSION  
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NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
AS OF SEPTEMBER 30, 2016

**NOTE 6 CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2016 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ 12,100	\$ -	\$ 12,100	\$ -
Land	492,500	-	-	492,500
Total capital assets not being depreciated	<u>504,600</u>	<u>-</u>	<u>12,100</u>	<u>492,500</u>
<i>Capital assets being depreciated:</i>				
Buildings	3,809,522	30,999	-	3,840,521
Equipment	212,903	6,163	73,196	145,870
Leasehold improvements	81,855	-	-	81,855
Total capital assets being depreciated	<u>4,104,280</u>	<u>37,162</u>	<u>73,196</u>	<u>4,068,246</u>
<i>Less accumulated depreciation for:</i>				
Buildings	2,791,524	51,864	-	2,843,388
Equipment	194,873	6,297	73,196	127,974
Leasehold improvements	42,719	3,891	-	46,610
Total accumulated depreciation	<u>3,029,116</u>	<u>62,052</u>	<u>73,196</u>	<u>3,017,972</u>
Total capital assets being depreciated, net	<u>1,075,164</u>	<u>(24,890)</u>	<u>-</u>	<u>1,050,274</u>
<i>Capital assets, net</i>	<u>\$ 1,579,764</u>	<u>\$ (24,890)</u>	<u>\$ 12,100</u>	<u>\$ 1,542,774</u>

Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 576,946	\$ -	\$ -	\$ 576,946
Construction in progress	88,642	384,190	28,749	444,083
Total capital assets not being depreciated	<u>665,588</u>	<u>384,190</u>	<u>28,749</u>	<u>1,021,029</u>
<i>Capital assets being depreciated:</i>				
Buildings and equipment	<u>2,936,578</u>	<u>97,145</u>	<u>-</u>	<u>3,033,723</u>
<i>Less accumulated depreciation for:</i>				
Buildings and equipment	<u>792,546</u>	<u>104,417</u>	<u>-</u>	<u>896,963</u>
Total capital assets being depreciated, net	<u>2,144,032</u>	<u>(7,272)</u>	<u>-</u>	<u>2,136,760</u>
<i>Capital assets, net</i>	<u>\$ 2,809,620</u>	<u>\$ 376,918</u>	<u>\$ 28,749</u>	<u>\$ 3,157,789</u>



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**NOTE 7      ACCOUNTS PAYABLE – OTHER GOVERNMENTS**

Accounts Payable – Other Governments consists of \$3,845 in payment in lieu of taxes (PILOT) for the primary government as of September 30, 2016.

Accounts Payable – Other Governments for the component unit consists of \$11,964 in payment in lieu of taxes and \$1,151,900 in interest free notes due to the City of Sioux Falls, South Dakota. The City of Sioux Falls, Department of Community Development provides funding for costs incurred for the acquisition, demolition, construction, and resale of properties held for resale through the neighborhood revitalization program. The funds are secured by a note recorded with the Minnehaha County Register of Deeds. The notes are interest free and payable to the City upon sale of the property.

**NOTE 8      LONG-TERM OBLIGATIONS**

Primary Government:

A summary of changes in long-term obligations follows:

	Beginning			Ending	Due Within
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Note payable	\$ 398,542	\$ -	\$ (31,344)	\$ 367,198	\$ 31,345
Compensated absences	<u>81,109</u>	<u>90,074</u>	<u>(89,178)</u>	<u>82,005</u>	<u>53,792</u>
Long-term liabilities	<u>\$ 479,651</u>	<u>\$ 90,074</u>	<u>\$ (120,522)</u>	<u>\$ 449,203</u>	<u>\$ 85,137</u>

The note payable at September 30, 2016 is comprised of the following:

	Amounts Due Within <u>One Year</u>	Amounts Due After <u>One Year</u>	<u>Total</u>
Note payable - South Dakota Housing Development Authority (SDHDA), 0% interest, due March 2025, monthly payments \$512 through November 2008 and \$2,612 starting December 1, 2008, collateralized by real estate, equipment, fixtures and all rents and leases of the project.	<u>\$ 31,345</u>	<u>\$ 335,853</u>	<u>\$ 367,198</u>
Total	<u>\$ 31,345</u>	<u>\$ 335,853</u>	<u>\$ 367,198</u>

The annual requirements to amortize the note payable as of September 30, 2016 is as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 31,345	\$ -	\$ 31,345
2018	31,345	-	31,345
2019	31,345	-	31,345
2020	31,345	-	31,345
2021	31,345	-	31,345
2022-2025	<u>210,473</u>	-	<u>210,473</u>
	<u>\$ 367,198</u>	<u>\$ -</u>	<u>\$ 367,198</u>

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AS OF SEPTEMBER 30, 2016

Component Unit:

A summary of changes and composition of long-term obligations are as follows:

<u>Project</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>435 West 3rd St - Spring Pointe</b>					
Mortgage payable - South Dakota Housing Development Authority (SDHDA), 0% interest, with a maturity date of January 2055. Payment under this Mortgage Note shall be payable solely from the actual project generated cash flow in excess of a 1.15 debt service coverage ratio as verified by the Corporation's prior year's audited financial statements	\$ 260,660	\$ 38,429	\$ -	\$ 299,089	\$ -
<b>435 West 3rd St - Spring Pointe</b>					
Mortgage payable - Sioux Falls Community Development 2.0% interest, term is 30 years, annual payments of \$5,358 with a maturity date of July 1, 2044	157,695	-	(43,670)	114,025	3,077
<b>1521 East 5th St - Highland Five</b>					
Mortgage payable - South Dakota Housing Development Authority (SDHDA), 0% interest, term is 40 years from project completion date. Payment under this Mortgage Note shall be payable solely from the actual project generated cash flow in excess of a 1.15 debt service coverage ratio as verified by the Corporation's prior year's audited financial statements	100,000	-	-	100,000	-
<b>1521 East 5th St - Highland Five</b>					
Mortgage payable - South Dakota Housing Development Authority (SDHDA), 0% interest, payable in 312 monthly installments of \$485 beginning January 1, 2015, 47 monthly installments of \$420 beginning January 1, 2041, and one lump sum payment of \$102 payable December 1, 2044	166,797	-	(5,820)	160,977	5,820
<b>1521 East 5th St - Highland Five</b>					
Mortgage payable - Sioux Falls Community Development 0% interest, annual payments of \$3,333, with a maturity date of December 1, 2044.	120,000	-	(13,333)	106,667	3,333
<b>505 S Duluth - Graff</b>					
Mortgage payable - Sioux Falls Community Development 3.0% interest, due December 2030, yearly payments of \$2,983	37,469	-	(1,859)	35,610	1,915
<b>505 S Duluth - Graff</b>					
Mortgage payable - South Dakota Housing Development Authority (SDHDA), 0% interest, with a maturity date of January 12, 2032, payment under this Mortgage Note shall be payable solely from the actual project-generated cash flow in excess of a 1.15 debt service coverage ratio as verified by the Corporation's prior year's audited financial statements	360,771	-	-	360,771	-

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OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**  
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Project	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>322 S Duluth - Duluth Heights</b>					
Mortgage payable - South Dakota Housing Development Authority (SDHDA), 0% interest, with a maturity date of May 8, 2034. Payment under this Mortgage Note shall be payable solely from the actual project-generated cash flow in excess of a 1.15 debt service coverage ratio as verified by the Corporation's prior year's audited financial statements	697,234	-	-	697,234	-
<b>322 S Duluth - Duluth Heights</b>					
Mortgage payable - Sioux Falls Community Development 0% interest, \$71,888 of the note payable in 21 annual payments of \$3,423 with a maturity date of December 1, 2035. \$90,000 of this note is deferred at 0% interest until sold or transferred	161,880	-	(3,423)	158,457	3,423
<b>1209/1215 Homestead Circle</b>					
Mortgage Payable - Great Western Bank 4.65% interest, term is 5 years (59 monthly payments of 257.93 with final balloon payment due July 20, 2017 for remaining principal and interest due)	35,798	-	(1,416)	34,382	34,382
<b>1209/1215 Homestead Circle</b>					
Mortgage payable - Sioux Falls Community Development Deferred for first 5 years at 0% interest, monthly payments of \$579.36 beginning August 1, 2017 at an interest rate of 3% and maturity date of July 1, 2027	60,000	-	-	60,000	860
<b>4501 E 15th Street - Field of Dreams</b>					
Mortgage payable - Sioux Falls Community Development Deferred at 0% interest until sold or transferred	300,000	-	-	300,000	-
<b>633 W 10th St - Pettigrew Manor</b>					
Mortgage payable - Sioux Falls Community Development Deferred at 0% interest until sold or transferred	200,000			200,000	
<b>633 W 10th St - Pettigrew Manor</b>					
Mortgage payable - Sioux Falls Community Development 0% interest, term is 40 years from the project completion date. Contains \$371,000 and \$270,000 notes. Payment under the \$371,000 note shall be paid annually with \$5,000 payments on years two through eight, \$6,000 payments on years nine through fifteen, and \$11,760 payments on years sixteen through forty. Payment under the \$270,000 note shall be payable solely from the actual project-generated cash flow in excess of a 1.15 debt service coverage ratio as verified by the Corporation's prior year's audited financial statements	-	339,047	-	339,047	-
<b>Total</b>	<u>\$2,658,304</u>	<u>\$ 377,476</u>	<u>\$ (69,521)</u>	<u>\$ 2,966,259</u>	<u>\$ 52,810</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION  
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
AS OF SEPTEMBER 30, 2016

The annual requirements to amortize long-term obligations as of September 30, 2016 are as follows:

Year Ending September 30,	Principal	Interest	Total
2017	\$ 52,810	\$ 4,957	\$ 57,767
2018	22,937	4,932	27,869
2019	23,218	4,651	27,869
2020	23,508	4,361	27,869
2021	23,806	4,063	27,869
2022-2026	123,793	15,552	139,345
2027-2031	101,779	8,599	110,378
2032-2036	1,232,439	5,235	1,237,674
2037-2041	68,978	2,992	71,970
Thereafter	1,292,991	622	1,293,613
	<u>\$ 2,966,259</u>	<u>\$ 55,964</u>	<u>\$ 3,022,223</u>

**NOTE 9 NONCURRENT LIABILITIES-OTHER**

Noncurrent liabilities-other for the Commission consists of Family Self Sufficiency (FSS) Escrow deposits of \$66,001 for active participants in the FSS program. FSS funds of \$66,001 are included as restricted cash on the balance sheet.

**NOTE 10 FIDELITY BOND**

During 2005, in accordance with the provisions of the regulatory agreement, a fidelity bond in the amount of \$250,000 was purchased by Sioux Falls Housing and Redevelopment Commission and issued to South Sycamore Estates that met the minimum fidelity bond requirements as established by SDHDA. The annual fidelity bond premium of \$1,098 was paid by the Sioux Falls Housing and Redevelopment Commission on May 15, 2016.

**THE HOUSING AND REDEVELOPMENT COMMISSION  
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
AS OF SEPTEMBER 30, 2016

**NOTE 11      RESTRICTED NET POSITION**

The following table shows the net position restricted for other purposes as shown on the statement of net position:

<u>Project</u>	<u>Restricted By</u>	<u>Amount</u>
Housing Choice Vouchers	Grantor Agency	\$ 223,988
Family Self-Sufficiency	Grantor Agency	3,706
Housing Deposit Assistance	Grantor Agency	2,881
South Sycamore Estates	Debt Covenant	<u>53,292</u>
Total Restricted Net Position - Primary Government		<u>\$ 283,867</u>
Component Unit:		
Neighborhood Revitalization	Grantor Agency	\$ 47,313
AHS Security Deposit Loan	Grantor Agency	2,209
Field of Dreams	Grantor Agency	165,811
Pettigrew Manor	Grantor Agency	25,000
633 W 10th St Project	Grantor Agency	23,415
Field of Dreams Project	Grantor Agency	10,035
Duluth Heights Apartments	Debt Covenant	16,399
Highland Five Apartments	Debt Covenant	14,938
Spring Pointe Apartments	Debt Covenant	15,421
Graff Apartments	Debt Covenant	<u>25,174</u>
Total Restricted Net Position - Component Unit		<u>\$ 345,715</u>

**NOTE 12      RISK MANAGEMENT**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During the year ended September 30, 2016, the Commission managed its risks as follows:

**Worker's Compensation**

The Commission purchases liability insurance for worker's compensation from a commercial carrier.

**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.

**THE HOUSING AND REDEVELOPMENT COMMISSION  
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
AS OF SEPTEMBER 30, 2016

**Employee Health Insurance**

The Commission purchases health insurance for its employees from Sanford Health Systems. This plan is not a common risk pool.

**Liability Insurance**

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

**NOTE 13 RETIREMENT PLAN**

All eligible employees participate in a defined contribution pension plan, the Housing Renewal and Local Agency Retirement Plan, a cost sharing, multiple employer public employee retirement system to provide retirement benefits for employees of local or regional housing authorities and commissions, urban renewal agencies and other organizations that are eligible to participate in this plan subject to the approval in the agreement. Eligible employees are defined as staff scheduled to work 20 or more hours per week after attaining age 18 and completing one year of continuous and uninterrupted employment. Authority for establishing, administrating and amending plan provisions is found in Internal Revenue Code Section 401(a). The Automated Data Processing (ADP) Retirement Services issues a publicly available financial report that includes financial statements as required supplementary information. That report may be obtained by writing to the ADP Retirement Services, 462 South 4<sup>th</sup> Avenue, Suite 900, Louisville, KY 40202 or by calling (502) 561-4550.

On June 24, 2002, the Commission adapted Resolution No. 268-06-02 effective July 1, 2002, which implemented a mandatory after-tax employee contribution to the plan of 1% of basic compensation, and a corresponding employer contribution of 4% of basic compensation. In addition, the resolution permitted employees to voluntarily contribute additional after-tax amounts in excess of the 1% mandatory amount, which would be treated as voluntary contributions, and for which the employer would contribute additional corresponding amounts up to a maximum of 7% for the employer. Beginning July 1, 2002, the full amount of the employer's contributions will be subject to the plan's vesting schedule of 20% for each year of the employee's participation in the plan. During the years ended September 30, 2016, 2015, and 2014, the cost to the Commission was \$53,558, \$50,998 and \$44,727, respectively.

**NOTE 14 COMMITMENTS**

Affordable Housing Solutions has outstanding contract commitments as of September 30, 2016 totaling \$1,251,802. Of this total, \$63,722 relates to 812 S. Spring Ave, \$64,154 relates to 413 W. 16th St, \$73,827 relates to 1420 E 3rd Ave, \$150,099 relates to 720 N Duluth Ave, and \$900,000 relates to 633 W 10th St. These are projects in which the Corporation participates with the City of Sioux Falls Department of Community Development to construct, rehabilitate and renovate housing projects for low and moderate income families. As of September 30, 2016, Affordable housing has secured funding for projects in the form of Community Development 0% interest Loans and Other Grants, which total \$1,008,857.

**THE HOUSING AND REDEVELOPMENT COMMISSION  
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED  
AS OF SEPTEMBER 30,2016

**NOTE 15      HUD-HELD RESERVES**

As of September 30, 2016, HUD held reserves on behalf of the Commission in the amount of \$1,199,509.

**NOTE 16      SUBSEQUENT EVENTS**

No significant events occurred subsequent to the Corporation's year end. Subsequent events have been evaluated through January 19, 2017, which is the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION



**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE  
CITY OF SIOUX FALLS, SOUTH DAKOTA**  
THE FINANCIAL DATA SCHEDULE – STATEMENT OF NET POSITION  
AS OF SEPTEMBER 30, 2016

	PUBLIC HOUSING 14.850	CAPITAL FUNDS 14.872	SECTION 8 VOUCHERS 14.871	SECTION 8 MOD REHAB 14.856	SHELTER PLUS CARE 14.238	HOME VOUCHERS 14.239	FSS 14.896	SECTION 8 NEW CONSTRUCTION 14.182	HOPWA 14.241	DHAP 97.109	BUSINESS ACTIVITIES	ELIMINATION ENTRIES	PRIMARY GOVERNMENT TOTALS	COMPONENT UNIT
<b>ASSETS</b>														
111 Cash - unrestricted	\$ 25,257	\$ -	\$ -	\$ 22,767	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,262,776	\$ -	\$ 1,310,800	\$ 322,044
113 Cash - other restricted	-	-	317,749	20,969	-	-	14,725	-	-	4,505	58,167	-	416,115	310,053
114 Cash - tenant security deposits	5,496	-	-	-	-	-	-	-	-	-	4,250	-	9,746	10,163
100 Total cash	30,753	-	317,749	43,736	-	-	14,725	-	-	4,505	1,325,193	-	1,736,661	642,260
122 Accounts receivable - HUD other projects	-	-	-	6,044	22,390	-	-	-	-	-	-	-	28,434	-
124 Accounts receivable - other government	-	-	-	-	-	33,790	-	-	22,213	-	-	-	56,003	342,397
125 Accounts receivable - miscellaneous	19,695	-	614	-	-	-	-	-	-	-	8,799	-	29,108	300
126 Accounts receivable - tenants - dwelling	4,907	-	-	-	-	-	-	-	-	-	2,049	-	6,956	11,211
126.1 Allowance for doubtful accounts - tenants	-	-	-	-	-	-	-	-	-	-	(308)	-	(308)	(7,269)
126.2 Allowance for doubtful accounts - other	-	-	-	-	-	-	-	-	-	-	(3,209)	-	(3,209)	-
129 Accrued interest receivable	494	-	-	-	-	-	-	-	-	-	325	-	819	-
120 Total receivables, net of allowance for doubtful	25,096	-	614	6,044	22,390	33,790	-	-	22,213	-	7,656	-	117,803	346,639
142 Prepaid expenses and other assets	11,227	-	-	-	-	-	-	-	-	-	35,066	-	46,293	7,045
144 Interprogram due from	-	-	-	-	-	-	-	-	-	-	236,831	(236,831)	-	-
145 Assets held for resale	-	-	-	-	-	-	-	-	-	-	-	-	-	1,178,506
150 Total current assets	67,076	-	318,363	49,780	22,390	33,790	14,725	-	22,213	4,505	1,604,746	(236,831)	1,900,757	2,174,450
161 Land	250,000	-	-	-	-	-	-	-	-	-	242,500	-	492,500	576,946
162 Buildings	2,154,885	-	-	-	-	-	-	-	-	-	1,685,637	-	3,840,522	2,710,755
163 Furniture, equipment & machinery - dwellings	-	-	-	-	-	-	-	-	-	-	45,171	-	45,171	87,558
164 Furniture, equipment & machinery - administration	-	-	-	-	-	-	-	-	-	-	100,699	-	100,699	-
165 Leasehold improvements	-	-	-	-	-	-	-	-	-	-	81,855	-	81,855	235,410
166 Accumulated depreciation	(2,112,955)	-	-	-	-	-	-	-	-	-	(905,018)	-	(3,017,973)	(896,963)
167 Construction in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	444,083
160 Total fixed assets, net of accumulated	291,930	-	-	-	-	-	-	-	-	-	1,250,844	-	1,542,774	3,157,789
171 Notes and mortgages receivable - non-current	-	-	-	-	-	-	-	-	-	-	-	-	-	41,903
176 Investments in tax credit	-	-	-	-	-	-	-	-	-	-	-	-	-	25,331
180 Total non-current assets	291,930	-	-	-	-	-	-	-	-	-	1,250,844	-	1,542,774	3,225,023
190 Total assets	\$ 359,006	\$ -	\$ 318,363	\$ 49,780	\$ 22,390	\$ 33,790	\$ 14,725	\$ -	\$ 22,213	\$ 4,505	\$ 2,855,590	\$ (236,831)	\$ 3,443,531	\$ 5,399,473
<b>LIABILITIES AND NET POSITION</b>														
312 Accounts payable -90 days	\$ 37,902	\$ -	\$ 32,190	\$ 5,031	\$ -	\$ -	\$ -	\$ -	\$ 22	\$ -	\$ 28,498	\$ -	\$ 103,643	\$ 233,290
321 Accrued wages/payroll taxes payable	-	-	-	-	-	-	-	-	-	-	27,718	-	27,718	2,171
322 Accrued compensated absences	-	-	-	-	-	-	-	-	-	-	53,792	-	53,792	2,058
325 Accrued interest payable	-	-	-	-	-	-	-	-	-	-	-	-	-	1,589
331 Accounts payable - HUD PHA projects	-	-	422	18,281	-	-	14,725	-	-	4,505	-	-	37,933	-
333 Accounts payable - other governments	-	-	-	-	-	-	-	-	-	-	3,845	-	3,845	1,163,864
341 Tenant security deposits	5,496	-	-	-	-	-	-	-	-	-	4,250	-	9,746	10,163
342 Unearned revenues	1,873	-	-	-	-	-	-	-	-	-	1,675	-	3,548	1,700
343 Current portion of long-term debt - cap. projects	-	-	-	-	-	-	-	-	-	-	31,345	-	31,345	52,810
345 Other current liabilities	-	-	-	-	-	-	-	-	-	-	12,628	-	12,628	59,575
347 Interprogram due to	-	-	154,759	3,701	22,390	33,790	-	-	22,191	-	-	(236,831)	-	-
310 Total current liabilities	45,271	-	187,371	27,013	22,390	33,790	14,725	-	22,213	4,505	163,751	(236,831)	284,198	1,527,220
351 Long-term debt, net of current - cap. projects	-	-	-	-	-	-	-	-	-	-	335,853	-	335,853	2,913,449
353 Noncurrent liabilities - other	-	-	66,001	-	-	-	-	-	-	-	-	-	66,001	-
354 Accrued compensated absences	-	-	-	-	-	-	-	-	-	-	28,213	-	28,213	-
350 Total noncurrent liabilities	-	-	66,001	-	-	-	-	-	-	-	364,066	-	430,067	2,913,449
300 Total liabilities	45,271	-	253,372	27,013	22,390	33,790	14,725	-	22,213	4,505	527,817	(236,831)	714,265	4,440,669
<b>NET POSITION</b>														
508.4 Net investment in capital assets	291,930	-	-	-	-	-	-	-	-	-	883,646	-	1,175,576	191,530
511.4 Restricted net position	-	-	223,988	-	-	-	-	-	-	-	59,879	-	283,867	345,715
512.4 Unrestricted net position	21,805	-	(158,997)	22,767	-	-	-	-	-	-	1,384,248	-	1,269,823	421,559
513 Total equity	313,735	-	64,991	22,767	-	-	-	-	-	-	2,327,773	-	2,729,266	958,804
600 Total liabilities and net position	\$ 359,006	\$ -	\$ 318,363	\$ 49,780	\$ 22,390	\$ 33,790	\$ 14,725	\$ -	\$ 22,213	\$ 4,505	\$ 2,855,590	\$ (236,831)	\$ 3,443,531	\$ 5,399,473

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE  
CITY OF SIOUX FALLS, SOUTH DAKOTA**  
THE FINANCIAL DATA SCHEDULE – REVENUES AND EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	PUBLIC HOUSING	CAPITAL FUNDS	SECTION 8 VOUCHERS	SECTION 8 MOD REHAB	SHELTER PLUS CARE	HOME VOUCHERS	FSS	SECTION 8 NEW CONSTRUCTION	HOPWA	DHAP	BUSINESS ACTIVITIES	PRIMARY GOVERNMENT TOTALS	COMPONENT UNIT
	14.850	14.872	14.871	14.856	14.238	14.239	14.896	14.182	14.241	97.109			
<b>REVENUE</b>													
70300 Net tenant rental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 178,119	\$ 178,119	\$ 266,350
70400 Tenant revenue - other	421	-	-	-	-	-	-	-	-	-	3,050	3,471	3,537
70500 Total tenant revenue	421	-	-	-	-	-	-	-	-	-	181,169	181,590	269,887
70600 HUD PHA operating grants	108,799	33,542	11,224,554	537,757	270,555	-	68,270	148,982	-	-	-	12,392,459	-
70750 Other Fees	-	-	-	-	-	-	-	-	-	-	252,448	252,448	-
70800 Other governmental grants	-	-	-	-	-	202,719	-	-	269,138	-	-	471,857	72,585
71100 Investment income - unrestricted	589	-	75	-	-	-	-	-	-	-	1,626	2,290	1,165
71400 Fraud recovery	-	-	10,116	6,670	-	-	-	-	-	-	400	17,186	-
71500 Other revenue	115,957	-	-	-	-	-	-	-	-	-	64,750	180,707	212,525
72000 Investment income - restricted	-	-	-	-	-	-	-	-	-	-	922	922	79
70000 Total revenue	225,766	33,542	11,234,745	544,427	270,555	202,719	68,270	148,982	269,138	-	501,315	13,499,459	556,241
<b>EXPENSES</b>													
91100 Administrative salaries	7,458	-	139,054	-	-	-	31,301	-	-	-	24,567	202,380	64,380
91200 Auditing fees	318	-	23,712	2,159	-	-	-	673	-	-	7,063	33,925	8,525
91300 Management fees	-	-	-	58,985	19,600	19,368	-	16,278	17,608	-	6,691	138,530	57,039
91400 Advertising and marketing	56	-	2,853	-	-	-	-	-	-	-	541	3,450	1,749
91500 Employee benefit contribution	4,231	-	57,695	-	-	-	5,189	-	-	-	10,081	77,196	10,993
91600 Office expenses	3,320	-	169,214	-	-	-	-	-	-	-	30,813	203,347	11,786
91700 Legal expense	14	-	1,025	-	-	-	-	-	-	-	17,779	18,818	1,442
91800 Travel	59	-	4,257	-	-	-	-	-	-	-	830	5,146	4,065
91900 Other	3,581	-	27,874	-	-	-	-	-	-	-	29,228	60,955	37,084
92100 Tenant services - salaries	21,628	-	372,994	-	-	-	26,225	-	40,285	-	116,905	578,037	-
92300 Employee benefit contributions - tenant services	9,178	-	131,800	-	-	-	12,007	-	11,628	-	52,432	217,045	-
92400 Tenant services - other	-	-	141	-	-	-	-	-	6,593	-	11,931	18,665	-
93100 Water	40	-	-	-	-	-	-	-	-	-	7,087	7,127	11,003
93200 Electricity	682	-	-	-	-	-	-	-	-	-	14,848	15,530	44,626
93300 Gas	995	-	-	-	-	-	-	-	-	-	1,228	2,223	2,232
94100 Ordinary maintenance and operations - labor	1,374	-	-	-	-	-	-	-	-	-	6,769	8,143	-
94200 Ordinary maintenance and operations - mat & other	9,610	-	-	-	-	-	-	-	-	-	10,018	19,628	13,545
94300 Ordinary maintenance and operations - contr costs	49,669	-	-	-	-	-	-	-	-	-	41,989	91,658	92,839
94500 Employee benefit contributions-ordinary maint	229	-	-	-	-	-	-	-	-	-	1,782	2,011	-
95200 Protective services - other	-	-	-	-	-	-	-	-	-	-	1,507	1,507	6,027
96100 Insurance premiums	18,177	-	19,013	-	-	-	-	-	-	-	17,577	54,767	14,506
96200 Other general expenses	-	-	11,979	-	-	-	-	-	-	-	-	11,979	5,000
96210 Compensated absences	6,032	-	51,006	-	-	-	7,495	-	5,617	-	14,021	84,171	5,902
96300 Payments in lieu of taxes	2,939	-	-	-	-	-	-	-	-	-	5,088	8,027	16,489
96400 Bad debt - tenant rents	-	-	-	-	-	-	-	-	-	-	308	308	8,105
96600 Bad debt - other	-	-	-	-	-	-	-	-	-	-	-	-	6
96710 Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	5,088
96900 Total operating expense	139,590	-	1,012,617	61,144	19,600	19,368	82,217	16,951	82,003	-	431,083	1,864,573	422,431
97000 Excess operating revenue over operating expenses	86,176	33,542	10,222,128	483,283	250,955	183,351	(13,947)	132,031	187,135	-	70,232	11,634,886	133,810
97100 Extraordinary maintenance	87,021	-	-	-	-	-	-	-	-	-	-	87,021	825
97200 Casualty Losses-Non-Capitalized	157,611	-	-	-	-	-	-	-	-	-	-	157,611	113,424
97300 Housing assistance payments	-	-	9,932,441	479,948	250,955	183,351	-	132,031	186,842	-	-	11,165,568	-
97400 Depreciation expense	5,908	-	-	-	-	-	-	-	-	-	56,144	62,052	104,417
97800 Dwelling units rent expense	2,841	-	-	-	-	-	-	-	-	-	-	2,841	-
90000 Total expenses	392,971	-	10,945,058	541,092	270,555	202,719	82,217	148,982	268,845	-	487,227	13,339,666	641,097
10010 Operating transfers in	33,542	-	-	-	-	-	13,947	-	-	-	293	47,782	-
10020 Operating transfers out	-	(33,542)	-	-	-	-	-	-	(293)	-	(13,947)	(47,782)	-
10000 Excess of operating revenue over (under) expenses	\$ (133,663)	\$ -	\$ 289,687	\$ 3,335	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 434	\$ 159,793	\$ (84,856)
Memo Account Information:													
11020 Required annual debt principal payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,345	\$ 31,345	\$ 52,810
11030 Beginning equity	447,398	-	(224,696)	19,432	-	-	-	-	-	-	2,327,339	2,569,473	1,043,660
11040 Prior period adjustments/equity transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
11170 Administrative fee equity	-	-	(158,997)	-	-	-	-	-	-	-	-	(158,997)	-
11180 Housing assistance payments equity	-	-	223,988	-	-	-	-	-	-	-	-	223,988	-
11190 Unit months available	290	-	22,384	948	636	300	800	528	363	-	192	26,441	552
11210 Number of unit months leased	260	-	20,332	895	554	300	800	514	363	-	178	24,196	475

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE  
CITY OF SIOUX FALLS, SOUTH DAKOTA**  
CAPITAL FUND PROGRAM SCHEDULES OF MODERNIZATION  
EXPENDITURES BY PROJECT NUMBER  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	Grant Year 2015 <u>SD06P01650115</u>	Grant Year 2016 <u>SD06P01650116</u>
Fund Approved	\$ 33,542	\$ 34,091
Fund Expended	<u>33,542</u>	<u>-</u>
Excess of Funds Approved	<u>\$ -</u>	<u>\$ 34,091</u>
Funds Advanced	\$ 33,542	\$ -
Funds Expended	<u>33,542</u>	<u>-</u>
Excess of Funds Expended	<u>\$ -</u>	<u>\$ -</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE  
CITY OF SIOUX FALLS, SOUTH DAKOTA**  
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001  
STATEMENTS OF NET POSITION  
AS OF SEPTEMBER 30, 2016 AND 2015

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>	<b>LIABILITIES AND NET POSITION</b>	<b>2016</b>	<b>2015</b>
<b>1100 Current Assets</b>			<b>2100 Current Liabilities</b>		
1120 Cash and Cash Equivalents	\$ (105)	\$ 142	2110 Accounts Payable	\$ 3,460	\$ 2,822
1130 Accounts Receivable - Residents	1,741	709	2160 Mortgage Payable (Current Portion)	31,345	31,345
1190 Miscellaneous Current Assets	2,909	2,826	2190 Miscellaneous Current Liabilities	32,065	14,828
1191 Tenant Deposits Held in Trust	4,250	4,000	2191 Tenant Security Deposits	4,250	4,000
Total Current Assets	8,795	7,677	2210 Prepaid Rents	1,675	1,353
			Total Current Liabilities	72,795	54,348
<b>1300 Restricted Deposits And Funded Reserves</b>			<b>2300 Long-Term Liabilities</b>		
1310 Escrow Deposits	11,661	9,822	2310 Mortgage Payable, Less Current Portion	335,853	367,197
1320 Reserve for Replacements	38,304	32,037			
1340 Residual Receipts Reserve	7,172	7,016	Total Liabilities	408,648	421,545
Total Restricted Deposits and Funded Reserves	57,137	48,875			
<b>1400 Fixed Assets</b>					
1410 Land	82,500	82,500			
1420 Buildings	948,479	948,479			
1440 Building Equipment - Fixed	45,171	45,171			
	1,076,150	1,076,150			
Less Accumulated Depreciation	550,014	524,192			
Total Fixed Assets	526,136	551,958			
			<b>3100 Net Position</b>		
			3130 Net Position	183,420	186,965
Total Assets	\$ 592,068	\$ 608,510	Total Liabilities and Net Position	\$ 592,068	\$ 608,510

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE  
CITY OF SIOUX FALLS, SOUTH DAKOTA**  
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>5100 Rent Income</b>		
5120 Rent Revenue - Apartments	\$ 98,940	\$ 96,400
5170 Rent Revenue - Garage	<u>2,970</u>	<u>3,240</u>
Total Rent Income - Gross Potential	<u>101,910</u>	<u>99,640</u>
<b>5200 Rent Adjustments/Vacancies</b>		
5220 Apartment Vacancies	<u>(7,539)</u>	<u>(4,530)</u>
5152 Net Rental Income (Rent Income Less Vacancies)	<u>94,371</u>	<u>95,110</u>
<b>5400 Finance Income</b>		
5410 Interest Income - Operations	12	9
5430 Interest Income - Residual Receipts	155	203
5440 Interest Income - Replacement Reserves	<u>758</u>	<u>957</u>
Total Finance Revenue	<u>925</u>	<u>1,169</u>
<b>5900 Other Revenue</b>		
5920 Tenant Charges	75	150
5990 Miscellaneous Charges to Tenants	<u>5</u>	<u>-</u>
Total Other Revenue	<u>80</u>	<u>150</u>
 Total Revenue	 <u>95,376</u>	 <u>96,429</u>
 <b>6263 Administrative Expenses</b>		
6320 Management Fee	6,691	6,725
6340 Legal Expense	11,910	-
6350 Audit Expense	2,975	5,175
6370 Bad Debts	308	-
6390 Miscellaneous Administrative Expenses	<u>95</u>	<u>48</u>
Total Administrative Expenses	<u>21,979</u>	<u>11,948</u>
 <b>6400 Utilities Expense</b>		
6450 Electricity	3,392	3,456
6451 Water	6,165	8,301
6452 Gas	<u>144</u>	<u>140</u>
Total Utilities Expense	<u>9,701</u>	<u>11,897</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE  
CITY OF SIOUX FALLS, SOUTH DAKOTA**  
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001  
STATEMENTS OF ACTIVITIES - CONTINUED  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

**6000 Project Expense Accounts (Continued)**

	<u>2016</u>	<u>2015</u>
<b>6500 Operating and Maintenance Expenses</b>		
6510 Payroll	892	-
6515 Supplies	4,234	3,161
6520 Contracts	6,264	9,069
6525 Garbage and Trash Removal	3,367	3,368
6530 Security Contract	706	640
6546 Heating/Cooling Repairs and Maintenance	1,548	3,350
6548 Snow Removal	8,080	5,234
Total Operating and Maintenance Expenses	<u>25,091</u>	<u>24,822</u>
 <b>6600 Depreciation</b>		
6600 Depreciation - Building and Improvements	<u>25,822</u>	<u>26,025</u>
 <b>6700 Taxes and Insurance</b>		
6710 Taxes - Real Estate	4,570	4,594
6711 Taxes - Payroll	62	-
6720 Insurance - Property and Liability	11,550	10,685
6722 Insurance - Workers Compensation	15	-
6723 Health Insurance and Other Benefits	131	-
Total Taxes And Insurance	<u>16,328</u>	<u>15,279</u>
 Total Expenses	<u>98,921</u>	<u>89,971</u>
 <b>Change in Net Position</b>	(3,545)	6,458
 <b>Net Position, Beginning of Year</b>	<u>186,965</u>	<u>180,507</u>
 <b>Net Position, End of Year</b>	<u>\$ 183,420</u>	<u>\$ 186,965</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE  
CITY OF SIOUX FALLS, SOUTH DAKOTA**  
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001  
STATEMENTS CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

<b>Cash Flows From Operating Activities</b>	<b>2016</b>	<b>2015</b>
Rental Receipts	\$ 90,691	\$ 92,359
Interest Received	925	1,169
Other Cash Received	<u>3,050</u>	<u>3,390</u>
	<u>94,666</u>	<u>96,918</u>
Administrative	15,288	5,223
Management Fees	6,691	6,725
Utilities	8,990	11,801
Operating and Maintenance	25,164	23,690
Real Estate Taxes	(12,667)	4,763
Payroll Taxes	62	-
Insurance	<u>11,779</u>	<u>11,296</u>
	<u>55,307</u>	<u>63,498</u>
Net Cash Provided (Used) By Operating Activities	<u>39,359</u>	<u>33,420</u>
<b>Cash Flows From Investing Activities</b>		
Net (Deposits to) Withdrawals from Restricted Deposits	<u>(8,261)</u>	<u>(2,797)</u>
Net Cash Provided (Used) By Investing Activities	<u>(8,261)</u>	<u>(2,797)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Mortgage Principal Payments	(31,345)	(31,345)
Increase (Decrease) in Revolving Fund	-	3,751
Purchase of Property and Equipment	<u>-</u>	<u>(3,211)</u>
Net Cash Provided (Used) by Financing Activities	<u>(31,345)</u>	<u>(30,805)</u>
Net Change In Cash and Cash Equivalents	(247)	(182)
Cash and Cash Equivalents, Beginning of Year	<u>142</u>	<u>324</u>
Cash and Cash Equivalents, End of Year	<u>\$ (105)</u>	<u>\$ 142</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE  
CITY OF SIOUX FALLS, SOUTH DAKOTA**  
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001  
STATEMENTS CASH FLOWS - CONTINUED  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<b>2016</b>	<b>2015</b>
<b>Cash Flows From Operating Activities</b>		
Change in Net Position	\$ (3,545)	\$ 6,458
Adjustments to Reconcile Change in Net Position to Net Cash Provided (Used) by Operating Activities		
Depreciation	25,822	26,025
Decrease or (Increase) in:		
Tenants Accounts Receivable	(1,032)	495
Other Current Assets	(83)	(611)
Increase or (Decrease) in:		
Accounts Payable	638	1,244
Miscellaneous Current Liabilities	17,237	(185)
Prepaid Rents	322	(6)
Net Cash Provided (Used) By Operating Activities	<b>\$ 39,359</b>	<b>\$ 33,420</b>



**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE  
CITY OF SIOUX FALLS, SOUTH DAKOTA**  
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001  
SCHEDULE OF CASH OPERATING RECEIPTS AND DISBURSEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>Source of Funds</b>		
Operating		
Revenues		
Rental Income	\$ 90,691	\$ 92,359
Non Dwelling Rental	2,970	3,240
Other Income		
Repairs	75	150
Miscellaneous Charges to Tenants	5	
Interest Income	925	1,169
	<u>94,666</u>	<u>96,918</u>
Expenditures		
Administrative	15,288	5,223
Management Fees	6,691	6,725
Utilities	8,990	11,801
Operating and Maintenance	25,164	23,690
Real Estate Taxes	(12,667)	4,763
Payroll Taxes	62	-
Insurance	11,779	11,296
	<u>55,307</u>	<u>63,498</u>
Cash Provided (Used) by Operations Before Debt Service	39,359	33,420
Increase (Decrease) in Revolving Fund	-	3,751
Mortgage Principal Payments	<u>(31,345)</u>	<u>(31,345)</u>
Cash Provided (Used) by Operations after Debt Service	<u>8,014</u>	<u>5,826</u>
<b>Application of Funds</b>		
Decrease (Increase) in Restricted Deposits and Funded Reserves	(8,261)	(2,797)
Purchase of Property and Equipment	<u>-</u>	<u>(3,211)</u>
Total Application of Funds	<u>(8,261)</u>	<u>(6,008)</u>
<b>Increase (Decrease) in Cash</b>	(247)	(182)
<b>Unrestricted Cash At Beginning of Year</b>	<u>142</u>	<u>324</u>
<b>Unrestricted Cash At End of Year</b>	<u>\$ (105)</u>	<u>\$ 142</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE  
CITY OF SIOUX FALLS, SOUTH DAKOTA**  
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001  
SCHEDULE OF COMPUTATION OF SURPLUS CASH AND RESIDUAL RECEIPTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

**Add: Cash**

Cash on Hand and in Banks (Accts. 1120 & 1191)	\$ 4,145	
All Accounts Receivable (Acct. 1130)	<u>1,741</u>	
Total Cash		\$ 5,886

**Less: Current Obligations**

Revolving Fund (Acct. 2190)	28,220	
Accounts Payable (Due Within 30 Days) (Acct. 2110)	3,460	
Mortgage Payable (Due Within 30 days) (Acct 2160)	2,612	
Prepaid Rents (Acct. 2210)	1,675	
Tenants Security Deposits (Acct. 2191)	<u>4,250</u>	
Total Current Obligations		<u>40,217</u>

**Cash Deficit** \$(34,331)

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE  
CITY OF SIOUX FALLS, SOUTH DAKOTA**  
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001  
SUPPLEMENTARY SCHEDULES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

SCHEDULE OF COMPUTATION OF AUTHORIZED MANAGEMENT FEE  
YEAR END SETTLEMENT

Gross Collections - Tenant Rent (As Defined in Management Agreement)	\$ 91,401	
Authorized Management Fee (%)	<u>7.32%</u>	
Current Year Management Compensation		\$ 6,691
<b>Adjust for:</b>		
Fees Payable to (Receivable from) Agent at end of Previous Year		<u>-</u>
Total Authorized Compensation		\$ 6,691
<b>Less:</b>		
Cash Management Fees Paid During Current Year		<u>6,691</u>
Due to Management Agent from Project		<u><u>\$ -</u></u>

SCHEDULE OF BANK ACCOUNTS

	<u>Bank</u>	<u>Account Name</u>	<u>Account Number</u>	<u>Amount</u>
Operating Account	Home Federal Bank	Checking	XXXXX7584	\$ (105)
Security Deposit Accounts	Home Federal Bank	Savings	XXX5049	<u>4,250</u>
Total Cash				<u><u>\$ 4,145</u></u>

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE  
CITY OF SIOUX FALLS, SOUTH DAKOTA**  
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001  
SCHEDULE OF TENANT SECURITY DEPOSITS HELD IN TRUST  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

**Security Deposits Held in Trust**

Beginning Balance		\$ 4,000
Deposits:		
Tenant Security Deposits	\$ 250	
Interest Earned	<u>2</u>	252
Disbursements:		
Tenant Security Deposits	-	
Transfer to General Account	<u>(2)</u>	<u>(2)</u>
Security Deposits Held in Trust		* <u><u>\$ 4,250</u></u>

\* Cash in Bank

**Security Deposits' Liability (Contra)**

Beginning Balance		\$ 4,000
Deposits Received		250
Deposits Returned		<u>-</u>
Ending Balance Current Year		<u><u>\$ 4,250</u></u>

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE  
CITY OF SIOUX FALLS, SOUTH DAKOTA**  
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001  
SCHEDULE OF CHANGES IN FIXED ASSETS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	Balance 9/30/15	Additions	Deductions	Balance 9/30/16
Land	\$ 82,500	\$ -	\$ -	\$ 82,500
Buildings	948,479	-	-	948,479
Building Equipment - Fixed	45,171	-	-	45,171
	<u>\$ 1,076,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,076,150</u>

	Balance 9/30/14	Additions	Deductions	Balance 9/30/15
Land	\$ 82,500	\$ -	\$ -	\$ 82,500
Buildings	948,479	-	-	948,479
Building Equipment - Fixed	41,960	3,211	-	45,171
	<u>\$ 1,072,939</u>	<u>\$ 3,211</u>	<u>\$ -</u>	<u>\$ 1,076,150</u>

**Accumulated Depreciation**

	Balance 9/30/15	Additions	Deductions	Balance 9/30/16
Buildings	\$ 482,018	\$ 25,608	\$ -	\$ 507,626
Building Equipment - Fixed	42,174	214	-	42,388
	<u>\$ 524,192</u>	<u>\$ 25,822</u>	<u>\$ -</u>	<u>\$ 550,014</u>

	Balance 9/30/14	Additions	Deductions	Balance 9/30/15
Buildings	\$ 456,207	\$ 25,811	\$ -	\$ 482,018
Building Equipment - Fixed	41,960	214	-	42,174
	<u>\$ 498,167</u>	<u>\$ 26,025</u>	<u>\$ -</u>	<u>\$ 524,192</u>

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE  
CITY OF SIOUX FALLS, SOUTH DAKOTA**  
SOUTH SYCAMORE ESTATES PROJECT NUMBER SD-99-X001-001  
SUPPLEMENTARY SCHEDULES  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

SCHEDULE OF ACCOUNTS RECEIVABLE

	2016	2015
0-30 days:      4 Tenants	\$ 2,049	\$ 709
	2,049	709
Less Allowance for Doubtful Accounts	(308)	-
	\$ 1,741	\$ 709

SCHEDULE OF ACCOUNTS PAYABLE

	2016	2015
5990 - Miscellaneous Charges to Tenants	\$ 30	\$ -
6340 - Legal	1,019	-
6450 - Electricity	243	345
6451 - Water	468	535
6452 - Gas	10	10
6515 - Supplies	561	111
6520 - Contracts	1,129	1,476
6710 - Real Estate Taxes	-	345
	\$ 3,460	\$ 2,822

SCHEDULE OF PAYMENTS IN LIEU OF TAXES

	2016	2015
Dwelling Rental Income	\$ 91,401	\$ 91,870
	x <u>5%</u>	x <u>5%</u>
Current Year Payments in Lieu of Taxes	4,570	4,594
Less Special Assessments	(725)	(689)
	\$ 3,845	\$ 3,905



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
CONTRACTUAL AGREEMENTS**

To the Board of Commissioners  
Sioux Falls Housing and Redevelopment Commission  
Sioux Falls, South Dakota

In connection with our examination, we found no errors in tenant file testing all income verifications from all sources and current recertification forms were current. Nothing else came to our attention that caused us to believe that South Sycamore Estates was not in compliance with any terms, covenants, provisions or conditions of any contractual agreements it is a party to. However, it should be noted that our examination was not directed primarily toward obtaining knowledge of such noncompliance.

A handwritten signature in cursive script that reads "Brady Martz".

**BRADY, MARTZ & ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA**

January 19, 2017

**MORTGAGOR'S CERTIFICATION**

I hereby certify that I have examined the foregoing financial statements of South Sycamore Estates and, to the best of my knowledge and belief, the same is a true statement of the financial condition as of September 30, 2016.

  
\_\_\_\_\_  
Dianne Hovdestad, Acting Executive Director

2/21/17  
\_\_\_\_\_  
Date



**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE  
CITY OF SIOUX FALLS, SOUTH DAKOTA**  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

<u>Federal Grants</u>	<u>Federal CFDA Number</u>	<u>Program/Grantor Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
<u>Direct Programs</u>			
Shelter Plus Care	14.238	SD0002L8T001407	\$ 126,549
	14.238	SD0002L8T001508	85,828
	14.238	SD0002C8T001100	29,022
	14.238	SD0016C8T001000	27,195
	14.238	SD0016L8T001501	1,961
			<u>270,555</u>
Public Housing	14.850	SD01600000116D	82,323
	14.850	SD01600000115D	26,476
			<u>108,799</u>
Public Housing Capital Fund	14.872	SD06P016501-15	33,542
			<u>33,542</u>
<u>Section 8 Project Based Cluster</u>			
Section 8 New Construction and Substantial Rehabilitation	14.182	SD998023003	148,982
Lower Income Housing Assistance	14.856	SD016MR0004	238,857
Program - Section 8 Moderate	14.856	SD016MR0005	199,069
	14.856	SD016MR0003	99,831
			<u>537,757</u>
Total Section 8 Project-Based Cluster			<u>686,739</u>
<u>Section 8 Housing Choice Vouchers</u>	14.871	N/A	11,224,554
			<u>11,224,554</u>
Total Section 8 Housing Choice Vouchers Cluster	14.871	N/A	<u>11,224,554</u>
Family Self Sufficiency Program	14.896	SD016FSH613A015	55,395
	14.896	SD016FSH614A014	12,875
			<u>68,270</u>
<u>Pass-through the City of Sioux Falls, SD</u>			
<u>Department of Community Development</u>			
HOME Investment	14.239	15-4182	168,929
Partnerships Program	14.239	16-4188	33,790
			<u>202,719</u>
<u>Pass-through Montana Department of Public Health and Human Service, Intergovernmental Human Services Bureau</u>			
Housing Opportunities for Persons with AIDS	14.241	16028520040	145,761
	14.241	15028530030	123,377
			<u>269,138</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 12,864,316</u></u>

See Notes to the Schedule of Expenditures of Federal Awards

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE  
CITY OF SIOUX FALLS, SOUTH DAKOTA**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota under programs of the federal government for the year ended September 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribe Government*, or the cost principles contained in the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to requirement. The Housing and Redevelopment Commission has not elected to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 CLUSTERS**

The accompanying schedule of expenditures of federal awards contains the following clusters:

Program Name	CFDA Number	Total
Section 8 Project Based Cluster	14.182 & 14.856	\$ 686,739
Housing Voucher Cluster	14.871	11,224,554



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

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

To the Board of Commissioners  
The Housing and Redevelopment Commission  
of the City of Sioux Falls, South Dakota

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota, a component unit of the City of Sioux Falls, South Dakota as of and for the year ended September 30, 2016, and the related notes to the financial statements and have issued our report thereon dated January 19, 2017. The financial statements of the discretely presented component unit, Affordable Housing Solutions, were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

Our consideration of internal control 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**GRAND FORKS, NORTH DAKOTA**

January 19, 2017



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

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

To the Board of Commissioners  
The Housing and Redevelopment Commission  
of the City of Sioux Falls, South Dakota

**Report on Compliance for Each Major Federal Program**

We have audited the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota's compliance of with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota's major federal program for the year ended September 30, 2016. The Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2016.

### ***Report on Internal Control Over Compliance***

Management of the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit of compliance, we considered the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Brady Martz*

**BRADY, MARTZ & ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA**

January 19, 2017

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE  
CITY OF SIOUX FALLS, SOUTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**Section I-Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unmodified  
 Internal control over financial reporting:  
   Material weakness(es) identified?  yes  no  
   Significant deficiency(ies) identified that are  
   not considered to be material weaknesses?  yes  none reported

Non-compliance material to financial  
 statements noted?  yes  no

Federal Awards

Internal control over major programs:  
   Material weakness(es) identified?  yes  no  
   Significant deficiency(ies) identified that are  
   not considered to be material weaknesses?  yes  none reported

Type of auditor's report issued on compliance  
 For the major program: Unmodified

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Section 8 Housing Choice Vouchers	14.871

Dollar threshold used to distinguish  
 between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  yes  no



**THE HOUSING AND REDEVELOPMENT COMMISSION  
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**Section II- Financial Statement Findings**

There are no findings which are required to be reported under this section.

**Section III-Federal Award Findings and Questioned Costs**

There are no findings which are required to be reported under this section.

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE  
CITY OF SIOUX FALLS, SOUTH DAKOTA**  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

**2015-001 Finding**

**Federal Program – Section 8 Housing Choice Voucher Program CFDA #14.871 – Eligibility**

Criteria

The Commission must follow eligibility requirements set forth by HUD.

Condition

Forty participant files were tested for compliance with Section 8 Housing Choice Voucher Program eligibility requirements. The following discrepancies in eligibility requirements were found:

- Two instances where there was an error in entering income.
- One instance where there was an error in entering child care expenses.
- One instance where child support was not annualized correctly.
- One instance where proper verification of income was not done.
- Two instances where there was no documentation of a lease between the landlord and tenant.

**Corrective Action Taken**

Corrective actions were taken. There is no current year finding.