

**YANKTON HOUSING AND REDEVELOPMENT
COMMISSION - A COMPONENT UNIT
OF THE MUNICIPALITY OF YANKTON**

**FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT**

JUNE 30, 2019 and 2018

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**YANKTON HOUSING AND REDEVELOPMENT COMMISSION –
A COMPONENT UNIT OF THE MUNICIPALITY OF YANKTON
COMMISSION OFFICIALS
JUNE 30, 2019**

Board of Commissioners

Matthew Michels

Audrea Hecht

Pam Kettering

Tom Stanage

Jeannette Warren

Executive Director

Ann Horton

**YANKTON HOUSING AND REDEVELOPMENT COMMISSION -
A COMPONENT UNIT OF THE MUNICIPALITY OF YANKTON
HUD PROJECT NO. SD-058VO0055**

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INDEPENDENT AUDITOR'S REPORT

Yankton Housing and Redevelopment Commission
Yankton, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities and the major fund of Yankton Housing and Redevelopment Commission (a component unit of the Municipality of Yankton, South Dakota) as of June 30, 2019 and 2018, and for the years then ended, and the related notes to the financial statements, which collectively comprise the Yankton Housing and Redevelopment Commission's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 of material misstatement.

An audit includes 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 Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, 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 statement.

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

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 major fund of the Yankton

Housing and Redevelopment Commission as of June 30, 2019 and 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), 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 the 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 the 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.

Report on Summarized Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required in a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2018, from which such partial information was derived.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The HUD-required financial data schedules are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 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 November 22, 2019, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Yankton Housing and Redevelopment Commission's internal control over financial reporting and compliance.

Quam, Berglin & Post P.C.

Quam, Berglin & Post, P.C.
Certified Public Accountants

November 22, 2019

**THE YANKTON HOUSING AND REDEVELOPMENT COMMISSION
FOR THE CITY OF YANKTON, SOUTH DAKOTA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Yankton Housing and Redevelopment Commission (YHRC) offers readers of the Authority's financial statements this overview and analysis of the financial activities for the fiscal year ended June 30, 2019.

The primary focus of the YHRC's financial statement (summarized fund-type information) has been discarded. The new and clearly preferable focus is on both the YHRC as a whole (Authority-wide) and the major individual funds. Both perspectives (authority-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the YHRC's accountability.

Financial Statements

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

These Statements include a Statement of Net Position. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, equals liabilities, plus "Net Position", formerly known as net assets/equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

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 Authority. Net Position (formerly net assets/equity) are 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: This component of Net Position consists of restricted assets, caused by constraints placed on the assets by grantors, contributors, laws, regulations, etc.

Unrestricted: 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 Fund Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as the authority's share of fraud recovery, Operating Expenses, such as administrative, housing assistance payments, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Fund 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, capital and related financing activities, and investing activities.

The Authority's Funds

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Yankton Housing and Redevelopment Commission (YHRC) administers contracts with independent landlords that own the property. The YHRC subsidizes the family's rent through a Housing Assistance Payment Contract made with the landlord. The program is administered under a contract with HUD based on data submitted by the agency through the Voucher Management System (VMS) and PIH Information Center (PIC). HUD provides Annual Contributions Funding to enable the YHRC to structure a lease that sets the participants' gross rent at no more than 40% of their adjusted monthly income.

AUTHORITY-WIDE STATEMENT

Statement of Net Position

The following table reflects the condensed Statement of Net Position compared to prior year. The Authority is engaged only in Business-Type Activities.

Table 1

	<u>2019</u>	<u>2018</u>
Current and Other Assets	\$ 152,721	\$ 145,492
Capital Assets		333
Total Assets	<u>152,721</u>	<u>145,825</u>
Current Liabilities	8,116	5,526
Non Current Liabilities	2,295	2,232
Total Liabilities	<u>10,411</u>	<u>7,758</u>
Net Position:		
Restricted	18,649	7,631
Unrestricted	25,645	26,254
Unrestricted- Local Funds	98,016	104,182
Total Net Position	<u>\$ 142,310</u>	<u>\$ 138,067</u>

Table 2

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Yankton Housing & Redevelopment Commission is engaged only in Business-Type Activities.

Table 2

	<u>2019</u>	<u>2018</u>
Revenue		
HUD PHA Grants	\$ 522,772	\$ 481,860
Contribution from City of Yankton	36,963	46,328
Port In Payments &	10,855	1,784
Interest Income	331	311
Miscellaneous Income	16,966	4,948
Total Revenues	<u>587,887</u>	<u>535,231</u>
Expense		
Administrative	145,640	152,285
Housing Assistance Payments	438,004	420,337
Total Expenses	<u>583,644</u>	<u>572,622</u>
Change in Net Position	<u>4,243</u>	<u>(37,391)</u>
Beginning Net Position	<u>138,067</u>	<u>175,458</u>
Ending Net Position	<u>\$ 142,310</u>	<u>\$ 138,067</u>

**Major Factors Affecting the Statement of Revenue, Expenses
And Changes in Net Position**

The specific economic factors that can affect the YHRC are as follows:

- Federal funding of the Department of Housing and Urban Development.
- Annual changes in Fair Market Rents and rental rates.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of assistance current participants, are eligible for.
- Inflationary pressure on utility rates, supplies and other costs.

**Table 3
Capital Assets at Year- End**

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Equipment – Administrative	\$ 4,615	\$ 4,615	\$ 0
Accumulated Depreciation	<u>(4,615)</u>	<u>(4,282)</u>	<u>(333)</u>
Capital Assets - (Net of Depreciation)	<u>\$ 0</u>	<u>\$ 333</u>	<u>\$ (333)</u>

FINANCIAL CONTACT

The individual to be contacted regarding this report is Ann Horton, Executive Director for the Yankton Housing and Redevelopment Commission, at (605) 668-5256. Specific requests may be submitted to Ann Horton, The Yankton Housing and Redevelopment Commission, PO Box 176, Yankton, SD 57078-0176.

**YANKTON HOUSING AND REDEVELOPMENT COMMISSION -
A COMPONENT UNIT OF THE MUNICIPALITY OF YANKTON
HUD PROJECT NO. SD-058VO0055
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019 and 2018**

	Enterprise Fund	
	2019	2018
ASSETS:		
Current Assets		
Cash and Cash Equivalents	\$ 47,928.67	\$ 35,108.84
Cash and Cash Equivalents - Local Funds	100,154.31	104,160.54
Accounts Receivable net of Allowance for Doubtful Accounts		924.40
Other Receivables	2,724.37	2,838.27
Prepaid Rent		549.00
Prepaid Wages		
Prepaid Insurance	1,914.04	1,911.18
Total Current Assets	152,721.39	145,492.23
Capital Assets		
Office Equipment	4,614.73	4,614.73
Accumulated Depreciation	(4,614.73)	(4,281.45)
Capital Assets, Net of Depreciation		333.28
TOTAL ASSETS	152,721.39	145,825.51
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	1,141.57	145.00
Wages Payable	3,315.66	2,582.93
Unearned Revenue	536.00	
Accrued Employee's Leave-Current	3,123.35	2,798.16
Total Current Liabilities	8,116.58	5,526.09
Non Current Liabilities:		
Accrued Employee's Leave-Non Current	2,295.14	2,231.92
Total Liabilities	10,411.72	7,758.01
Net Position:		
Net Investment in Capital Assets		333.28
Restricted	18,394.19	7,631.20
Unrestricted	25,899.54	25,921.49
Unrestricted-Local Funds	98,015.94	104,181.53
Total Net Position	\$ 142,309.67	\$ 138,067.50

The notes to the financial statements are an integral part of this statement

**YANKTON HOUSING AND REDEVELOPMENT COMMISSION -
A COMPONENT UNIT OF THE MUNICIPALITY OF YANKTON
HUD PROJECT NO. SD-058VO0055
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	Enterprise Fund	
	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Other Income	\$ 16,966.39	\$ 4,947.69
Operating Expenses:		
Administration Expenses	145,640.65	152,285.41
Housing Assistance Payments	<u>438,004.00</u>	<u>420,337.00</u>
Total Expenses	<u>583,644.65</u>	<u>572,622.41</u>
Operating Income (Loss)	<u>(566,678.26)</u>	<u>(567,674.72)</u>
Non Operating Revenue (Expense)		
Revenue from Local Sources:		
Earnings on Investments and Deposits	52.29	60.36
Earnings on Investments and Deposits - Local Funds	278.61	251.35
Contributions from the City of Yankton	36,962.97	46,328.44
Revenue from Federal Sources:		
Port In Payments Received	10,280.00	1,680.00
Port In Administration Fees	574.56	103.84
Annual Housing Voucher Subsidies-HUD	<u>522,772.00</u>	<u>481,860.00</u>
Total Non Operating Revenue (Expense)	<u>570,920.43</u>	<u>530,283.99</u>
Change in Net Position	4,242.17	(37,390.73)
Net Position - Beginning	<u>138,067.50</u>	<u>175,458.23</u>
Net Position - Ending	<u>\$ 142,309.67</u>	<u>\$ 138,067.50</u>

The notes to the financial statements are an integral part of this statement

**YANKTON HOUSING AND REDEVELOPMENT COMMISSION -
A COMPONENT UNIT OF THE MUNICIPALITY OF YANKTON
HUD PROJECT NO. SD-058VO0055
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	Enterprise Fund	
	2019	2018
	<u> </u>	<u> </u>
Cash Flows from Operating Activities:		
Other Operating Cash Receipts	\$ 16,966.39	\$ 6,477.69
Other Operating Cash Payments	113.90	(2,838.27)
Payments to Suppliers for Goods and Services	(476,875.29)	(445,751.29)
Payments to Employees	<u>(104,321.23)</u>	<u>(118,995.75)</u>
Net Cash Provided (Used) by Operating Activities	<u>(564,116.23)</u>	<u>(561,107.62)</u>
Cash Flows from Noncapital Financing Activities:		
Operating Subsidies	<u>572,598.93</u>	<u>531,688.01</u>
Cash Flows from Investing Activities:		
Interest Earnings	<u>330.90</u>	<u>311.71</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 8,813.60</u>	<u>\$ (29,107.90)</u>
Cash and Cash Equivalents at Beginning of Year	\$ 139,269.38	168,377.28
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>148,082.98</u>	<u>139,269.38</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 8,813.60</u>	<u>\$ (29,107.90)</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (566,678.26)	\$(567,674.72)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	333.28	399.96
Accounts Receivable-Tenants		1,530.00
Accounts Receivable-Other	113.90	(2,838.27)
Prepaid Expenses	(2.86)	4,062.55
Accounts Payable	996.57	
Accrued Payroll and Benefits Payable	<u>1,121.14</u>	<u>3,412.86</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (564,116.23)</u>	<u>\$(561,107.62)</u>

The notes to the financial statements are an integral part of this statement

**YANKTON HOUSING AND REDEVELOPMENT COMMISSION-
A COMPONENT UNIT OF THE MUNICIPALITY OF YANKTON
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

Yankton Housing and Redevelopment Commission (Commission), is a component unit of the Municipality of Yankton, South Dakota. The Commission was organized in 1994, pursuant to the Municipal Housing and Redevelopment Act of South Dakota as a public housing agency to provide financial assistance to low-income people in accordance with the United States Housing Act of 1937. The Yankton Housing and Redevelopment Commission administers the United States Department of Housing and Urban Development, Section 8 Housing Choice Vouchers Program. The Commission is authorized to operate 160 units under this program.

The mayor and the city council appoint the five members of the governing board of the Commission for five year staggered terms. The Commission elects its own chairperson and recruits employees, who are considered to be City of Yankton employees. However, the local governing board of the City of Yankton, South Dakota has the authority to modify or otherwise veto the decisions of the Commission to construct a specific project and issue debt.

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Commission is financially accountable if its governing body has a voting majority which is appointed by another governing board. This governing board has the ability to impose its will on the organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burden on the primary government of the Commission. The Commission presently has no component unit included within its reporting entity, however it is a component unit of the City of Yankton, South Dakota.

b. Basis of Presentation

The Commission represents a public housing Commission engaged in a single government program that provides financial assistance for low-income public housing. As such, the Commission presents a combined net position financial statement and a government-wide statement.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Fund Net Position display information about the reporting entity as a whole. They include all funds of the reporting entity. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position reports all financial and capital resources in a net position form. Net position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into a fund, each of which is considered to be a separate accounting entity. This fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund net position, revenues, and expenses. There is only one major proprietary fund. A fund is considered major if it is the primary operating fund of the organization or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenses of the individual enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenses of the individual enterprise fund are at least 5 percent of the corresponding total for all enterprise funds combined, or
3. Management has elected to classify one or more enterprise fund as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

All of the Commission's activities are accounted for within the proprietary fund.

Proprietary Funds:

Enterprise Funds - enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met.

- a. *The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)*
- b. *Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.*
- c. *The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).*

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Fund Financial Statements:

In the fund financial statements, the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary funds.

Basis of Accounting:

Fund Financial Statements

In the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

d. Capital Assets:

Capital assets include equipment and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total June 30, 2019 balance of capital assets for business type activities are all valued at original cost.

Depreciation of all exhaustible capital assets is recorded as an 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 reported in the financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Machinery and Equipment	\$ 1,000.00	Straight Line	3-7 years

e. Program Revenues:

In the Statement of Revenues, Expenses and Changes in Fund Net Position, reported program revenues derive directly from the program itself or from parties other than the organization's citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

f. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

g. Cash and Cash Equivalents:

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

h. Equity Classifications:

Fund Financial Statements:

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

1. Net Investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

i. Application of Net Position:

It is the Commission's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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.

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

Custodial Credit Risk – 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 credit risk.

As of June 30, 2019, the Commission had no uninsured deposits.

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

Credit Risk - State law limits eligible investments for the Commission as discussed above. The Commission has no investment policy that would further limit its investment choices. As of June 30, 2019, the Commission had no investments.

Concentration of Credit Risk: The Commission places no limit on the amount that may be invested with any one issuer. As of June 30, 2019, the Commission had no investments.

NOTE 3 – RESTRICTED CASH

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

<u>Amount</u>	<u>Purpose</u>
\$ 100,154.31	Restricted by HUD

NOTE 4 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2019 is as follows:

Capital Assets, being Depreciated:	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Furniture and Equipment	<u>\$ 4,615</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 4,615</u>
Total	<u>4,615</u>	<u>_____</u>	<u>_____</u>	<u>4,615</u>
Accumulated Depreciation				
Furniture and Equipment	<u>4,282</u>	<u>333</u>	<u>_____</u>	<u>4,615</u>
Total	<u>4,282</u>	<u>333</u>	<u>_____</u>	<u>4,615</u>
Capital Assets, Net of Depreciation	<u>\$ 333</u>	<u>\$ (333)</u>	<u>\$ _____</u>	<u>\$ _____</u>

NOTE 5 – RESTRICTED NET POSITION

Restricted Net Position for the year ended June 30, 2019 was as follows:

<u>Restricted By</u>	<u>Amount</u>
HUD Requirements	<u>\$ 18,394.19</u>

NOTE 6 - RISK MANAGEMENT

The Yankton Housing and Redevelopment Commission is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the period ended June 30, 2019, the Yankton Housing and Redevelopment Commission managed its risks as follows:

Liability Insurance:

The Commission purchases liability insurance for risks related to torts; theft of or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years and there were no claims during the period ended June 30, 2019.

NOTE 7 – UNRESTRICTED NET POSITION

The following table shows the breakdown of unrestricted net position:

YANKTON HOUSING AUTHORITY
RECONCILIATION OF UNRESTRICTED NET POSITION ACCOUNT BALANCES

	<u>Pre-2004</u>	<u>Post-2003</u>	<u>Total</u>
Unrestricted Net Asset Balance at 6/30/03	\$ 43,898	\$	\$ 43,898
Net Admin Fee Operating Income (Loss) for the year ended 6/30/04	(40,366)		(40,366)
Net Admin Fee Operating Income (Loss) for the year ended 6/30/05	(1,155)		(1,155)
Net Admin Fee Operating Income (Loss) for the year ended 6/30/06		(14,265)	(14,265)
Prior Period Adjustment on 6/30/06		25,360	25,360
Net Admin Fee Operating Income (Loss) for the year ended 6/30/07		66,393	66,393
Prior Period Adjustment on 6/30/07		12,406	12,406
Net Admin Fee Operating Income (Loss) for the year ended 6/30/08		7,865	7,865
Prior Period Adjustment on 6/30/08		1,256	1,256
Net Admin Fee Operating Income (Loss) for the year ended 6/30/09		17,101	17,101
Net Admin Fee Operating Income (Loss) for the year ended 6/30/10		6,828	6,828
Transfer of Security Deposits		(8,256)	(8,256)
Net Admin Fee Operating Income (Loss) for the year ended 6/30/11		12,946	12,946
Net Admin Fee Operating Income (Loss) for the year ended 6/30/12		(2,687)	(2,687)
Net Admin Fee Operating Income (Loss) for the year ended 6/30/13	(2,377)	(13,099)	(15,476)
Net Admin Fee Operating Income (Loss) for the year ended 6/30/14		(19,635)	(19,635)
Net Admin Fee Operating Income (Loss) for the year ended 6/30/15		(14,830)	(14,830)
Net Admin Fee Operating Income (Loss) for the year ended 6/30/16		(11,409)	(11,409)
Net Admin Fee Operating Income (Loss) for the year ended 6/30/17		(22,927)	(22,927)
Net Admin Fee Operating Income (Loss) for the year ended 6/30/18		(16,793)	(16,793)
Net Admin Fee Operating Income (Loss) for the year ended 6/30/19		(354)	(354)
Balance at 6/30/19	<u>\$</u>	<u>\$ 25,900</u>	<u>\$ 25,900</u>

**YANKTON HOUSING AND REDEVELOPMENT COMMISSION -
A COMPONENT UNIT OF THE MUNICIPALITY OF YANKTON
HUD PROJECT NO. SD-058VO0055
FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED
JUNE 30, 2019**

Line Item Number	Description	Total Programs	Housing Choice Vouchers	State/Local
Balance Sheet				
Cash				
111	Cash - Unrestricted	\$ 109,389	\$ 9,235	\$ 100,154
113	Cash - Other Restricted	31,873	31,873	
115	Cash - Restricted for Pymt of Current Liabilities	6,821	6,821	
100	Total Cash	<u>148,083</u>	<u>47,929</u>	<u>100,154</u>
Receivables				
125	Accounts Receivable - Miscellaneous	6,291	3,567	2,724
120	Total Receivables, Net of Allowance	<u>6,291</u>	<u>3,567</u>	<u>2,724</u>
142	Prepaid Expenses and Other Assets	1,914	1,914	
150	Total Current Assets	<u>156,288</u>	<u>53,410</u>	<u>102,878</u>
Capital Assets				
164	Furniture, Equipment & Machinery-Administration	4,615	4,615	
166	Accumulated Depreciation	(4,615)	(4,615)	
160	Total Capital Assets, Net of Accumulated Depr	<u></u>	<u></u>	<u></u>
190	Total Assets	<u>156,288</u>	<u>53,410</u>	<u>102,878</u>
Current Liabilities				
312	Accounts Payable <=90 days	4,708	416	4,292
321	Accrued Wages Payable	3,316	2,746	570
322	Accrued Compensated Absences-Current	3,123	3,123	
342	Deferred Revenues	536	536	
310	Total Current Liabilities	<u>11,683</u>	<u>6,821</u>	<u>4,862</u>
Non Current Liabilities				
354	Accrued Compensated Absences - Non Current	2,295	2,295	
350	Total Non Current Liabilities	<u>2,295</u>	<u>2,295</u>	<u></u>
300	Total Liabilities	<u>13,978</u>	<u>9,116</u>	<u>4,862</u>
Net Position				
508.4	Net Investment in Capital Assets			
511.1	Restricted Net Position	18,394	18,394	
512.1	Unrestricted Net Position	123,916	25,900	98,016
513	Total Net Position	<u>142,310</u>	<u>44,294</u>	<u>98,016</u>
300	Total Liabilities and Net Position	<u>\$ 156,288</u>	<u>\$ 53,410</u>	<u>\$ 102,878</u>

**YANKTON HOUSING AND REDEVELOPMENT COMMISSION -
A COMPONENT UNIT OF THE MUNICIPALITY OF YANKTON
HUD PROJECT NO. SD-058VO0055
FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED
JUNE 30, 2019**

Line Item Number	Description	Total Programs	Housing Choice Vouchers	State/Local
Income Statement				
Revenue				
70600-010	Housing Assistance Payments	\$ 438,211	\$ 438,211	\$
70600-020	Ongoing Administrative Fees Earned	<u>84,561</u>	<u>84,561</u>	
70600	HUD PHA Operating Grants	<u>522,772</u>	<u>522,772</u>	
71100-020	Administrative Fee	<u>331</u>	<u>52</u>	<u>279</u>
71100	Total Investment Income - Unrestricted	<u>331</u>	<u>52</u>	<u>279</u>
71400-010	Housing Assistance Payment	<u>276</u>	<u>276</u>	
71400-020	Administrative Fee	<u>276</u>	<u>276</u>	
71400	Fraud Recovery	<u>552</u>	<u>552</u>	
71500-040	Port Admin Fees	<u>575</u>	<u>575</u>	
71500-050	Port In Payment Received	<u>10,280</u>	<u>10,280</u>	
71500-900	Other Revenue	<u>16,415</u>		<u>16,415</u>
71500	Other Revenue	<u>27,270</u>	<u>10,855</u>	<u>16,415</u>
70000	Total Revenue	<u>550,925</u>	<u>534,231</u>	<u>16,694</u>
Expenses				
Administrative				
91100	Administrative Salaries	93,641	77,302	16,339
91200	Auditing Fees	4,900	4,352	548
91310	Bookkeeping Fee	2,765	2,456	309
91500	Employee Benefit Contributions-Administrative	26,346	20,926	5,420
91600	Office Expenses	1,146	1,074	72
91800	Travel	4,825	4,825	
91900	Other	<u>348</u>	<u>348</u>	
91000	Total Operating - Administrative	<u>133,971</u>	<u>111,283</u>	<u>22,688</u>
96120	Liability Insurance	3,153	3,153	
96140	All Other Insurance	<u>250</u>	<u>250</u>	
96100	Total Insurance Premiums	<u>3,403</u>	<u>3,403</u>	
96210	Compensated Absences	<u>7,762</u>	<u>7,762</u>	
96000	Total Other General Expenses	<u>7,934</u>	<u>7,762</u>	<u>172</u>
96900	Total Operating Expenses	<u>145,308</u>	<u>122,448</u>	<u>22,860</u>
97000	Excess of Operating Revenue over Operating Expenses	<u>405,617</u>	<u>411,783</u>	<u>(6,166)</u>
97300-010	Mainstream			
97300-050	All Other	427,724	427,724	
97350	Port In Payments	10,280	10,280	
97400	Depreciation	<u>333</u>	<u>333</u>	
90000	Total Expenses	<u>583,645</u>	<u>560,785</u>	<u>22,860</u>
10030	Operating Transfers from/to Primary Government	<u>38,963</u>	<u>36,963</u>	
10000	Excess (Deficiency) of total Revenue Over (Under) Total Expenses	<u>4,243</u>	<u>10,409</u>	<u>(6,166)</u>

**YANKTON HOUSING AND REDEVELOPMENT COMMISSION -
A COMPONENT UNIT OF THE MUNICIPALITY OF YANKTON
HUD PROJECT NO. SD-058VO0055
FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED
JUNE 30, 2018**

Line Item Number	Description	Total Programs	Housing Choice Vouchers	State/Local
Memo Account Information				
11030	Beginning Equity	\$ 138,067	\$ 33,885	\$ 104,182
	Excess (Deficiency) of total Revenue Over (Under)			
10000	Total Expenses	(6,166)		(6,166)
11170-001	Admin Fee Equity - Beginning Balance	26,254	26,254	
11170-010	Administrative Fee Revenue	84,306	84,306	
11170-040	Investment Income	52	52	
11170-045	Fraud Recovery Revenue	276	276	
11170-050	Other Revenue - City of Yankton	37,793	37,793	
11170-060	Total Admin Fees Revenues	<u>122,427</u>	<u>122,427</u>	
11170-080	Total Operating Expenses	122,448	122,448	
11170-090	Depreciation	333	333	
11170-110	Total Expenses	<u>122,781</u>	<u>122,781</u>	
11170-002	Net Administrative Fee	(354)	(354)	
11170-003	Administrative Fee Equity-Ending Balance	<u>25,900</u>	<u>25,900</u>	
11170-006	Post-2003 Administrative Fee Reserves	<u>25,900</u>	<u>25,900</u>	
11180-001	HAP Equity - Beginning Balance	7,631	7,631	
11180-010	Housing Assistance Payment Revenues	438,466	438,466	
11180-045	Fraud Recovery Revenue	276	276	
11180-030	Total HAP Revenues	<u>438,742</u>	<u>438,742</u>	
11180-080	Housing Assistance Payments	<u>427,724</u>	<u>427,724</u>	
11180-090	Other Expenses (HUD adjustment)	255	255	
11180-100	Total HAP Expenses	<u>427,979</u>	<u>427,979</u>	
11180-002	Net Housing Assistance Payments	10,763	10,763	
11180-003	HAP Equity-Ending Balance	<u>18,394</u>	<u>18,394</u>	
11190-210	Total ACC HCV Units	1,911		
11190-220	Unfunded Units			
11190	Unit Months Available	1,911		
11210	Number of Unit Months Leased	1,577		

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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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

Yankton Housing and Redevelopment Commission
Yankton, South Dakota

We have audited, 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, the accompanying financial statements of the business type activities and the major fund of the Yankton Housing and Redevelopment Commission which is a component unit of the Municipality of Yankton, South Dakota, which collectively comprise the basic financial statements as listed in the table of contents, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control Over Financial Reporting

Management of Yankton Housing and Redevelopment Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Yankton Housing and Redevelopment Commission's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances 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 Yankton Housing and Redevelopment Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2019-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Yankton Housing and Redevelopment Commission'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*.

Management's Response to Findings

Yankton Housing and Redevelopment Commission's response to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Quam, Berglin & Post P.C.

Quam, Berglin & Post, P.C.
Certified Public Accountants

November 22, 2019

**YANKTON HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE MUNICIPALITY OF YANKTON
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

PRIOR AUDIT FINDINGS

PRIOR FEDERAL AUDIT FINDINGS:

Finding Number 2018-001:

A material weakness in internal controls was reported due to a lack of proper segregation of duties for accounting functions, resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Corrective Action Plan:

This prior audit comment has not been corrected and is restated under the current other audit findings as finding number 2019-001. Current year audit is not required to perform an audit under the Uniform Guidance.

PRIOR OTHER AUDIT FINDINGS

See finding elements as above

Corrective Action Plan:

This prior audit comment has not been corrected and is restated under the current other audit findings as finding number 2019-001.

**YANKTON HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE MUNICIPALITY OF YANKTON
SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

CURRENT OTHER AUDIT FINDINGS:

Internal Control Related Findings and Questioned Costs:

Finding Number 2019-001:

CRITERIA:

In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to revenue and expenditures. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

CONDITION FOUND:

A material weakness in internal controls was reported due to a lack of adequate segregation of duties for revenues and expenditures resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

RECOMMENDATION:

We recommend that the Board of Commissioners be cognizant of this lack of segregation of duties for revenues and expenditures and attempt to provide compensating controls whenever and wherever possible and practical.

RESPONSE:

The Commissioners of this entity are aware of this problem, which is a result of the size of the organization, which precludes staffing at a level sufficient to provide compensating controls whenever and wherever possible and practical. The Commission has prepared a response to the finding, which is on page 25.

Yankton Housing and Redevelopment Commission
PO Box 176, Yankton, SD 57078 • (605) 668-5256

CORRECTIVE PLAN OF ACTION
6/30/19

Yankton Housing and Redevelopment Commission have considered the lack of segregation of duties for revenues and expenditures. At this time, it is not cost effective for Yankton Housing and Redevelopment Commission to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by the Board of Commissioners to decrease the likelihood that financial data is adversely affected.

The Yankton Housing and Redevelopment Commission will continue to monitor the necessity to have segregation of duties for revenues and expenditures and implement a segregation of duties as budget dollars and board authority allow.



Board Chairman



Executive Director