

**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, 2022

TABLE OF CONTENTS

| | Page |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 5 |
| FINANCIAL STATEMENTS | |
| Statement of Net Position | 11 |
| Statement of Revenues, Expenses and Changes in Net Position | 12 |
| Statement of Cash Flows | 13 |
| Notes to the Financial Statements | 15 |
| SUPPLEMENTARY INFORMATION | |
| The Financial Data Schedule – Statement of Net Position | 34 |
| The Financial Data Schedule - Revenues and Expenses | 35 |
| Capital Fund Program Schedule of Modernization Expenditures by Project Number | 36 |
| South Sycamore Estates Statements of Net Position | 37 |
| South Sycamore Estates Statements of Activities | 38 |
| South Sycamore Estates Statements of Cash Flows | 40 |
| South Sycamore Estates Supplementary Schedules | 42 |
| INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH CONTRACTUAL AGREEMENTS | 49 |
| MORTGAGOR'S CERTIFICATION | 50 |
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 51 |
| Notes to the Schedule of Expenditures of Federal Awards | 52 |
| 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 <i>GOVERNMENT AUDITING STANDARDS</i> | 53 |
| INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE | 55 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 58 |

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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota, a component unit of the City of Sioux Falls, South Dakota as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, 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, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 March 22, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



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

March 22, 2023

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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, 2022. 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 2022 fiscal year by \$4,015,441 (net position), compared to net position of \$3,609,228 for the fiscal year 2021. This is an 11.25% increase from fiscal year 2021.
- The Primary Government's cash and cash equivalents balance at September 30, 2022 was \$2,934,260 representing a decrease of \$441,812 from September 30, 2021.
- The Primary Government had total operating revenues of \$15,493,898, and operating expenses of \$15,137,301 for the year ended September 30, 2022. This compares to total operating revenues of \$14,890,530 and operating expenses of \$14,460,711 for the year ended September 30, 2021.

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 less liabilities equal 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 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, 2022

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

| | 2022 | 2021 | Change | |
|----------------------------------|---------------------|---------------------|-------------------|---------|
| | | | Dollar | % |
| Assets: | | | | |
| Current and Other Assets | \$ 3,504,955 | \$ 3,630,435 | \$ (125,480) | -3.46% |
| Capital Assets | 1,451,752 | 1,282,885 | 168,867 | 13.16% |
| Total Assets | <u>4,956,707</u> | <u>4,913,320</u> | <u>43,387</u> | 0.88% |
| Liabilities: | | | | |
| Current and Other Liabilities | 774,303 | 1,101,245 | (326,942) | -29.69% |
| Long-Term Liabilities | 166,963 | 202,847 | (35,884) | -17.69% |
| Total Liabilities | <u>941,266</u> | <u>1,304,092</u> | <u>(362,826)</u> | -27.82% |
| Net Position: | | | | |
| Net Investment in Capital Assets | 1,272,624 | 1,072,412 | 200,212 | 18.67% |
| Restricted | 193,605 | 353,391 | (159,786) | -45.22% |
| Unrestricted | <u>2,549,212</u> | <u>2,183,425</u> | <u>365,787</u> | 16.75% |
| Total Net Position | <u>\$ 4,015,441</u> | <u>\$ 3,609,228</u> | <u>\$ 406,213</u> | 11.25% |

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 \$4,015,441 at the close of fiscal year September 30, 2022.

Total assets, as of September 30, 2022, were \$4,956,707. Of this total, \$3,504,955 was current and other assets, while \$1,451,752 were capital assets. For fiscal year ended September 30, 2021, current and other assets were \$3,630,435 and capital assets were \$1,282,885. Current assets decreased mainly due to the decrease in restricted cash. The increase in capital assets was due to the increase in capital asset additions.

**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, 2022

Liabilities

Total liabilities as of September 30, 2022 were \$941,266 compared to total liabilities of \$1,304,092 for fiscal year ended September 30, 2021. No new long-term debt was issued during the year ended September 30, 2022.

Net Position

Total net position, as of September 30, 2022, was \$4,015,441 which consisted of unrestricted net position of \$2,549,212, restricted net position for grantor agency of \$172,103, restricted net position for debt covenants of \$21,502, and net investment in capital assets of \$1,272,624. As of September 30, 2021, unrestricted net position was \$2,183,425, restricted net position for grantor agency was \$327,904, restricted net position for debt covenants of \$25,487, and net investment in capital assets was \$1,072,412 for a total net position of \$3,609,228.

A portion of the Primary Government's net position, 32%, 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, 63%, is available for future use to provide program services. The total net position of the Primary Government increased \$406,213 during the fiscal year 2022.

Changes in Net Position

There was an increase in net position of \$406,213 from fiscal year 2021 to fiscal year 2022. The ending total net position was \$4,015,441 in fiscal year 2022 while fiscal year 2021 ended with a total net position of \$3,609,228.

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

**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, 2022

| | 2022 | 2021 | Change | |
|----------------------------------------|---------------------|---------------------|-------------------|---------|
| | | | Dollar | % |
| Revenues | | | | |
| Program Revenues | | | | |
| Dwelling rental | \$ 234,773 | \$ 216,091 | \$ 18,682 | 8.65% |
| Tenant revenue-other | 3,483 | 2,326 | 1,157 | 49.74% |
| Fraud recovery | 64,171 | 32,294 | 31,877 | 98.71% |
| Other revenue and management fees | 458,127 | 336,437 | 121,690 | 36.17% |
| HUD PHA grants | 14,468,819 | 14,007,624 | 461,195 | 3.29% |
| HUD Capital grants | 44,314 | 10,799 | 33,515 | 310.35% |
| Other Governmental grants | 264,525 | 295,758 | (31,233) | -10.56% |
| General Revenues | | | | |
| Interest income | 5,302 | 3,538 | 1,764 | 49.86% |
| Total Revenues | <u>15,543,514</u> | <u>14,904,867</u> | <u>638,647</u> | 4.28% |
| Expenses | | | | |
| Administrative | 891,538 | 816,576 | 74,962 | 9.18% |
| Management fees | 111,785 | 103,987 | 7,798 | 7.50% |
| Tenant services | 855,913 | 781,909 | 74,004 | 9.46% |
| Utilities | 28,987 | 26,543 | 2,444 | 9.21% |
| Ordinary maintenance and operations | 181,116 | 159,791 | 21,325 | 13.35% |
| Extraordinary maintenance | 26,159 | 2,400 | 23,759 | 989.96% |
| General expense | 180,929 | 177,038 | 3,891 | 2.20% |
| Housing assistance payments | 12,728,222 | 12,311,134 | 417,088 | 3.39% |
| Dwelling units rent expense | 27,110 | 15,593 | 11,517 | 73.86% |
| Depreciation and amortization | 105,542 | 65,740 | 39,802 | 60.54% |
| Total Expenses | <u>15,137,301</u> | <u>14,460,711</u> | <u>676,590</u> | 4.68% |
| Change in Net Position | <u>406,213</u> | <u>444,156</u> | <u>(37,943)</u> | -8.54% |
| Beginning Net Position | <u>3,609,228</u> | <u>3,165,072</u> | <u>444,156</u> | 14.03% |
| Ending Net Position | <u>\$ 4,015,441</u> | <u>\$ 3,609,228</u> | <u>\$ 406,213</u> | 11.25% |

**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, 2022

Revenue

The operating revenues of the Primary Government increased by \$603,368 for fiscal year 2022. Total operating revenues for fiscal year September 30, 2022 were \$15,493,898, while in fiscal year September 30, 2021, total operating revenues were \$14,890,530. The main factor was an increase in HUD PHA grants of \$461,195 from 2021.

Operating Expenses

Operating expenses increased by 4.68% or \$676,590 from fiscal year 2021 to fiscal year 2022. The main factor was an increase in HAP payments of \$417,088 from 2021.

Capital Assets and Debt Administration

CAPITAL ASSETS

As of September 30, 2022, the Primary Government's investment in capital assets was \$1,451,752 (net of accumulated depreciation). This investment in capital assets includes buildings, improvements, equipment, and computer hardware.

There were \$274,409 in capital assets purchased during fiscal year 2022 which consisted of furniture, software, a parking lot, and a truck. Depreciation expense totaled \$105,542.

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

LONG-TERM DEBT

The Primary Government had \$258,801 in outstanding debt as of the end of the fiscal year. The note payable 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.

| | <u>Beginning</u> <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending</u> <u>Balance</u> | <u>Due Within</u> <u>One Year</u> |
|-----------------------|------------------------------------|-------------------|---------------------|---------------------------------|--------------------------------------|
| Note payable | \$ 210,473 | \$ - | \$ (31,345) | \$ 179,128 | \$ 31,345 |
| Compensated absences | <u>82,768</u> | <u>102,342</u> | <u>(105,437)</u> | <u>79,673</u> | <u>60,493</u> |
| Long-term liabilities | <u>\$ 293,241</u> | <u>\$ 102,342</u> | <u>\$ (136,782)</u> | <u>\$ 258,801</u> | <u>\$ 91,838</u> |

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

**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, 2022

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 for all employees which resulted in an increase from 1.75% to 4.50%.
- Budgeted an increase of 12.5% in health insurance premiums.
- Housing Choice Voucher administrative fees revenue budgeted at 96% utilization with 78.5% proration and housing assistance payments budgeted at 98% utilization with 99% proration.
- Revenues and expenses were adjusted according to existing contracts, projected increases and decreases and historical information, increases of 2-3% in operating expenses, 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.

Contacting the Commission'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
SEPTEMBER 30, 2022**

| | PRIMARY GOVERNMENT | COMPONENT UNIT |
|-----------------------------------------------------------------|-------------------------------|---------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents - unrestricted | \$ 2,219,868 | \$ 391,768 |
| Cash and cash equivalents - restricted | 714,392 | 251,669 |
| Receivables, (net of allowances for uncollectibles, if any): | | |
| Tenants | 5,006 | 10,267 |
| Miscellaneous | 24,130 | 261 |
| HUD | 93,509 | - |
| Other Government | 26,752 | 205,038 |
| Note | 354,360 | - |
| Interest | 2,077 | - |
| Prepaid expenses | 64,861 | 8,663 |
| Assets held for resale | - | 1,250,775 |
| Total current assets | 3,504,955 | 2,118,441 |
| Noncurrent assets: | | |
| Notes receivable | - | 29,403 |
| Investment in Tax Credit Partnership | - | 25,341 |
| Capital assets, net of accumulated depreciation: | | |
| Land | 492,500 | 283,684 |
| Buildings | 785,522 | 2,187,436 |
| Equipment | 161,829 | 1,117 |
| Leasehold improvements | 11,901 | 187,841 |
| Total noncurrent assets | 1,451,752 | 2,714,822 |
| Total assets | 4,956,707 | 4,833,263 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable - vendors | 67,073 | 32,030 |
| Accounts payable - HUD | 146,124 | - |
| Accounts payable - other governments | 5,643 | 128,560 |
| Accrued wages and payroll taxes payable | 83,554 | 15,386 |
| Tenants security deposits | 8,951 | 9,400 |
| Unearned revenues | 132,925 | 193,819 |
| Accrued compensated absences - current portion | 60,493 | 7,017 |
| Accrued interest payable | - | 3,335 |
| Other current liabilities | 238,195 | 81,212 |
| Line of credit | - | 484,685 |
| Notes payable - current portion | 31,345 | 395,247 |
| Total current liabilities | 774,303 | 1,350,691 |
| Noncurrent liabilities: | | |
| Accrued compensated absences (net of current portion) | 19,180 | 3,014 |
| Notes payable (net of current portion) | 147,783 | 3,016,555 |
| Total noncurrent liabilities | 166,963 | 3,019,569 |
| Total liabilities | 941,266 | 4,370,260 |
| Net Position | | |
| Net investment in capital assets | 1,272,624 | (399,803) |
| Restricted - grantor agencies | 172,103 | 123,762 |
| Restricted - debt covenants | 21,502 | 147,910 |
| Unrestricted | 2,549,212 | 591,134 |
| Total Net Position | \$ 4,015,441 | \$ 463,003 |

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, 2022

| | <u>PRIMARY GOVERNMENT</u> | <u>COMPONENT UNIT</u> |
|-----------------------------------------|-------------------------------|---------------------------|
| OPERATING REVENUES | | |
| Dwelling rental | \$ 234,773 | \$ 260,249 |
| Tenant revenue - other | 3,483 | 3,606 |
| Fraud recovery | 64,171 | - |
| HUD PHA grants | 14,468,819 | - |
| Other fees | 352,748 | 45,157 |
| Other governmental grants | 264,525 | 165,000 |
| Other revenue | 105,379 | (38,881) |
| Total operating revenues | <u>15,493,898</u> | <u>435,131</u> |
| OPERATING EXPENSES | | |
| Administrative | 891,538 | 167,827 |
| Management fees | 111,785 | 94,673 |
| Tenants services | 855,913 | 2,875 |
| Utilities | 28,987 | 66,341 |
| Ordinary maintenance and operation | 181,116 | 66,024 |
| Extraordinary maintenance | 26,159 | 2,500 |
| General expense | 180,929 | 43,573 |
| Housing assistance payments | 12,728,222 | - |
| Dwelling units rent expense | 27,110 | - |
| Depreciation and amortization | 105,542 | 108,208 |
| Total operating expenses | <u>15,137,301</u> | <u>552,021</u> |
| Operating income (deficit) | <u>356,597</u> | <u>(116,890)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment income | 5,302 | 524 |
| HUD capital grants | 44,314 | - |
| Interest expense | - | (9,635) |
| Total nonoperating revenues (expenses) | <u>49,616</u> | <u>(9,111)</u> |
| Increase (Decrease) in Net Position | 406,213 | (126,001) |
| Total Net Position - beginning | <u>3,609,228</u> | <u>589,004</u> |
| Total Net Position - ending | <u>\$ 4,015,441</u> | <u>\$ 463,003</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, 2022**

| | PRIMARY GOVERNMENT | COMPONENT UNIT |
|-----------------------------------------------------------------|-------------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Rental receipts | \$ 209,239 | \$ 265,719 |
| Other cash payments received | 527,466 | 1,082,815 |
| Operating grants received | 14,761,421 | 165,000 |
| Payments to employees | (1,293,770) | (119,810) |
| Payments to other suppliers | (1,297,754) | (2,206,256) |
| Payments for housing assistance | (12,728,222) | - |
| Payment in lieu of taxes | (10,716) | (1,116) |
| Tenant deposits held in trust | (242) | (1,500) |
| | 167,422 | (815,148) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds on long-term debt | - | 351,921 |
| Issuance of notes receivable | (351,273) | - |
| Principal paid on long-term debt | (31,345) | (42,702) |
| Proceeds received on line of credit | - | 1,113,198 |
| Net payments on line of credit | - | (711,041) |
| Interest paid on debt | - | (7,821) |
| Capital grants | 44,314 | - |
| Purchase of capital assets | (274,409) | - |
| | (612,713) | 703,555 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital contribution in joint venture | - | (10) |
| Interest Income | 3,479 | 563 |
| | 3,479 | 553 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (441,812) | (111,040) |
| Cash and Cash Equivalents, Beginning of Year | 3,376,072 | 754,477 |
| Cash and Cash Equivalents, End of Year | \$ 2,934,260 | \$ 643,437 |
| Cash and cash equivalents - unrestricted | \$ 2,219,868 | \$ 391,768 |
| Cash and cash equivalents - restricted | 714,392 | 251,669 |
| Total cash and cash equivalents | \$ 2,934,260 | \$ 643,437 |

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, 2022**

| | PRIMARY GOVERNMENT | COMPONENT UNIT |
|-------------------------------------------------------------------------------------------------------------|-------------------------------|---------------------------|
| CASH FLOWS FROM | | |
| OPERATING ACTIVITIES | | |
| Operating income (deficit) | \$ 356,597 | \$ (116,890) |
| Adjustments to reconcile operating income (deficit) to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 105,542 | 108,208 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts receivable - tenants | 1,576 | 5,470 |
| Accounts receivable - HUD | 28,077 | - |
| Accounts receivable - other | 1,685 | (165,630) |
| Prepaid expense | 5,426 | 863 |
| Assets held for resale | - | (514,779) |
| Notes receivable - NRDAP | - | 3,563 |
| Increase (decrease) in: | | |
| Accounts payable - vendors | (7,428) | (13,652) |
| Accounts payable - other governments | 100,839 | (337,600) |
| Accrued wages and payroll taxes | 15,794 | 9,881 |
| Accrued compensated absences | (3,095) | 2,150 |
| Other current liabilities | (47,378) | 14,137 |
| Tenants security deposit | (242) | (1,500) |
| Unearned revenue | (389,971) | 190,631 |
| Net Cash Provided (Used) by Operating Activities | \$ 167,422 | \$ (815,148) |

See Notes to the Financial Statements

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022

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 SD01600000121D and SD01600000122D Capital Fund Program SD06P016501-21 | 25 |
| Section 8 Housing Choice Vouchers | 1916 |
| Emergency Housing Vouchers | 63 |
| Section 8 Moderate Rehabilitation SD016MR0003 SD016MR0004 SD016MR0005 | 17 34 28 |
| Shelter Plus Care Program SD0016L8T002006 and SD0016L8T002107 SD0002C8T002005 and SD0021L8T002106 SD0002L8T002013 and SD0002L8T002114 | 4 5 29 |
| Family Self-Sufficiency FSS20SD3885 and FSS21SD4657 | |
| Housing Opportunities for Persons with AIDS 22-028-53003-0 and 22-028-52003-0 23-028-52003-0 20-028-19021-0 | |
| Section 8(bb) Project-based South Sycamore Estates | 16 |
| Other Projects: Management of Affordable Housing Solutions, Inc. Management of Affordable Housing Solutions, Inc. owned rental properties Management of Spring Centre Apartments, LP Management of The Residences at Greenway, LP | |

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.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022

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.

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.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022

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 acquisition value on the date donated.

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 |

Land, an inexhaustible capital asset, is not depreciated.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022

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 and Emergency Housing Voucher programs 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, grantor agencies or debt covenants. 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
SEPTEMBER 30, 2022

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 nonfederal 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.

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).

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022

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, 2022, the Commission’s deposits were fully insured or collateralized and were not exposed to custodial credit risk.

Investments – As of September 30, 2022, 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, 2022, 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, 2022, the Commission had no investments.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022

NOTE 3 RESTRICTED CASH AND CASH EQUIVALENTS

Primary Government:

| | |
|--------------------------------------------------|--------------|
| Housing Choice Voucher (HAP) | \$ 140,698 |
| Housing Choice Voucher (FSS Escrow) | 225,039 |
| Housing Choice Voucher (FSS escrow forfeiture) | 14,107 |
| Housing Choice Voucher (Cares Act) | 32,848 |
| Emergency Housing Voucher | 108,515 |
| Public Housing (FSS escrow) | 2,361 |
| Family Self Sufficiency (FSS) Special Needs Fund | 5,082 |
| Housing Deposit Assistance Program | 1,262 |
| SF Community Foundation Grant Funds | 2,700 |
| Section 8 Mod Rehab | 145,684 |
| Reserve for Replacements | 6,779 |
| Residual Receipts Reserve | 7,712 |
| Tax-Insurance Reserve | 12,654 |
| Tenant Security Deposits | <u>8,951</u> |

Total Primary Government \$ 714,392

Component Unit:

| | |
|------------------------------------------------------|--------------|
| Neighborhood Revitalization | \$ 78,521 |
| Neighborhood Revitalization Down Payment Assistance | 12,470 |
| Affordable Housing Solutions Security Deposit Loan | 1,592 |
| Affordable Housing Solutions Housing Assistance Fund | 1,776 |
| Reserve for Replacement | 105,447 |
| Tax-Insurance Reserve | 11,196 |
| Operating Reserve | 31,267 |
| Tenant Security Deposits | <u>9,400</u> |

Total Component Unit \$ 251,669

NOTE 4 NOTES RECEIVABLE

Notes receivables for the Commission of \$351,921 at September 30, 2022 represents funds provided to Affordable Housing Solutions, Inc., the component unit, for the purchase of land for future development of housing projects for low and moderate-income families. The Commission also has \$2,439 in notes receivable from tenants for repair charges.

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 .01% of Spring Centre's yearly earnings. The total investment at September 30, 2022 was \$25,331. The Organization is the general partner with .01% interest with CitiHousing receiving 99.99% interest as the limited partner.

In July 2019, the component unit became the General Partner in The Residences at Greenway Limited Partnership. The Partnership is the owner of land and a Low-Income Housing Tax Credit (LIHTC) apartment complex being constructed to house low income tenants. At September 30, 2022, the value of the investment was \$10. The Organization is the general partner with .01% interest with Midwest Housing Equity Group receiving 99.99% interest as the limited partner.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022 was as follows:

Primary Government:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|----------------------------------------------|----------------------|-------------------|-------------|---------------------|
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$ 492,500 | \$ - | \$ - | \$ 492,500 |
| Total capital assets not being depreciated | 492,500 | - | - | 492,500 |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings | 3,860,950 | 90,697 | - | 3,951,647 |
| Equipment | 168,786 | 183,712 | - | 352,498 |
| Leasehold improvements | 81,855 | - | - | 81,855 |
| Total capital assets being depreciated | 4,111,591 | 274,409 | - | 4,386,000 |
| <i>Less accumulated depreciation for:</i> | | | | |
| Buildings | 3,108,107 | 58,018 | - | 3,166,125 |
| Equipment | 147,036 | 43,633 | - | 190,669 |
| Leasehold improvements | 66,063 | 3,891 | - | 69,954 |
| Total accumulated depreciation | 3,321,206 | 105,542 | - | 3,426,748 |
| Total capital assets being depreciated, net | 790,385 | 168,867 | - | 959,252 |
| <i>Capital assets, net</i> | <u>\$ 1,282,885</u> | <u>\$ 168,867</u> | <u>\$ -</u> | <u>\$ 1,451,752</u> |

Component Unit:

| | Beginning Balance | Increases | Decreases | Reclassified to Held for Resale | Ending Balance |
|----------------------------------------------|----------------------|---------------------|-------------|------------------------------------|---------------------|
| <i>Capital assets not being depreciated:</i> | | | | | |
| Land | \$ 401,751 | \$ - | \$ - | \$ (118,067) | \$ 283,684 |
| Construction in progress | 34,500 | - | - | (34,500) | - |
| Total capital assets not being depreciated | 436,251 | - | - | (152,567) | 283,684 |
| <i>Capital assets being depreciated:</i> | | | | | |
| Buildings | 2,885,433 | - | - | - | 2,885,433 |
| Equipment | 124,928 | - | - | - | 124,928 |
| Leasehold Improvements | 363,185 | - | - | - | 363,185 |
| Total capital assets being depreciated | 3,373,546 | - | - | - | 3,373,546 |
| <i>Less accumulated depreciation for:</i> | | | | | |
| Buildings | 614,665 | 83,332 | - | - | 697,997 |
| Equipment | 123,147 | 664 | - | - | 123,811 |
| Leasehold Improvements | 151,132 | 24,212 | - | - | 175,344 |
| Total accumulated depreciation | 888,944 | 108,208 | - | - | 997,152 |
| Total capital assets being depreciated, net | 2,484,602 | (108,208) | - | - | 2,376,394 |
| <i>Capital assets, net</i> | <u>\$ 2,920,853</u> | <u>\$ (108,208)</u> | <u>\$ -</u> | <u>\$ (152,567)</u> | <u>\$ 2,660,078</u> |

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022

NOTE 7 ACCOUNTS PAYABLE – OTHER GOVERNMENTS

Accounts Payable – Other Governments consists of \$5,643 in payment in lieu of taxes (PILOT) for the primary government as of September 30, 2022.

Accounts Payable – Other Governments for the component unit consists of \$128,560 in interest-free notes due to the City of Sioux Falls, South Dakota. The City of Sioux Falls Planning and Development Services 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 |
|-----------------------|-------------------|-------------------|---------------------|-------------------|------------------|
| | Balance | Additions | Reductions | Balance | One Year |
| Note payable | \$ 210,473 | \$ - | \$ (31,345) | \$ 179,128 | \$ 31,345 |
| Compensated absences | <u>82,768</u> | <u>102,342</u> | <u>(105,437)</u> | <u>79,673</u> | <u>60,493</u> |
| Long-term liabilities | <u>\$ 293,241</u> | <u>\$ 102,342</u> | <u>\$ (136,782)</u> | <u>\$ 258,801</u> | <u>\$ 91,838</u> |

The note payable at September 30, 2022 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 2028, 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>\$ 147,783</u> | <u>\$ 179,128</u> |

The annual requirements to amortize the note payable as of September 30, 2022 is as follows:

| <u>Year Ending September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|-------------------|-----------------|-------------------|
| 2023 | \$ 31,345 | \$ - | \$ 31,345 |
| 2024 | 31,345 | - | 31,345 |
| 2025 | 31,345 | - | 31,345 |
| 2026 | 31,345 | - | 31,345 |
| 2027 | 31,345 | - | 31,345 |
| 2028 | <u>22,403</u> | <u>-</u> | <u>22,403</u> |
| | <u>\$ 179,128</u> | <u>\$ -</u> | <u>\$ 179,128</u> |

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022

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> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| 435 West 3rd St - Spring Pointe | | | | | |
| Mortgage payable - South Dakota Housing Development Authority (SDHDA), 0% interest, with a maturity date of October 2053. 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. | \$ 299,089 | \$ - | \$ - | \$ 299,089 | \$ - |
| 435 West 3rd St - Spring Pointe | | | | | |
| Mortgage payable - Sioux Falls Planning and Development Services 2.0% interest, term is 30 years, annual payments of \$5,358 with a maturity date of July 2044. | 98,009 | - | (3,417) | 94,592 | 3,466 |
| 1521 East 5th St - Highland Five | | | | | |
| Mortgage payable - South Dakota Housing Development Authority (SDHDA), 0% interest, with a maturity date of June 2046. 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 | - |
| 1521 East 5th St - Highland Five | | | | | |
| 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. | 131,877 | - | (5,820) | 126,057 | 5,820 |
| 1521 East 5th St - Highland Five | | | | | |
| Mortgage payable - Sioux Falls Planning and Development, Services, 0% interest, annual payments of \$3,333, with a maturity date of December 2048. | 90,000 | - | (3,333) | 86,667 | 3,333 |
| 505 S Duluth - Graff | | | | | |
| Mortgage payable - Sioux Falls Planning and Development Services, 3.0% interest, due December 2030, yearly payments of \$2,983 | 25,439 | - | (2,216) | 23,223 | 2,286 |
| 505 S Duluth - Graff | | | | | |
| Mortgage payable - South Dakota Housing Development Authority (SDHDA), 0% interest, with a maturity date of January 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. | 359,222 | - | - | 359,222 | - |

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022

| Project | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-----------|------------|-------------------|------------------------|
| 322 S Duluth - Duluth Heights | | | | | |
| Mortgage payable - South Dakota Housing Development Authority (SDHDA), 0% interest, with a maturity date of January 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. | \$ 689,590 | \$ - | \$ - | \$ 689,590 | \$ - |
| 322 S Duluth - Duluth Heights | | | | | |
| Mortgage payable - Sioux Falls Planning and Development Services, 0% interest, with a maturity date of December 2035, \$90,000 of this note is deferred at 0% interest until sold or transferred. | 141,343 | - | (3,423) | 137,920 | 3,423 |
| 440 South Williams Avenue (NR150-153) | | | | | |
| Mortgage payable - Sioux Falls Housing and Redevelopment Commission 2.0% interest, term is 2 years (8 Quarterly Interest only payments beginning October 01, 2022) (A) | - | 124,027 | - | 124,027 | 124,027 |
| 701 North Bahnson Avenue (NR154-155) | | | | | |
| Mortgage payable - Sioux Falls Housing and Redevelopment Commission 2.0% interest, term is 2 years (8 Quarterly Interest only payments beginning October 01, 2022) (A) | - | 49,278 | - | 49,278 | 49,278 |
| 705 North Bahnson Avenue (NR156-157) | | | | | |
| Mortgage payable - Sioux Falls Housing and Redevelopment Commission 2.0% interest, term is 2 years (8 Quarterly Interest only payments beginning October 01, 2022) (A) | - | 49,279 | - | 49,279 | 49,279 |
| 2808 East 20th Street (NR158-165) | | | | | |
| Mortgage payable - Sioux Falls Housing and Redevelopment Commission 2.0% interest, term is 2 years (8 Quarterly Interest only payments beginning October 01, 2022) (A) | - | 129,337 | - | 129,337 | 129,337 |
| 1209/1215 Homestead Circle | | | | | |
| Mortgage Payable - First Interstate Bank 4.95% interest, term is 5 years (59 monthly payments of \$261 with final balloon payment due July 20, 2027 for remaining principal and interest due) | 26,040 | - | (2,082) | 23,958 | 1,988 |
| 1209/1215 Homestead Circle | | | | | |
| Mortgage payable - Sioux Falls Planning and Development Services. Deferred for first 5 years at 0% interest, monthly payments of \$579.36 beginning August 1, 2017 at an interest rate of 3% and a maturity date of July 1, 2027. | 37,186 | - | (5,905) | 31,281 | 6,098 |
| 633 W 10th St - Pettigrew Manor | | | | | |
| Mortgage payable - Sioux Falls Planning and Development Services. Deferred at 0% interest until property is sold or transferred. | 200,000 | - | - | 200,000 | - |

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022

| <u>Project</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-------------------|--------------------|---------------------------|--------------------------------|
| 633 W 10th St - Pettigrew Manor | | | | | |
| Mortgage payable - Sioux Falls Planning and Development Services, 0% interest, term is 40 years from the project completion date. Payment under the 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 from sixteen through forty. | \$ 356,000 | \$ - | \$ (5,000) | \$ 351,000 | \$ 5,000 |
| 633 W 10th St - Pettigrew Manor | | | | | |
| Mortgage payable - Sioux Falls Planning and Development Services, 0% interest, term is 40 years from the project completion date. Payment under the 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. | 270,000 | - | - | 270,000 | - |
| 633 W 10th St - Pettigrew Manor | | | | | |
| Mortgage payable - GROW South Dakota 4.75% interest, term is 15 years, quarterly payments of \$3,043 with a maturity date of March 2032. | 100,212 | - | (7,506) | 92,706 | 7,912 |
| 633 W 10th St - Pettigrew Manor | | | | | |
| Unamortized debt issuance costs on Grow South Dakota Mortgage payable | (1,583) | - | 159 | (1,424) | - |
| 633 W 10th St - Pettigrew Manor | | | | | |
| Mortgage payable - South Dakota Housing Development Authority (SDHDA), 0% interest, payable in 25 annual installments of \$4,000 with a maturity date of September 2041. \$100,000 of this note is deferred at 0% interest until sold or transferred. | 180,000 | - | (4,000) | 176,000 | 4,000 |
| Total | <u>\$ 3,102,424</u> | <u>\$ 351,921</u> | <u>\$ (42,543)</u> | <u>\$ 3,411,802</u> | <u>\$ 395,247</u> |

(A) Although, intercompany notes are through October 1, 2024, management had decided to present them as current as they anticipate making the payments in full in the next fiscal year.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022

The annual requirements to amortize long-term obligations as of September 30, 2022 are as follows:

| Year Ending September 30, | Principal | Interest | Total |
|------------------------------|---------------------|------------------|---------------------|
| 2023 | \$ 395,247 | \$ 8,819 | \$ 404,066 |
| 2024 | 43,993 | 8,021 | 52,014 |
| 2025 | 45,844 | 7,170 | 53,014 |
| 2026 | 46,719 | 6,295 | 53,014 |
| 2027 | 58,792 | 5,174 | 63,966 |
| 2028-2032 | 594,099 | 13,443 | 607,542 |
| 2033-2037 | 997,552 | 4,805 | 1,002,357 |
| 2038-2042 | 278,754 | 2,516 | 281,270 |
| 2043-2047 | 181,713 | 312 | 182,025 |
| 2048-2052 | - | - | - |
| 2053-2057 | 299,089 | - | 299,089 |
| 2058-2060 | 470,000 | - | 470,000 |
| | <u>\$ 3,411,802</u> | <u>\$ 56,555</u> | <u>\$ 3,468,357</u> |

During 2022, the component unit issued a line of credit agreement with First Premier Bank for \$1,349,000 with a carrying interest rate of 4.00 percent and a maturity date of July 1, 2023. The outstanding balance as of September 30, 2022 is \$484,685.

NOTE 9 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 \$1,108 was paid on May 2, 2022.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022

NOTE 10 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 | \$ 126,591 |
| FSS Escrow Forfeiture | Grantor Agency | 14,107 |
| Emergency Housing | Grantor Agency | 25,061 |
| Family Self-Sufficiency | Grantor Agency | 5,082 |
| Housing Deposit Assistance | Grantor Agency | 1,262 |
| South Sycamore Estates | Debt Covenant | <u>21,502</u> |
| Total Restricted Net Position - Primary Government | | <u>\$ 193,605</u> |
| Component Unit: | | |
| Neighborhood Revitalization | Grantor Agency | \$ 42,394 |
| Wells Fargo Impact Grant | Grantor Agency | 78,000 |
| AHS Security Deposit Loan | Grantor Agency | 1,592 |
| Housing Assistance Grant | Grantor Agency | 1,776 |
| Duluth Heights Apartments | Debt Covenant | 35,913 |
| Highland Five Apartments | Debt Covenant | 20,101 |
| Pettigrew Manor | Debt Covenant | 29,348 |
| Spring Pointe Apartments | Debt Covenant | 22,958 |
| Graff Apartments | Debt Covenant | <u>39,590</u> |
| Total Restricted Net Position - Component Unit | | <u>\$ 271,672</u> |

NOTE 11 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, 2022, 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
SEPTEMBER 30, 2022

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 12 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 4th 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, 2022, 2021, and 2020, the cost to the Commission was \$58,938, \$53,417, and \$49,557, respectively.

NOTE 13 NEW PRONOUNCEMENTS

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022

- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

**THE HOUSING AND REDEVELOPMENT COMMISSION
OF THE CITY OF SIOUX FALLS, SOUTH DAKOTA**
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2022

GASB Statement No. 101, *Compensated Absences*, provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the entity's financial statements

NOTE 14 SUBSEQUENT EVENTS

In October 2022, Affordable Housing Solutions (a component unit of Sioux Falls Housing and Redevelopment Commission) obtained four lines of credit through First Premier Bank with a total of \$1,743,471 available to borrow. The lines of credit mature on October 25, 2023 and bear an interest rate of 6.75 percent. Subsequent events have been evaluated through March 22, 2023, which is the date the 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
SEPTEMBER 30, 2022

| | PUBLIC HOUSING 14.850 | PUBLIC HOUSING 14.PHC | SECTION 8 VOUCHERS 14.871 | SECTION 8 VOUCHERS 14.HCC | FSS ESCROW FORFEITURE 14.EFA | EMERGENCY HOUSING VOUCHERS 14.EHV | SECTION 8 MOD REHAB 14.856 | SHELTER PLUS CARE 14.238 | FSS/ROSS 14.896 | HOPWA 14.241 | BUSINESS ACTIVITIES | ELIMINATION ENTRIES | PRIMARY GOVERNMENT TOTALS | COMPONENT UNIT |
|----------------------------------------------------------|----------------------------------|----------------------------------|------------------------------------------|------------------------------------------|-------------------------------------------------|--------------------------------------------------|-----------------------------------------------|-----------------------------------------|----------------------------|-------------------------|--------------------------------|--------------------------------|------------------------------------------|---------------------------|
| ASSETS | | | | | | | | | | | | | | |
| 111 Cash - unrestricted | \$ 175,408 | \$ - | \$ 388,981 | \$ - | \$ - | \$ - | \$ 29,427 | \$ - | \$ - | \$ - | \$ 1,626,052 | \$ - | \$ 2,219,868 | \$ 391,768 |
| 113 Cash - other restricted | - | - | 140,698 | 32,848 | 14,107 | 108,515 | 145,684 | - | - | - | 36,189 | - | 478,041 | 242,269 |
| 114 Cash - tenant security deposits | 4,865 | - | - | - | - | - | - | - | - | - | 4,086 | - | 8,951 | 9,400 |
| 115 Cash - restricted for payment of current liabilities | 2,361 | - | 225,039 | - | - | - | - | - | - | - | - | - | 227,400 | - |
| 100 Total cash | 182,634 | - | 754,718 | 32,848 | 14,107 | 108,515 | 175,111 | - | - | - | 1,666,327 | - | 2,934,260 | 643,437 |
| 122 Accounts receivable - HUD other projects | 56,908 | - | - | - | - | - | 440 | 25,173 | 10,988 | - | - | - | 93,509 | - |
| 124 Accounts receivable - other government | - | - | - | - | - | - | - | - | - | 26,752 | - | - | 26,752 | 205,038 |
| 125 Accounts receivable - miscellaneous | - | - | - | - | - | - | - | - | - | - | 25,160 | - | 25,160 | 261 |
| 126 Accounts receivable - tenants - dwelling | 1,834 | - | - | - | - | - | - | - | - | - | 8,647 | - | 10,481 | 15,000 |
| 126.1 Allowance for doubtful accounts - tenants | - | - | - | - | - | - | - | - | - | - | (5,475) | - | (5,475) | (4,733) |
| 126.2 Allowance for doubtful accounts - other | - | - | - | - | - | - | - | - | - | - | (1,030) | - | (1,030) | - |
| 127 Notes and mortgages receivable - current | 2,439 | - | - | - | - | - | - | - | - | - | 351,921 | - | 354,360 | 29,403 |
| 129 Accrued interest receivable | 89 | - | - | - | - | - | - | - | - | - | 1,988 | - | 2,077 | - |
| 120 Total receivables, net of allowance for doubtful | 61,270 | - | - | - | - | - | 440 | 25,173 | 10,988 | 26,752 | 381,211 | - | 505,834 | 244,969 |
| 142 Prepaid expenses and other assets | 13,698 | - | - | - | - | - | - | - | - | - | 51,163 | - | 64,861 | 8,663 |
| 144 Interprogram due from | - | - | - | - | - | - | - | - | - | - | 62,913 | (62,913) | - | - |
| 150 Total current assets | 257,602 | - | 754,718 | 32,848 | 14,107 | 108,515 | 175,551 | 25,173 | 10,988 | 26,752 | 2,161,614 | (62,913) | 3,504,955 | 2,147,844 |
| 161 Land | 250,000 | - | - | - | - | - | - | - | - | - | 242,500 | - | 492,500 | 283,684 |
| 162 Buildings | 2,175,313 | - | - | - | - | - | - | - | - | - | 1,776,334 | - | 3,951,647 | 2,885,433 |
| 163 Furniture, equipment & machinery - dwellings | - | - | - | - | - | - | - | - | - | - | 71,874 | - | 71,874 | 124,928 |
| 164 Furniture, equipment & machinery - administration | - | - | - | - | - | - | - | - | - | - | 280,624 | - | 280,624 | - |
| 165 Leasehold improvements | - | - | - | - | - | - | - | - | - | - | 81,855 | - | 81,855 | 363,185 |
| 166 Accumulated depreciation | (2,153,916) | - | - | - | - | - | - | - | - | - | (1,272,832) | - | (3,426,748) | (997,152) |
| 160 Total fixed assets, net of accumulated | 271,397 | - | - | - | - | - | - | - | - | - | 1,180,355 | - | 1,451,752 | 2,660,078 |
| 176 Investments in joint ventures | - | - | - | - | - | - | - | - | - | - | - | - | - | 25,341 |
| 180 Total non-current assets | 271,397 | - | - | - | - | - | - | - | - | - | 1,180,355 | - | 1,451,752 | 2,685,419 |
| 190 Total assets | \$ 528,999 | \$ - | \$ 754,718 | \$ 32,848 | \$ 14,107 | \$ 108,515 | \$ 175,551 | \$ 25,173 | \$ 10,988 | \$ 26,752 | \$ 3,341,969 | \$ (62,913) | \$ 4,956,707 | \$ 4,833,263 |
| LIABILITIES AND NET POSITION | | | | | | | | | | | | | | |
| 312 Accounts payable <90 days | \$ 9,234 | \$ - | \$ 32,476 | \$ - | \$ - | \$ 2,166 | \$ 4,386 | \$ - | \$ - | \$ - | \$ 18,811 | \$ - | \$ 67,073 | \$ 32,030 |
| 321 Accrued wages/payroll taxes payable | - | - | - | - | - | - | - | - | - | - | 83,554 | - | 83,554 | 15,386 |
| 322 Accrued compensated absences | - | - | - | - | - | - | - | - | - | - | 60,493 | - | 60,493 | 7,017 |
| 331 Accounts payable - HUD PHA projects | - | - | - | - | - | - | 146,124 | - | - | - | - | - | 146,124 | - |
| 333 Accounts payable - other governments | - | - | - | - | - | - | - | - | - | - | 5,643 | - | 5,643 | 128,560 |
| 341 Tenant security deposits | 4,865 | - | - | - | - | - | - | - | - | - | 4,086 | - | 8,951 | 9,400 |
| 342 Unearned revenues | 1,667 | - | - | 32,848 | - | 83,454 | - | - | - | - | 14,956 | - | 132,925 | 193,819 |
| 343 Current portion of long-term debt - cap. projects | - | - | - | - | - | - | - | - | - | - | 31,345 | - | 31,345 | 879,932 |
| 345 Other current liabilities | 2,361 | - | 225,039 | - | - | - | - | - | - | - | 10,795 | - | 238,195 | 81,212 |
| 347 Interprogram due to | - | - | - | - | - | - | - | 25,173 | 10,988 | 26,752 | - | (62,913) | - | - |
| 310 Total current liabilities | 18,127 | - | 257,515 | 32,848 | - | 85,620 | 150,510 | 25,173 | 10,988 | 26,752 | 229,683 | (62,913) | 774,303 | 1,350,691 |
| 351 Long-term debt, net of current - cap. projects | - | - | - | - | - | - | - | - | - | - | 147,783 | - | 147,783 | 3,016,555 |
| 354 Accrued compensated absences | - | - | - | - | - | - | - | - | - | - | 19,180 | - | 19,180 | 3,014 |
| 350 Total noncurrent liabilities | - | - | - | - | - | - | - | - | - | - | 166,963 | - | 166,963 | 3,019,569 |
| 300 Total liabilities | 18,127 | - | 257,515 | 32,848 | - | 85,620 | 150,510 | 25,173 | 10,988 | 26,752 | 396,646 | (62,913) | 941,266 | 4,370,260 |
| NET POSITION | | | | | | | | | | | | | | |
| 508.4 Net investment in capital assets | 271,397 | - | - | - | - | - | - | - | - | - | 1,001,227 | - | 1,272,624 | (399,803) |
| 511.4 Restricted net position | - | - | 126,591 | - | 14,107 | 25,061 | - | - | - | - | 27,846 | - | 193,605 | 271,672 |
| 512.4 Unrestricted net position | 239,475 | - | 370,612 | - | - | (2,166) | 25,041 | - | - | - | 1,916,250 | - | 2,549,212 | 591,134 |
| 513 Total net position | 510,872 | - | 497,203 | - | 14,107 | 22,895 | 25,041 | - | - | - | 2,945,323 | - | 4,015,441 | 463,003 |
| 600 Total liabilities and net position | \$ 528,999 | \$ - | \$ 754,718 | \$ 32,848 | \$ 14,107 | \$ 108,515 | \$ 175,551 | \$ 25,173 | \$ 10,988 | \$ 26,752 | \$ 3,341,969 | \$ (62,913) | \$ 4,956,707 | \$ 4,833,263 |

**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, 2022

| | PUBLIC HOUSING 14.850 | CAPITAL FUNDS 14.872 | PUBLIC HOUSING 14.PHC | SECTION 8 VOUCHERS 14.871 | SECTION 8 VOUCHERS 14.HCC | FSS ESCROW FORFEITURE 14.EFA | EMERGENCY HOUSING VOUCHERS 14.EHV | SECTION 8 MOD REHAB 14.856 | SHELTER PLUS CARE 14.238 | FSS/ROSS 14.896 | HOPWA 14.241 | BUSINESS ACTIVITIES | ELIMINATION ENTRIES | PRIMARY GOVERNMENT COMPONENT TOTALS | UNIT |
|---------------------------------------------------------|--------------------------|-------------------------|--------------------------|---------------------------------|---------------------------------|---------------------------------------|-----------------------------------------|-------------------------------------|--------------------------------|--------------------|-----------------|------------------------|------------------------|-------------------------------------------|--------------|
| REVENUE | | | | | | | | | | | | | | | |
| 70300 Net tenant rental revenue | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 234,773 | \$ - | \$ 234,773 | \$ 260,249 |
| 70400 Tenant revenue - other | 258 | - | - | - | - | - | - | - | - | - | - | 3,225 | - | 3,483 | 3,606 |
| 70500 Total tenant revenue | 258 | - | - | - | - | - | - | - | - | - | - | 237,998 | - | 238,256 | 263,855 |
| 70600 HUD PHA operating grants | 146,854 | 12,594 | 12,606 | 13,000,713 | 311,453 | 14,107 | 105,938 | 456,163 | 253,476 | 105,288 | - | 49,627 | - | 14,468,819 | - |
| 70610 HUD Capital grants | - | 44,314 | - | - | - | - | - | - | - | - | - | - | - | 44,314 | - |
| 70750 Other fees | - | - | - | - | - | - | - | - | - | - | - | 352,748 | - | 352,748 | 45,157 |
| 70800 Other governmental grants | - | - | - | - | - | - | - | - | - | - | 264,525 | - | - | 264,525 | 165,000 |
| 71100 Investment income - unrestricted | 181 | - | - | 431 | - | - | - | - | - | - | - | 4,627 | - | 5,239 | 394 |
| 71400 Fraud recovery | - | - | - | 61,567 | - | - | 298 | 2,306 | - | - | - | - | - | 64,171 | - |
| 71500 Other revenue | 50,165 | - | - | - | - | - | - | 440 | - | - | - | 54,774 | - | 105,379 | 103,306 |
| 72000 Investment income - restricted | - | - | - | - | - | - | - | - | - | - | - | 63 | - | 63 | 130 |
| 70000 Total revenue | 197,458 | 56,908 | 12,606 | 13,062,711 | 311,453 | 14,107 | 106,236 | 458,909 | 253,476 | 105,288 | 264,525 | 699,837 | - | 15,543,514 | 435,655 |
| EXPENSES | | | | | | | | | | | | | | | |
| 91100 Administrative salaries | 8,908 | - | 9 | 232,112 | 685 | - | 3,561 | - | - | 40,314 | - | 53,792 | - | 339,381 | 87,517 |
| 91200 Auditing fees | 430 | - | - | 29,410 | - | - | 944 | 2,485 | 117 | - | - | 7,468 | - | 40,854 | 11,926 |
| 91300 Management fees | - | - | - | - | - | - | - | 72,722 | 10,576 | - | 18,858 | 9,629 | - | 111,785 | 94,673 |
| 91400 Advertising and marketing | 37 | - | 251 | 2,125 | 21,031 | - | 20 | - | - | - | - | 3,741 | - | 27,205 | 471 |
| 91500 Employee benefit contribution | 2,570 | - | 2 | 52,974 | 170 | - | 840 | - | - | 16,836 | - | 20,573 | - | 93,965 | 35,219 |
| 91600 Office expenses | 5,875 | - | 1,543 | 215,905 | 61,793 | - | 4,872 | - | 2,420 | - | - | 43,542 | - | 335,950 | 11,128 |
| 91800 Travel | - | - | - | - | - | - | - | - | - | - | - | 352 | - | 352 | - |
| 91900 Other | 1,770 | - | - | 34,577 | - | - | 1,853 | - | - | - | - | 15,631 | - | 53,831 | 11,051 |
| 92100 Tenant services - salaries | 17,299 | - | 2 | 386,325 | 130 | - | 12,455 | - | - | 31,718 | 48,953 | 83,054 | - | 579,936 | 2,247 |
| 92300 Employee benefit contributions - tenant services | 8,151 | - | 1 | 128,718 | 46 | - | 3,086 | - | - | 15,958 | 10,615 | 33,478 | - | 200,053 | 628 |
| 92400 Tenant services - other | - | - | - | 7,789 | - | - | 24,206 | - | 25,912 | - | 6,144 | 11,873 | - | 75,924 | - |
| 93100 Water | 284 | - | - | - | - | - | - | - | - | - | - | 8,256 | - | 8,540 | 13,305 |
| 93200 Electricity | 583 | - | - | - | - | - | - | - | - | - | - | 17,130 | - | 17,713 | 49,271 |
| 93300 Gas | 741 | - | - | - | - | - | - | - | - | - | - | 1,993 | - | 2,734 | 3,765 |
| 94100 Ordinary maintenance and operations - labor | 16,839 | - | - | - | - | - | - | - | - | - | - | 21,507 | - | 38,346 | - |
| 94200 Ordinary maintenance and operations - mat & other | 20,982 | - | 3,909 | - | 187 | - | - | - | - | - | - | 19,496 | - | 44,574 | 9,502 |
| 94300 Ordinary maintenance and operations - contr costs | 40,901 | - | 4,496 | - | - | - | - | - | - | - | - | 39,246 | - | 84,643 | 56,522 |
| 94500 Employee benefit contributions-ordinary maint | 5,081 | - | - | - | - | - | - | - | - | - | - | 8,472 | - | 13,553 | - |
| 95200 Protective services - other | - | - | - | - | - | - | - | - | - | - | - | 3,532 | - | 3,532 | 6,452 |
| 96100 Insurance premiums | 26,089 | - | - | 19,045 | - | - | 488 | - | - | 945 | 623 | 12,083 | - | 59,273 | 15,908 |
| 96200 Other general expenses | - | - | - | 7,844 | - | - | - | - | - | - | - | - | - | 7,844 | 15,364 |
| 96210 Compensated absences | 2,655 | - | - | 56,654 | - | - | - | - | - | - | - | - | - | 93,134 | 9,105 |
| 96300 Payments in lieu of taxes | 3,449 | - | - | - | - | - | 1,873 | - | - | 7,304 | 6,968 | 17,680 | - | 10,716 | 1,116 |
| 96400 Bad debt - tenant rents | - | - | - | - | - | - | - | - | - | - | - | 5,475 | - | 5,475 | 4,733 |
| 96600 Bad debt - other | - | - | - | - | - | - | - | - | - | - | - | 955 | - | 955 | - |
| 96900 Total operating expense | 162,644 | - | 10,213 | 1,173,478 | 84,042 | - | 54,198 | 75,207 | 39,025 | 113,075 | 92,161 | 446,225 | - | 2,250,269 | 450,948 |
| 97000 Excess operating revenue over operating expenses | 34,814 | 56,908 | 2,393 | 11,889,233 | 227,411 | 14,107 | 52,038 | 383,702 | 214,451 | (7,787) | 172,364 | 253,612 | - | 13,293,246 | (15,293) |
| 97100 Extraordinary maintenance | 26,159 | - | - | - | - | - | - | - | - | - | - | - | - | 26,159 | 2,500 |
| 97300 Housing assistance payments | - | - | - | 11,755,974 | - | - | 153,108 | 382,109 | 214,451 | - | 172,953 | 49,627 | - | 12,728,222 | - |
| 97400 Depreciation expense | 6,016 | - | - | - | - | - | - | - | - | - | - | 99,526 | - | 105,542 | 108,208 |
| 97800 Dwelling units rent expense | 27,110 | - | - | - | - | - | - | - | - | - | - | - | - | 27,110 | - |
| 90000 Total expenses | 221,929 | - | 10,213 | 12,929,452 | 84,042 | - | 207,306 | 457,316 | 253,476 | 113,075 | 265,114 | 595,378 | - | 15,137,302 | 561,656 |
| 10010 Operating transfers in | 56,908 | - | - | - | - | - | - | - | - | 7,787 | 589 | 229,804 | (295,088) | - | - |
| 10020 Operating transfers out | - | (56,908) | (2,393) | - | (227,411) | - | - | - | - | - | - | (8,376) | 295,088 | - | - |
| 10000 Excess of operating revenue over (under) expenses | \$ 32,437 | \$ - | \$ - | \$ 133,259 | \$ - | \$ 14,107 | \$ (101,070) | \$ 1,593 | \$ - | \$ - | \$ - | \$ 325,887 | \$ - | \$ 406,213 | \$ (126,001) |
| Memo Account Information: | | | | | | | | | | | | | | | |
| 11020 Required annual debt principal payments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 31,345 | \$ - | \$ 31,345 | \$ 879,932 |
| 11030 Beginning equity | 478,435 | - | - | 363,944 | - | - | 123,965 | 23,448 | - | - | - | 2,619,436 | - | 3,609,228 | 589,004 |
| 11170 Administrative fee equity | - | - | - | 370,612 | - | - | - | - | - | - | - | - | - | 370,612 | - |
| 11180 Housing assistance payments equity | - | - | - | 126,591 | - | - | - | - | - | - | - | - | - | 126,591 | - |
| 11190 Unit months available | 277 | - | - | 22,968 | - | - | 756 | 948 | 456 | - | 318 | 192 | - | 25,915 | 456 |
| 11210 Number of unit months leased | 277 | - | - | 21,708 | - | - | 212 | 692 | 435 | - | 318 | 185 | - | 23,827 | 436 |

**THE HOUSING AND REDEVELOPMENT COMMISSION OF THE
CITY OF SIOUX FALLS, SOUTH DAKOTA**
CAPITAL FUND PROGRAM SCHEDULE OF MODERNIZATION
EXPENDITURES BY PROJECT NUMBER
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | Grant Year 2020 <u>SD01P01650120</u> | Grant Year 2021 <u>SD01P01650121</u> | Grant Year 2022 <u>SD01P01650122</u> |
|--------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| Fund Approved | \$ 53,558 | \$ 56,908 | \$ 69,772 |
| Fund Expended | <u>53,558</u> | <u>56,908</u> | <u>-</u> |
| Excess of Funds Approved | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 69,772</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
SEPTEMBER 30, 2022 AND 2021

| ASSETS | 2022 | 2021 | LIABILITIES AND NET POSITION | 2022 | 2021 |
|-----------------------------------------------------|-------------|-------------|---------------------------------------------|-------------|-------------|
| 1100 Current Assets | | | 2100 Current Liabilities | | |
| 1120 Cash and Cash Equivalents | \$ 1,035 | \$ 500 | 2110 Accounts Payable | \$ 1,419 | \$ 2,039 |
| 1130 Accounts Receivable - Residents | 3,172 | 6,120 | 2160 Mortgage Payable (Current Portion) | 31,345 | 31,345 |
| 1140 Accounts and Notes Receivable - Operations | - | 27,410 | 2190 Miscellaneous Current Liabilities | 7,558 | 67,871 |
| 1190 Miscellaneous Current Assets | 1,895 | 1,766 | 2191 Tenant Security Deposits | 4,086 | 4,618 |
| 1191 Tenant Deposits Held in Trust | 4,086 | 4,618 | 2210 Prepaid Rents | 12,256 | 12,828 |
| Total Current Assets | 10,188 | 40,414 | Total Current Liabilities | 56,664 | 118,701 |
| | | | | | |
| 1300 Restricted Deposits And Funded Reserves | | | 2300 Long-Term Liabilities | | |
| 1310 Escrow Deposits | 12,654 | 12,645 | 2310 Mortgage Payable, Less Current Portion | 147,783 | 179,128 |
| 1320 Reserve for Replacements | 6,779 | 9,983 | | | |
| 1340 Residual Receipts Reserve | 7,712 | 7,696 | Total Liabilities | 204,447 | 297,829 |
| Total Restricted Deposits and Funded Reserves | 27,145 | 30,324 | | | |
| | | | | | |
| 1400 Fixed Assets | | | | | |
| 1410 Land | 82,500 | 82,500 | | | |
| 1420 Buildings | 948,479 | 948,479 | | | |
| 1440 Building Equipment - Fixed | 71,874 | 67,993 | | | |
| | 1,102,853 | 1,098,972 | | | |
| Less Accumulated Depreciation | 717,272 | 687,946 | | | |
| Total Fixed Assets | 385,581 | 411,026 | 3100 Net Position | | |
| | | | 3130 Net Position | 218,467 | 183,935 |
| | | | | | |
| Total Assets | \$ 422,914 | \$ 481,764 | Total Liabilities and Net Position | \$ 422,914 | \$ 481,764 |

**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, 2022 AND 2021

| | 2022 | 2021 |
|---------------------------------------------------------|-------------|-------------|
| 5100 Rent Income | | |
| 5120 Rent Revenue - Apartments | \$ 85,767 | \$ 95,353 |
| 5121 Rental Assistance Payments | 49,627 | 34,708 |
| 5170 Rent Revenue - Garage | 2,160 | 2,160 |
| Total Rent Income - Gross Potential | 137,554 | 132,221 |
| 5200 Rent Adjustments/Vacancies | | |
| 5220 Apartment Vacancies | (3,857) | (15,175) |
| 5152 Net Rental Income (Rent Income Less Vacancies) | 133,697 | 117,046 |
| 5400 Finance Income | | |
| 5410 Interest Income - Operations | 11 | 2 |
| 5430 Interest Income - Residual Receipts | 16 | 5 |
| 5440 Interest Income - Replacement Reserves | 26 | 13 |
| Total Finance Revenue | 53 | 20 |
| 5900 Other Revenue | | |
| 5920 Tenant Charges | 1,065 | 166 |
| 5990 Miscellaneous Revenue | 11,128 | - |
| Total Other Revenue | 12,193 | 166 |
| Total Revenue | 145,943 | 117,232 |
| 6263 Administrative Expenses | | |
| 6320 Management Fee | 9,629 | 8,410 |
| 6350 Audit Expense | 3,450 | 3,350 |
| 6370 Bad Debts | 5,475 | 6,501 |
| 6390 Miscellaneous Administrative Expenses | 1,070 | 5,637 |
| Total Administrative Expenses | 19,624 | 23,898 |
| 6400 Utilities Expense | | |
| 6450 Electricity | 3,103 | 3,336 |
| 6451 Water | 7,178 | 6,645 |
| 6452 Gas | 270 | 511 |
| Total Utilities Expense | 10,551 | 10,492 |

**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, 2022 AND 2021

6000 Project Expense Accounts (Continued)

| | <u>2022</u> | <u>2021</u> |
|------------------------------------------------|-------------------|-------------------|
| 6500 Operating and Maintenance Expenses | | |
| 6510 Payroll | \$ 5,328 | \$ 8,408 |
| 6515 Supplies | 10,938 | 8,789 |
| 6520 Contracts | 5,882 | 16,983 |
| 6525 Garbage and Trash Removal | 4,396 | 4,163 |
| 6530 Security Contract | 875 | 640 |
| 6546 Heating/Cooling Repairs and Maintenance | 2,299 | 1,747 |
| 6548 Snow Removal | 5,950 | 8,270 |
| Total Operating and Maintenance Expenses | <u>35,668</u> | <u>49,000</u> |
| 6600 Depreciation | | |
| 6600 Depreciation - Building and Improvements | <u>29,326</u> | <u>28,549</u> |
| 6700 Taxes and Insurance | | |
| 6710 Taxes - Real Estate | 6,577 | 5,744 |
| 6711 Taxes - Payroll | 346 | 546 |
| 6720 Insurance - Property and Liability | 7,720 | 8,433 |
| 6722 Insurance - Workers Compensation | 68 | 104 |
| 6723 Health Insurance and Other Benefits | 1,531 | 2,234 |
| Total Taxes And Insurance | <u>16,242</u> | <u>17,061</u> |
| Total Expenses | <u>111,411</u> | <u>129,000</u> |
| Change in Net Position | 34,532 | (11,768) |
| Net Position, Beginning of Year | <u>183,935</u> | <u>195,703</u> |
| Net Position, End of Year | <u>\$ 218,467</u> | <u>\$ 183,935</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, 2022 AND 2021

| Cash Flows From Operating Activities | 2022 | 2021 |
|-----------------------------------------------------------------|-----------------|-----------------|
| Rental Receipts | \$ 161,323 | \$ 121,010 |
| Interest Received | 53 | 20 |
| Other Cash Received | <u>14,434</u> | <u>36,971</u> |
| | <u>175,810</u> | <u>158,001</u> |
| | | |
| Administrative | 10,316 | 49,875 |
| Management Fees | 9,629 | 8,410 |
| Utilities | 10,278 | 38,121 |
| Operating and Maintenance | 97,440 | 20,233 |
| Real Estate Taxes | 5,771 | 5,912 |
| Payroll Taxes | 346 | 546 |
| Insurance | <u>9,448</u> | <u>9,606</u> |
| | <u>143,228</u> | <u>132,703</u> |
| | | |
| Net Cash Provided (Used) By Operating Activities | <u>32,582</u> | <u>25,298</u> |
| | | |
| Cash Flows From Investing Activities | | |
| Net (Deposits to) Withdrawals from Restricted Deposits | 3,179 | 9,493 |
| Increase (Decrease) in Tenant Security Deposits | 532 | (1,020) |
| (Increase) Decrease in Tenant Security Deposit - Contra | <u>(532)</u> | <u>1,020</u> |
| | | |
| Net Cash Provided (Used) By Investing Activities | <u>3,179</u> | <u>9,493</u> |
| | | |
| Cash Flows From Capital and Related Financing Activities | | |
| Mortgage Principal Payments | (31,345) | (31,345) |
| Purchase of Property and Equipment | <u>(3,881)</u> | <u>(3,857)</u> |
| | | |
| Net Cash Provided (Used) by Financing Activities | <u>(35,226)</u> | <u>(35,202)</u> |
| | | |
| Net Change In Cash and Cash Equivalents | 535 | (411) |
| | | |
| Cash and Cash Equivalents, Beginning of Year | <u>500</u> | <u>911</u> |
| | | |
| Cash and Cash Equivalents, End of Year | <u>\$ 1,035</u> | <u>\$ 500</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, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|--------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Cash Flows From Operating Activities | | |
| Change in Net Position | \$ 34,532 | \$ (11,768) |
| Adjustments to Reconcile Change in Net Position to Net Cash Provided (Used) by Operating Activities | | |
| Depreciation | 29,326 | 28,549 |
| Decrease or (Increase) in: | | |
| Tenants Accounts Receivable | 2,948 | (5,181) |
| Accounts and Notes Receivable - Operations | 27,410 | (27,303) |
| Other Current Assets | (129) | 1,165 |
| Increase or (Decrease) in: | | |
| Accounts Payable (Excluding Capital) | (620) | 491 |
| Miscellaneous Current Liabilities | (60,313) | 28,040 |
| Prepaid Rents | (572) | 11,305 |
| | <u> </u> | <u> </u> |
| Net Cash Provided (Used) By Operating Activities | <u>\$ 32,582</u> | <u>\$ 25,298</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
SCHEDULE OF CASH OPERATING RECEIPTS AND DISBURSEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|----------------------------------------------------------------|-----------------|-----------------|
| Source of Funds | | |
| Operating | | |
| Revenues | | |
| Rental Income | \$ 161,323 | \$ 121,010 |
| Non Dwelling Rental | 2,160 | 2,160 |
| Other Income | | |
| Grants | 11,128 | 34,708 |
| Miscellaneous Charges to Tenants | 1,146 | 103 |
| Interest Income | 53 | 20 |
| | <u>175,810</u> | <u>158,001</u> |
| | | |
| Expenditures | | |
| Administrative | 10,316 | 49,875 |
| Management Fees | 9,629 | 8,410 |
| Utilities | 10,278 | 38,121 |
| Operating and Maintenance | 97,440 | 20,233 |
| Real Estate Taxes | 5,771 | 5,912 |
| Payroll Taxes | 346 | 546 |
| Insurance | 9,448 | 9,606 |
| | <u>143,228</u> | <u>132,703</u> |
| | | |
| Cash Provided (Used) by Operations Before Debt Service | 32,582 | 25,298 |
| | | |
| Mortgage Principal Payments | <u>(31,345)</u> | <u>(31,345)</u> |
| | | |
| Cash Provided (Used) by Operations after Debt Service | <u>1,237</u> | <u>(6,047)</u> |
| | | |
| Application of Funds | | |
| Decrease (Increase) in Restricted Deposits and Funded Reserves | 3,179 | 9,493 |
| Purchase of Property and Equipment | <u>(3,881)</u> | <u>(3,857)</u> |
| | | |
| Total Application of Funds | <u>(702)</u> | <u>5,636</u> |
| | | |
| Increase (Decrease) in Cash | 535 | (411) |
| | | |
| Unrestricted Cash At Beginning of Year | <u>500</u> | <u>911</u> |
| | | |
| Unrestricted Cash At End of Year | <u>\$ 1,035</u> | <u>\$ 500</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
SCHEDULE OF COMPUTATION OF SURPLUS CASH AND RESIDUAL RECEIPTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Add: Cash

| | | |
|---------------------------------------------------|--------------|----------|
| Cash on Hand and in Banks (Accts. 1120 & 1191) | \$ 5,121 | |
| All Accounts Receivable (Acct. 1130 & 1140) | <u>3,172</u> | |
| Total Cash | | \$ 8,293 |

Less: Current Obligations

| | | |
|----------------------------------------------------|--------------|---------------|
| Accounts Payable (Due Within 30 Days) (Acct. 2110) | 1,419 | |
| Mortgage Payable (Due Within 30 days) (Acct 2160) | 2,612 | |
| Prepaid Rents (Acct. 2210) | 12,256 | |
| Miscellaneous Liabilities (Acct. 2190) | 7,558 | |
| Tenants Security Deposits (Acct. 2191) | <u>4,086</u> | |
| Total Current Obligations | | <u>27,931</u> |

| | | |
|-------------------------------|--|--------------------------|
| Cash Surplus (Deficit) | | <u><u>\$(19,638)</u></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 YEAR ENDED SEPTEMBER 30, 2022

SCHEDULE OF COMPUTATION OF AUTHORIZED MANAGEMENT FEE
YEAR END SETTLEMENT

| | | |
|--------------------------------------------------------------------|--------------|--------------|
| Net Tenant Rental Revenues (As Defined in Management Agreement) | \$ 131,537 | |
| Authorized Management Fee (%) | <u>7.32%</u> | |
| Current Year Management Compensation | | \$ 9,629 |
| Adjust for: | | |
| Fees Payable to (Receivable from) Agent at end of Previous Year | | <u>-</u> |
| Total Authorized Compensation | | \$ 9,629 |
| Less: | | |
| Cash Management Fees Paid During Current Year | | <u>9,629</u> |
| Due to Management Agent from Project | | <u>\$ -</u> |

SCHEDULE OF BANK ACCOUNTS

| | <u>Bank</u> | <u>Account Name</u> | <u>Account Number</u> | <u>Amount</u> |
|---------------------------|-----------------------|-------------------------|---------------------------|-----------------|
| Operating Account | First Interstate Bank | Checking | XXX5180 | \$ 1,035 |
| Security Deposit Accounts | First Interstate Bank | Savings | XXX5049 | <u>4,086</u> |
| Total Cash | | | | <u>\$ 5,121</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
SCHEDULE OF TENANT SECURITY DEPOSITS HELD IN TRUST
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Security Deposits Held in Trust

| | | |
|---------------------------------|---------|-------------------|
| Beginning Balance | | \$ 4,618 |
| Deposits: | | |
| Tenant Security Deposits | \$ 739 | |
| Transfer from General Account | - | |
| Interest Earned | - | 739 |
| | | |
| Disbursements: | | |
| Tenant Security Deposits | (1,271) | |
| Transfer to General Account | - | (1,271) |
| | | |
| Security Deposits Held in Trust | | * <u>\$ 4,086</u> |

* Cash in Bank

Security Deposits' Liability (Contra)

| | | |
|-----------------------------|--|-----------------|
| Beginning Balance | | \$ 4,618 |
| Deposits Received | | 739 |
| Deposits Returned | | <u>(1,271)</u> |
| Ending Balance Current Year | | <u>\$ 4,086</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
SCHEDULE OF CHANGES IN FIXED ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

| | Balance 09/30/21 | Additions | Deductions | Balance 9/30/22 |
|----------------------------|---------------------|-----------------|-------------|--------------------|
| Land | \$ 82,500 | \$ - | \$ - | \$ 82,500 |
| Buildings | 948,479 | - | - | 948,479 |
| Building Equipment - Fixed | 67,993 | 3,881 | - | 71,874 |
| | <u>\$1,098,972</u> | <u>\$ 3,881</u> | <u>\$ -</u> | <u>\$1,102,853</u> |

| | Balance 09/30/20 | Additions | Deductions | Balance 9/30/21 |
|----------------------------|---------------------|-----------------|-------------|--------------------|
| Land | \$ 82,500 | \$ - | \$ - | \$ 82,500 |
| Buildings | 948,479 | - | - | 948,479 |
| Building Equipment - Fixed | 64,243 | 3,750 | - | 67,993 |
| | <u>\$1,095,222</u> | <u>\$ 3,750</u> | <u>\$ -</u> | <u>\$1,098,972</u> |

Accumulated Depreciation

| | Balance 9/30/21 | Additions | Deductions | Balance 9/30/22 |
|----------------------------|--------------------|-----------------|-------------|--------------------|
| Buildings | \$ 635,664 | \$25,608 | \$ - | \$ 661,272 |
| Building Equipment - Fixed | 52,282 | 3,718 | - | 56,000 |
| | <u>\$ 687,946</u> | <u>\$29,326</u> | <u>\$ -</u> | <u>\$ 717,272</u> |

| | Balance 9/30/20 | Additions | Deductions | Balance 9/30/21 |
|----------------------------|--------------------|-----------------|-------------|--------------------|
| Buildings | \$ 610,057 | \$25,607 | \$ - | \$ 635,664 |
| Building Equipment - Fixed | 49,340 | 2,942 | - | 52,282 |
| | <u>\$ 659,397</u> | <u>\$28,549</u> | <u>\$ -</u> | <u>\$ 687,946</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, 2022 AND 2021

SCHEDULE OF ACCOUNTS RECEIVABLE

| | 2022 | 2021 |
|--------------------------------------|------------|-----------|
| 0-30 days: 2 Tenants | \$ 398 | \$ 5,250 |
| 30-60 days 1 Tenant | 179 | 690 |
| 90-120 days 1 Tenant | 255 | 180 |
| Over 120 days 1 Tenant | 2,340 | - |
| Total | \$ 3,172 | \$ 6,120 |
| | | |
| Vacated 2 Tenants | \$ 5,475 | \$ 12,825 |
| Less Allowance for Doubtful Accounts | (5,475) | (12,825) |
| | \$ 3,172 | \$ 6,120 |

SCHEDULE OF ACCOUNTS PAYABLE

| | 2022 | 2021 |
|----------------------------------------------|-----------|-----------|
| 5920 - Tenant Charges | \$ 106 | \$ 25 |
| 6390 - Miscellaneous Administrative Expenses | - | 321 |
| 6450 - Electricity | 200 | 230 |
| 6451 - Water | 813 | 510 |
| 6515 - Supplies | 62 | 198 |
| 6520 - Contracts | 238 | 755 |
| | \$ 1,419 | \$ 2,039 |

SCHEDULE OF MISCELLANEOUS CURRENT LIABILITIES

| | 2022 | 2021 |
|----------------------------|-----------|-----------|
| 6710 - Taxes - Real Estate | \$ 5,643 | \$ 4,837 |
| 6520 - Contracts | 1,915 | 63,034 |
| | \$ 7,558 | \$ 67,871 |

**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, 2022 AND 2021

SCHEDULE OF PAYMENTS IN LIEU OF TAXES

| | 2022 | 2021 |
|----------------------------------------|-----------------|-----------------|
| Net Dwelling Rental Income | \$ 131,537 | \$ 114,886 |
| | x <u>5%</u> | x <u>5%</u> |
| Current Year Payments in Lieu of Taxes | 6,577 | 5,744 |
| Less Special Assessments | <u>(934)</u> | <u>(907)</u> |
| | <u>\$ 5,643</u> | <u>\$ 4,837</u> |

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH CONTRACTUAL AGREEMENTS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of South Sycamore Estates, which comprise the statement of net position as of September 30, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 22, 2023.

In connection with our audit, nothing came to our attention that caused us to believe South Sycamore Estates failed to comply with the terms, covenants, provisions, or conditions of SDHDA's Annual Financial Statement and Audit Guide insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding South Sycamore Estates' noncompliance with the above referenced items, covenants, provisions, or conditions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the boards of directors and management of South Sycamore Estates, Sioux Falls Housing and Redevelopment Commission and the State of South Dakota and is not intended to be and should not be used by anyone other than these specified parties.

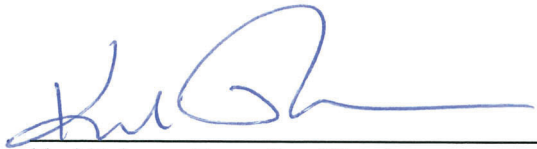


BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

March 22, 2023

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, 2022.



Karl Fulmer, Executive Director

March 22, 2023 _____
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, 2022

| Federal Grants | Federal AL Number | Program/Grantor Number | Federal Expenditures |
|----------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------------|-----------------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| <u>Direct Programs</u> | | | |
| Shelter Plus Care | 14.238 | SD0002L8T002013 | \$ 140,046 |
| | 14.238 | SD0002L8T002114 | 52,462 |
| | 14.238 | SD0016L8T002006 | 30,057 |
| | 14.238 | SD0016L8T002107 | 3,078 |
| | 14.238 | SD0021L8T002005 | 24,998 |
| | 14.238 | SD0021L8T002106 | 2,835 |
| | | | <u>253,476</u> |
| Public Housing | 14.850 | SD01600000121D | 34,975 |
| | 14.850 | SD01600000122D | 111,879 |
| CARES ACT 14.850 (PHC) | | SD01600000120DC | 12,606 |
| | | | <u>159,460</u> |
| Public Housing Capital Fund | 14.872 | SD01P016501-21 | 56,908 |
| | | | <u>56,908</u> |
| <u>Section 8 Project Based Cluster</u> | | | |
| Lower Income Housing Assistance | 14.856 | SD016MR0003 | 89,041 |
| Program - Section 8 Moderate | 14.856 | SD016MR0004 | 152,731 |
| | 14.856 | SD016MR0005 | 214,391 |
| Total Lower Income Housing Assistance | | | 456,163 |
| Program - Section 8 Moderate | | | 49,627 |
| Section 8(bb) Project-based | 14.195 | SD99M000097 | 49,627 |
| Total Section 8 Project Based Cluster | | | <u>505,790</u> |
| <u>Housing Voucher Cluster</u> | | | |
| Section 8 Housing Choice Vouchers | 14.871 | SD016VO | 11,635,729 |
| | 14.871 | SD016AF | 1,364,984 |
| CARES ACT 14.871 (HCC) | | SD016AF | 311,453 |
| | 14.871 (EFA) | | 14,107 |
| Emergency Housing Vouchers | 14.871 (EHV) | SD016EF0001 | 4,434 |
| | 14.871 (EHV) | SD016EH0001 | 71,208 |
| | 14.871 (EHV) | SD016EI0001 | 3,500 |
| | 14.871 (EHV) | SD016ES0001 | 26,796 |
| Total Housing Voucher Cluster | | | <u>13,432,211</u> |
| Family Self Sufficiency Program | 14.896 | FSS21SD3885 | 19,707 |
| | 14.896 | FSS22SD4657 | 85,581 |
| | | | <u>105,288</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 | 22028530030 | 131,585 |
| | 14.241 | 22028520030 | 109,335 |
| | 14.241 | 23028520030 | 14,811 |
| | 14.241 | 20028190210 | 8,794 |
| | | | <u>264,525</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 14,777,658</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, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards (the “schedule”) are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to requirement.

NOTE 2 INDIRECT COST RATE

The Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota has not elected to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award 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, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota, it is not intended to and does not present the financial position, change in net position, or cash flows of the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota.

**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 and 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 and for the year ended September 30, 2022, and the related notes to the financial statements and have issued our report thereon dated March 22, 2023. The financial statements of the discretely presented component unit, Affordable Housing Solutions, were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

March 22, 2023

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

Opinion on 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, 2022. The Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Housing and Redevelopment Commission of the City of Sioux Falls, South Dakota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibility for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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



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

March 22, 2023

**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, 2022**

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>Name of Federal Program or Cluster</u> | <u>AL Number</u> |
|-------------------------------------------|------------------|
| Housing Voucher Cluster | 14.871 |

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

Auditee qualified as low-risk auditee? yes no

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.