

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY  
RED WING, MINNESOTA**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2017**



**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
**Red Wing Housing and Redevelopment Authority**  
Red Wing, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of Red Wing Housing and Redevelopment Authority as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

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 each major fund of Red Wing Housing and Redevelopment Authority as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
**Red Wing Housing and Redevelopment Authority**  
Red Wing, Minnesota  
Page Two

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8 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 an opinion on the basic financial statements taken as a whole. The accompanying Financial Data Schedule and Schedule of Capital Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and has been derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2018, on our consideration of the Red Wing Housing and Redevelopment Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Red Wing Housing and Redevelopment Authority's internal control over financial reporting and compliance.

*Smith, Schafn and Associates, Ltd.*

Red Wing, Minnesota  
May 30, 2018

## **RED WING HOUSING AND REDEVELOPMENT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Red Wing Housing and Redevelopment Authority, we offer readers of the Red Wing Housing and Redevelopment Authority financial statements this narrative overview and analysis of the financial activities of the Red Wing Housing and Redevelopment Authority for the fiscal year ended December 31, 2017.

### **FINANCIAL HIGHLIGHTS**

- The assets of Red Wing Housing and Redevelopment Authority exceeded its liabilities at the close of the most recent fiscal year by \$6,488,860 (*net position*). Of this amount, \$1,059,396 (*unrestricted net position*) may be used to meet the Organization's ongoing obligations in accordance with the Organization's designations and fiscal policies.
- The Organization's total revenues are \$3,877,690 and total expenses are \$3,559,501 for the current year.
- Red Wing Housing and Redevelopment Authority's total fixed assets for the current year are \$9,960,857.
- Red Wing Housing and Redevelopment Authority's total long term debt for the current year is \$6,912,682.
- At the end of the current fiscal year, unrestricted net position was \$1,059,396 or 30 percent of total expenses.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The Organization maintains one type of proprietary fund which consists of various enterprise funds. Accounting procedures are the same as those for business enterprises. This financial report will include the Management's Discussion and Analysis, Financial Statements with accompanying notes, and the Independent Auditor's Reports.

## RED WING HOUSING AND REDEVELOPMENT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

### REQUIRED FINANCIAL STATEMENTS

The financial statements report information about the Organization using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The **Statement of Net Position** includes everything that the Organization owns and owes. The difference between the total of the assets and the total of the liabilities is the net position of the Organization. Net position added to the total liabilities equals the total assets of the Organization. Net position is also equal to the total of all prior years' net income and losses of the Organization including all contributions from HUD.

All of the current year's revenues and expenses are accounted for in the **Statement of Revenues, Expenses, and Changes in Net Position**. This statement records all revenue (income) and expenses. Revenue is categorized by source. Expenses are categorized by type. The excess of revenue over expense is the income for the year. If expenses are greater than revenue, then there is a loss for the year. Income and expenses are of two types: operating and nonoperating. Operating revenue and expenses are those related to the normal running of the Organization's operations. Nonoperating revenue and expenses include items outside of operations and include such items as interest income, capital grants, and gains and losses on disposition of fixed assets. The income or loss for the year, added to the prior year's net position equals the current year's net position.

The other required financial statement is the **Statement of Cash Flows**. The primary purpose of this statement is to provide information about the Organization's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities, and provides answers to such questions as "where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period?"

In addition the Organization presents **Notes to the financial statements**. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 17-26 of this report.

### FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE

One of the most important questions asked about the Organization's finances is "Is the Organization, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Organization's activities in a way that will help answer this question. These two statements report the net position of the Organization, and changes in them. You can think of the Organization's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Organization's net position is one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions and legislative mandates.



**RED WING HOUSING AND REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table 1  
**Net Position**

	2017	2016	Increase (Decrease)
Current and other assets	\$ 3,867,254	\$ 3,772,844	\$ 94,410
Capital assets	9,960,857	7,394,807	2,566,050
Total assets	<u>13,828,111</u>	<u>11,167,651</u>	<u>2,660,460</u>
Current liabilities	633,474	1,077,004	(443,530)
Long-term liabilities	6,705,777	3,919,976	2,785,801
Total liabilities	<u>7,339,251</u>	<u>4,996,980</u>	<u>2,342,271</u>
Net investment in capital assets	3,048,175	2,916,119	132,056
Restricted	2,381,289	2,321,338	59,951
Unrestricted	1,059,396	933,214	126,182
Total net position	<u>\$ 6,488,860</u>	<u>\$ 6,170,671</u>	<u>\$ 318,189</u>

The Organization's total net position for the current fiscal year is \$6,488,860 of which \$3,048,175 is invested in capital assets. The Red Wing Housing and Redevelopment Authority has \$1,463,997 in cash and investments as of December 31, 2017 (including the tenant security deposit account).

In 2017, the HRA lent \$149,000 in Small Cities Program Income Funds to three commercial properties in the downtown and Old West Main areas of Red Wing. The HRA acted as an agent of the City of Red Wing and received \$407,000 in a DEED SCDP grant to assist Southwest Minnesota Housing Partnership in rehabbing Trailside I and II apartment buildings.

The HRA received an HRA Tax Levy amount of \$405,383 in 2017 with \$100,000 allocated to the Red Wing Affordable Housing Trust Fund.

In 2017, the HRA applied for and did receive approval on an MHFA Loan, a \$1,750,000 PARIF loan. This amount was coupled with \$250,000 of HRA cash equity from General Redevelopment funds to replace Post Tension Rods found to be deficient in Jordan Tower II during our rehab project and for completing the Jordan Tower II roof repairs that were also found to need more funds to replace from the initial rehab of 2017.

In late 2017, the HRA applied for and did receive a MHFA Publicly Owned Housing Program (POHP) loan of \$644,290 for the replacement of boilers and air handling units in Jordan Tower I. The HRA will provide cash leverage of \$215,000 to the proposal from the Capital Funds Program and Jordan Tower I Cash Reserves. The rehab project will be completed in 2018.

The HRA sold two Single Family Homes in 2017 for net proceeds of \$272,950 of which \$250,000 was used in the Jordan II rehab project for an equity contribution mentioned above.

In late 2017, the HRA withdrew its USDA Rural Development Community Facilities application for the office remodel project due to a lack of feasibility.

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table 2  
**Statement of Revenues, Expenses and Changes in Net Position**

	2017	2016	Increase (Decrease)
<b>Revenues:</b>			
Federal grants	\$ 1,557,944	\$ 1,523,462	\$ 34,482
State and local revenues	510,309	793,044	(282,735)
Tenant revenue	1,049,163	1,068,127	(18,964)
Investment earnings	7,023	3,992	3,031
Other income	753,251	363,700	389,551
Total revenues	<u>3,877,690</u>	<u>3,752,325</u>	<u>125,365</u>
<b>Expenses:</b>			
Administration	906,811	951,311	(44,500)
Tenant Services	117,147	104,203	12,944
Utilities	229,889	226,605	3,284
Maintenance and operations	576,085	485,998	90,087
Insurance	101,228	89,310	11,918
General expense	206,702	148,947	57,755
Housing assistance payments	928,305	830,284	98,021
Depreciation	469,825	383,390	86,435
Other expenses	23,509	232,470	(208,961)
Total expenses	<u>3,559,501</u>	<u>3,452,518</u>	<u>106,983</u>
Change in net position	318,189	299,807	18,382
Net position, beginning of year	<u>6,170,671</u>	<u>5,870,864</u>	<u>299,807</u>
Net position, end of year	<u>\$ 6,488,860</u>	<u>\$ 6,170,671</u>	<u>\$ 318,189</u>

Total revenues for the current year were \$3,877,690 and total expenses were \$3,559,501.

Federal grant revenues were slightly up over the previous year. However, the Section 8 HCV program went in Budget Shortfall and our voucher count was reduced significantly. The HRA is allocated 169 Housing Choice Vouchers per month but funding allowed us to issue about 135 per month in 2017. The HUD held reserve stood at \$1,256 at the end of December.

Jordan Tower II one-bedroom contract rents were increased to \$624 and two-bedroom to \$704 in 2017 with utility allowances for 1 bedroom units at \$35 and 2 bedroom units at \$54.

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CAPITAL ASSETS**

The Organization's investment in capital assets as of December 31, 2017, amounted to \$9,960,857 (net of accumulated depreciation). The investment in capital assets includes land, buildings and improvements, and furniture and equipment.

Table 3  
**Capital Assets**  
(net of accumulated depreciation)

	2017	2016	Increase (Decrease)
Land	\$ 819,804	\$ 819,804	\$
Construction in progress	3,310,713	42,816	3,267,897
Buildings and improvements	13,009,021	13,274,726	(265,705)
Furniture and equipment - dwellings	248,507	248,507	
Furniture and equipment - administration	510,932	505,932	5,000
Less accumulated depreciation	(7,938,120)	(7,496,978)	(441,142)
<b>Total</b>	<b>\$ 9,960,857</b>	<b>\$ 7,394,807</b>	<b>\$ 2,566,050</b>

New roofs and siding was installed at the Women's Center and Twin Homes due to hail damage.

The Jordan Tower II rehab project was the bulk of construction in progress in 2017.

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Long-Term Debt.** At the end of the fiscal year, the Red Wing Housing and Redevelopment Authority had long-term debt of \$6,912,682.

Table 4  
**Long-Term Debt**

	2017	2016	Increase (Decrease)
Deferred Loans	\$ 5,513,863	\$ 2,884,178	\$ 2,629,685
MHFA MURL Promissory Notes	302,217	302,217	
General Obligation Housing Development Bonds	1,065,000	1,260,000	(195,000)
Other	31,602	32,293	(691)
<b>Total</b>	<b>\$ 6,912,682</b>	<b>\$ 4,478,688</b>	<b>\$ 2,433,994</b>

Additional information on the Organization's long-term debt can be found in the Notes to the Financial Statements on pages 23-25.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND FEES**

The HRA expanded its rehab of Jordan Tower II in 2017 by \$2,000,000.

The Section 8 HCV program's funding has stabilized for 2018 and we anticipate increasing our vouchers issued over 2017.

The HRA converted it's 3-unit Transitional Housing property in 2018 to Rapid Rehousing with a contract with Three Rivers Community Action to be the service provider.

The HRA initiated an Affordable Housing Trust Fund Homebuyers Assistance Program in late 2017 with \$60,000 allocated for the next two years. Homebuyers may apply for up to \$9,000 in a deferred, 0% loan to assist in home purchases.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Red Wing Housing and Redevelopment Authority finances for all those with an interest in the Organization's finances. Questions concerning any of the information provided in this report or requests for additional information contact Randal Hemmerlin, Executive Director at (651) 388-7571, Red Wing Housing and Redevelopment Authority, 428 West Fifth Street, Red Wing, MN 55066.

## **FINANCIAL STATEMENTS**

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**STATEMENT OF NET POSITION**

**December 31, 2017**

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program	Low Rent Public Housing
<b>Assets</b>				
Cash and cash equivalents	\$ 334,176	\$	\$ 122,108	\$ 312,771
Receivables	12,731		1,402	25,407
Inventories	9,666			14,369
Prepaid expenses	7,436			10,474
Due from other funds				
Capital assets:				
Nondepreciable	3,661,500			270,157
Depreciable, net	1,995,025			3,033,874
Notes and mortgages receivable			1,936,657	
<b>Total Assets</b>	<u>6,020,534</u>	<u></u>	<u>2,060,167</u>	<u>3,667,052</u>
<b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Accounts payable	72,950			3,055
Accrued liabilities	7,087			4,719
Compensated absences	26,426			23,735
Accrued interest	18,163			
Deposits payable	36,851			45,832
Deferred revenue	228		27,884	1,679
Due to other governments	29,352			34,841
Due to other funds	75,443			76,303
Noncurrent liabilities:				
Due in one year	200,000			
Due in more than one year	4,901,869			917,537
<b>Total Liabilities</b>	<u>5,368,369</u>	<u></u>	<u>27,884</u>	<u>1,107,701</u>
<b>Net Position</b>				
Net investment in capital assets	554,656			2,386,494
Restricted net position			2,032,283	
Unrestricted net position	97,509			172,857
<b>Total Net Position</b>	<u>652,165</u>	<u></u>	<u>2,032,283</u>	<u>2,559,351</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 6,020,534</u>	<u>\$</u>	<u>\$ 2,060,167</u>	<u>\$ 3,667,052</u>

**See Notes to the Financial Statements**

Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	Shelter Plus Care	Elimination	Total
\$ 16,777	\$	\$ 671,299	\$ 6,866	\$	\$	\$ 1,463,997
		24,135	6,018	759		70,452
		2,090				26,125
		6,405				24,315
197		157,763			(157,960)	
		198,860				4,130,517
1,807		799,634				5,830,340
		345,708				2,282,365
<u>18,781</u>	<u></u>	<u>2,205,894</u>	<u>12,884</u>	<u>759</u>	<u>(157,960)</u>	<u>13,828,111</u>
526		4,579	7,000	43		88,153
2,824		15,672	31	552		30,885
10,327		27,845				88,333
		904				19,067
		14,975				97,658
		8,489				29,791
		197	5,853	164	(157,960)	72,682
		6,905				206,905
		886,371				6,705,777
<u>13,677</u>	<u></u>	<u>965,937</u>	<u>12,884</u>	<u>759</u>	<u>(157,960)</u>	<u>7,339,251</u>
1,807		105,218				3,048,175
3,297		345,709				2,381,289
		789,030				1,059,396
<u>5,104</u>	<u></u>	<u>1,239,957</u>	<u></u>	<u></u>	<u></u>	<u>6,488,860</u>
<u>\$ 18,781</u>	<u>\$</u>	<u>\$ 2,205,894</u>	<u>\$ 12,884</u>	<u>\$ 759</u>	<u>\$ (157,960)</u>	<u>\$ 13,828,111</u>

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Year Ended December 31, 2017**

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program	Low Rent Public Housing
<b>Operating Revenues</b>				
Tenant rental revenues	\$ 394,075	\$	\$	\$ 514,035
HUD PHA operating grants	364,581	70,244		85,788
Other governmental grants		24,168	1,527	
Other revenue	78,887		117,401	5,085
Total Operating Revenues	<u>837,543</u>	<u>94,412</u>	<u>118,928</u>	<u>604,908</u>
<b>Operating Expenses</b>				
Administration	272,588		49,687	207,161
Tenant services	575	109,878		6,694
Utilities	89,221			115,678
Maintenance and operations	201,597			241,183
Insurance	30,423			41,105
General expense	55,286		6,796	38,371
Housing assistance payments				
Depreciation	112,173			274,424
Total Operating Expenses	<u>761,863</u>	<u>109,878</u>	<u>56,483</u>	<u>924,616</u>
Operating Income (Loss)	75,680	(15,466)	62,445	(319,708)
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	69		4,467	450
Gain (loss) on sale of assets				
Interest expense	(36,325)			
Casualty loss				(273)
Total Nonoperating Revenue (Expenses)	<u>(36,256)</u>		<u>4,467</u>	<u>177</u>
Income (Loss) Before Capital Grants or Transfers	39,424	(15,466)	66,912	(319,531)
Capital grants				
Operating transfers in				91,574
Operating transfers out				
Change in Net Position	<u>39,424</u>	<u>(15,466)</u>	<u>66,912</u>	<u>(227,957)</u>
<b>Net Position - Beginning of Year</b>	<u>612,741</u>	<u>15,466</u>	<u>1,965,371</u>	<u>2,787,308</u>
<b>Net Position - End of Year</b>	<u>\$ 652,165</u>	<u>\$</u>	<u>\$2,032,283</u>	<u>\$2,559,351</u>

**See Notes to the Financial Statements**



Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	Shelter Plus Care	Elimination	Total
\$ 881,109	\$ 79,132	\$ 162,389	\$	\$ 64,648	\$ (21,336)	\$1,049,163
7,728		405,382	79,232			1,545,502
<u>888,837</u>	<u>79,132</u>	<u>557,573</u>	<u>79,232</u>	<u>64,648</u>	<u>(13,423)</u>	<u>753,251</u>
		<u>1,125,344</u>	<u>79,232</u>	<u>64,648</u>	<u>(34,759)</u>	<u>3,858,225</u>
111,473		241,865	18,131	27,242	(21,336)	906,811
		24,990				117,147
3,739		129,566				229,889
		29,700				576,085
4,930		111,083		3,659	(13,423)	101,228
794,734			72,582	60,989		206,702
904		82,324				928,305
<u>915,780</u>		<u>619,528</u>	<u>90,713</u>	<u>91,890</u>	<u>(34,759)</u>	<u>469,825</u>
(26,943)	79,132	505,816	(11,481)	(27,242)		3,535,992
						322,233
67		1,970				7,023
		14,362				14,362
		(1,273)				(37,598)
						(273)
<u>67</u>		<u>15,059</u>				<u>(16,486)</u>
(26,876)	79,132	520,875	(11,481)	(27,242)		305,747
	12,442					12,442
29,269			11,481	27,242	(159,566)	
	(91,574)	(67,992)			159,566	
<u>2,393</u>		<u>452,883</u>				<u>318,189</u>
2,711		787,074				6,170,671
<u>\$ 5,104</u>	<u>\$</u>	<u>\$1,239,957</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$6,488,860</u>

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2017**

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants , Small Cities Program
<b>Cash Flows From Operating Activities</b>			
Cash received from tenants	\$ 394,077	\$	\$
Cash received from intergovernmental	367,561	94,412	11,186
Other cash received	78,887		56,667
Cash paid to employees	(238,937)	(38,379)	
Cash paid to suppliers	(335,708)	(71,499)	(191,358)
	<u>265,880</u>	<u>(15,466)</u>	<u>(123,505)</u>
Net Cash Provided By (Used In) Operating Activities			
<b>Cash Flows From Investing Activities</b>			
Interest income received	69		4,467
	<u>69</u>		<u>4,467</u>
Net Cash Provided By Investing Activities			
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition of capital assets	(3,289,559)		
Proceeds from capital grants			
Casualty loss costs			
Interfund borrowings	32,190		(48,985)
Operating transfers			
Other long-term liabilities			
Interest paid on long-term debt	(36,325)		
Proceeds from (principal paid) on long-term debt	2,797,759		
	<u>(495,935)</u>		<u>(48,985)</u>
Net Cash Provided By (Used In) Capital and Related Financing Activities			
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(229,986)</b>	<b>(15,466)</b>	<b>(168,023)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>564,162</b>	<b>15,466</b>	<b>290,131</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 334,176</b>	<b>\$</b>	<b>\$ 122,108</b>

**See Notes to the Financial Statements**

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	Shelter Plus Care	Total
\$ 513,831	\$ (75,702)	\$	\$ 161,671	\$	\$	\$ 993,877
63,589	888,416	79,132	396,172	74,360	63,889	2,038,717
5,085	7,728		200,714			349,081
(199,918)	(59,313)		(129,813)	(11,673)	(17,476)	(695,509)
(447,781)	(860,038)		(412,671)	(76,729)	(74,259)	(2,470,043)
(65,194)	(98,909)	79,132	216,073	(14,042)	(27,846)	216,123
450	67		1,970			7,023
450	67		1,970			7,023
(17,441)			285,487			(3,021,513)
(273)		12,442				12,442
(9,597)	(3,113)		25,218	3,683	604	(273)
91,574	29,269	(91,574)	(67,992)	11,481	27,242	
	(14,814)		(1,273)			(14,814)
			(6,906)			(37,598)
						2,790,853
64,263	11,342	(79,132)	234,534	15,164	27,846	(270,903)
(481)	(87,500)		452,577	1,122		(47,757)
313,252	104,277		218,722	5,744		1,511,754
\$ 312,771	\$ 16,777	\$	\$ 671,299	\$ 6,866	\$	\$ 1,463,997

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2017**

**RECONCILIATION OF OPERATING**

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
Operating Income (Loss)	\$ 75,680	\$ (15,466)	\$ 62,445
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	112,173		
MHFA debt forgiven			
(Increase) Decrease In:			
Accounts receivable	2,980		9,659
Inventories	2,233		
Prepaid expenses	(2,048)		
Notes and mortgages receivable			(134,875)
Increase (Decrease) In:			
Accounts payable	72,950		
Other accrued liabilities	(467)		
Compensated absences	2,377		
Due to other governments			
Deferred revenue	2		(60,734)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 265,880</u>	<u>\$ (15,466)</u>	<u>\$ (123,505)</u>
<b>Supplemental Disclosure of Noncash Capital and Related Financing Activities</b>			
Cash paid for interest	\$ 36,325	\$	\$
MHFA debt forgiven			

**See Notes to the Financial Statements**

**INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	Shelter Plus Care	Total
\$ (319,708)	\$ (26,943)	\$ 79,132	\$ 505,816	\$ (11,481)	\$ (27,242)	\$ 322,233
274,424	904		82,324 (356,859)			469,825
(22,199)	7,307		(9,210)	(4,872)	(759)	(17,094)
3,319			483			6,035
(4,151)			(293)			(6,492)
			10,259			(124,616)
886	(1,005)		4,579	2,700	43	80,153
(1,091)	2,020		(19,625)	(389)	112	(19,440)
3,530	(5,490)		(683)			(266)
(204)	(75,702)		(718)			(137,356)
<u>\$ (65,194)</u>	<u>\$ (98,909)</u>	<u>\$ 79,132</u>	<u>\$ 216,073</u>	<u>\$ (14,042)</u>	<u>\$ (27,846)</u>	<u>\$ 216,123</u>
\$	\$	\$	\$ 1,273	\$	\$	\$ 37,598
			\$ 356,859			\$ 356,859

# RED WING HOUSING AND REDEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

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### 1. Summary of Significant Accounting Policies

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#### Reporting Entity

Red Wing Housing and Redevelopment Authority operates as a local government unit for the purpose of providing housing redevelopment services to the local area. The governing body consists of a seven member board appointed by the City Council.

In accordance with GASB Statement No. 14 of the Organization's financial statements include the primary government and the component units of the Red Wing Housing and Redevelopment Authority, defined as follows:

*Primary Government* - Includes all funds, organizations, institutions, agencies, departments, or offices which are not legally separate from the Red Wing Housing and Redevelopment Authority.

*Component Units* - Component units are legally separate organizations for which the elected officials of the Red Wing Housing and Redevelopment Authority are financially accountable or for which the nature or significance of their relationship with the Red Wing Housing and Redevelopment Authority would cause the financial statements to be misleading or incomplete. Based on these criteria, there are no component units of the Red Wing Housing and Redevelopment Authority.

#### Basis of Presentation

Organizations which meet certain criteria established by the American Institute of Certified Public Accountants are required to use reporting standards set forth for that industry. Under this criteria, Red Wing Housing and Redevelopment Authority is considered a governmental entity for financial reporting purposes because the Board of Directors is nominated or appointed by governmental entities. This guidance includes applying all GASB pronouncements issued after Statement 1, with certain exclusions and all required note disclosures for governmental entities.

#### Measurement Focus, Basis of accounting and Financial Statement Presentation

Measurement focus is the term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The accompanying financial statements are reported using the "economic resources measurement focus" and the "accrual basis of accounting." Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### Fund accounting

To ensure observance of limitations and restrictions placed on the use of funds available to the Organization, the accounts of the Organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes.

The Organization reports the following major proprietary funds:

The *N/C S/R Section 8 Programs* fund accounts for housing assistance in the form of rent subsidy for an apartment building owned by the Organization.

# RED WING HOUSING AND REDEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

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### 1. Summary of Significant Accounting Policies (Continued)

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#### Fund accounting (continued)

The *Multifamily Housing Service Coordinators* fund accounts for low income rent for multifamily housing.

The *Community Development Block Grants/Small Cities Program* fund accounts for low interest or no interest loans and grants for various qualifying community improvement projects.

The *Low Rent Public Housing* fund accounts for the rental and other income, operating subsidies and the expenses related to the operation and maintenance of low income housing units owned by the Organization.

The *Housing Choice Vouchers* fund records the receipt of HUD grants and the subsequent payment to landlords of Housing Assistance Payments along with the other related expenses.

The *Public Housing Capital Fund Program* fund records the receipt and subsequent disbursement of Capital Grants from HUD. As projects are completed, assets are transferred to the Low Income Public Housing Fund.

The *State/Local* fund accounts for County tax levies and rents on homes owned by the Organization to be used for various Organization goals.

The *Bridges* fund accounts for rental subsidy for individuals with serious mental illness.

The *Shelter Plus Care* fund accounts for shelter aid for the homeless.

#### Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 revenues and expenses during the period. Actual results could differ from the estimates.

#### Cash and cash equivalents

The Organization considers all demand deposits and investments with an original maturity of three months or less to be cash equivalents.

#### Capital assets

Capital assets are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	Useful Life in Years
Buildings and improvements	5 - 50
Furniture and equipment - dwelling units	3 - 10
Furniture and equipment - administration	3 - 10

#### Compensated absences

It is the Organization's policy to permit employees to accumulate a limited amount of earned but unused vacation which is paid to the employees upon separation. Vacation pay is accrued when incurred.

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**1. Summary of Significant Accounting Policies (Continued)**

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Deposits payable

Deposits payable represent tenant deposits held for damages and/or unpaid rent.

Revenue recognition

Depending on the terms of a grant, grant revenues are recognized in the period of entitlement or as the related expenditures are incurred. Revenues not earned are reported as deferred revenue.

Concentration of Credit Risk

The Organization places its deposits and temporary cash investments with financial institutions insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At times, such deposits and investments may be in excess of the FDIC insurance limit.

Risk management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; and natural disasters. The Organization carries commercial insurances for the risks of loss. Claims have not exceeded coverage in any of the last three years.

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**2. Cash and Cash Equivalents**

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Summary of Cash and Deposits

As of December 31, 2017 the Organization's cash and deposits consisted entirely of deposits held at a local financial institution.

<u>Cash and Deposits</u>	<u>Maturities</u>	<u>Fair Value</u>
Cash	None	\$ 1,283,639
Certificates of deposit	December 2019 - May 2020	180,358
		<u>\$ 1,463,997</u>

Investment Policy

The Organization's policy is to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow needs of the organization and comply with all state statutes governing the investment of public funds.

Investments Authorized by Minnesota Statute

The Organization is authorized to invest idle funds according to Minnesota Statute.

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**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

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**2. Cash and Cash Equivalents**

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Custodial Credit Risk

The Organization's deposits are entirely covered by federal depository insurance.

Interest Rate Risk

The Organization's investment policy does not limit its investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Organization's investment policy does not limit its investment choices beyond those restricted by Minnesota Statute.

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**3. Loans Receivable**

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Following is a summary of the notes receivable outstanding at December 31, 2017 and 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes and Mortgages Receivable				
Community Development Block Grant / Small Cities Program	\$1,801,782	\$ 212,442	\$ 77,567	\$1,936,657
State / Local	355,967	6,639	16,898	345,708
Total	<u>\$2,157,749</u>	<u>\$ 219,081</u>	<u>\$ 94,465</u>	<u>\$2,282,365</u>

As part of the Organization's community development block grant program, the Organization has issued various loans with rates varying from 0% to 4% and forgivable grant agreements for the rehabilitation of commercial property to improve a business or improve the appearance of the community. Receivables outstanding at December 31, 2017 totaled \$1,936,657.

The State/Local notes and mortgages receivable consist of residential loans with interest rates varying from 0% to 6% for qualified home financing and rehabilitation costs. Receivables outstanding at December 31, 2017 totaled \$345,708.

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**4. Capital Assets**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 819,804	\$	\$	\$ 819,804
Construction in progress	42,816	3,267,897		3,310,713
Total capital assets	<u>862,620</u>	<u>3,267,897</u>		<u>4,130,517</u>
Capital assets, being depreciated:				
Buildings and improvements	13,274,726	12,442	(278,147)	13,009,021
Furniture and equipment - dwelling units	248,507			248,507
Furniture and equipment - administration	505,932	5,000		510,932
Total capital assets	<u>14,029,165</u>	<u>17,442</u>	<u>(278,147)</u>	<u>13,768,460</u>
Less accumulated depreciation	<u>7,496,978</u>	<u>469,825</u>	<u>(28,683)</u>	<u>7,938,120</u>
Total capital assets, being depreciated, net	<u>6,532,187</u>	<u>(452,383)</u>	<u>(249,464)</u>	<u>5,830,340</u>
Governmental activities capital assets, net	<u>\$ 7,394,807</u>	<u>\$ 2,815,514</u>	<u>\$ (249,464)</u>	<u>\$ 9,960,857</u>

Depreciation expense was charged to functions/programs as follows:

**Business-Type Activities:**

N/C S/R Section 8 Programs	\$ 112,173
Low Rent Public Housing	274,424
Housing Choice Vouchers	904
State / Local	<u>82,324</u>

Total depreciation expense - business-type activities \$ 469,825

# RED WING HOUSING AND REDEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

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### 5. Long-Term Debt

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The long-term debt obligations outstanding and related maturities and interest rates are summarized in the schedule of bonds payable and compensated absences.

#### **Deferred Loans:**

The 1995 Loan proceeds were issued for \$356,859. The entire balance with zero percent interest is forgiven after 20 years. This loan has been forgiven and released in 2017. The 1999 Loan proceeds were issued for \$24,770. The entire balance with zero percent interest is forgiven \$2,477 per year starting in the 11<sup>th</sup> year. The 2001 Loan proceeds were issued for \$37,450. The entire balance with zero percent interest is forgiven \$3,745 per year starting in the 11<sup>th</sup> year. The 2006 Mortgage proceeds were issued for rehabilitation of Jordan II. The entire balance with zero percent interest is deferred until 2024. The 2001 Mortgage proceeds were issued to finance temporary housing for low and moderate income persons. This zero percent interest loan must be repaid only if proceeds cease to be used for loan purposes. The 2012 Loan proceeds were issued for \$50,000. The entire balance with zero percent interest is forgiven after 10 years. The 2014 Loan proceeds were issued for \$405,000. The entire balance with zero percent interest is forgiven after 20 years. The 2016 Loan proceeds were issued for \$917,537. The entire balance with zero percent interest is forgiven after 20 years. The 2017 Loan proceeds were issued for \$2,970,000. The entire balance with zero percent interest is forgiven after 20 years.

#### **MHFA MURL Promissory Notes:**

The HRA accepted funds in 1993 and 1994 from the Minnesota Rural and Urban Homesteading Program in order to make non-interest bearing loans to qualified first time home buyers. The HRA may retain collections on these loans received after June 1, 1996 in order to make future MURL qualified expenditures.

#### **General Obligation Housing Development Bonds:**

The 2009A Housing Development Refunding Bonds were issued to refund the 1998 Jordan Tower II Project Housing Development Bonds. These bonds are payable solely from revenues generated from rental income from the Jordan Tower II Project and are backed by the full faith and credit of the Organization.

#### **Other Loans:**

Proceeds from these Loans were used to finance the rental units. These loans are payable from revenues generated from renting these properties to the public at Fair Market Rent.

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**5. Long-Term Debt**

---

A summary of interest rates, maturities and December 31, 2017 balances is as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2017
Deferred Loans:			
1999 MHFA	0.00%	2019	4,962
2001 MHFA	0.00%	2021	14,995
2001 Deferred Mortgage	0.00%	2021	84,500
2006 MHFA Deferred Mortgage - Jordan II	0.00%	2024	1,044,110
2012 Small Cities PI Loan	0.00%	2022	50,000
2014 MHFA	0.00%	2034	405,000
2016 MHFA	0.00%	2036	917,537
2017 MHFA	0.00%	2037	2,970,000
2017 PARIF	0.00%	2037	22,759
MHFA MURL Promissory Notes:			
1993 Note	0.00%	2023	159,268
1994 Note	0.00%	2023	142,949
General Obligation Housing Development Bond			
Series 2009 Refunding	2.00 - 3.70%	2022	1,065,000
Other:			
Small Cities PI Loan	4.00%	2022	31,602
Total			<u>\$ 6,912,682</u>

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**5. Long-Term Debt**

The changes in the Long-Term Debt during the year ended December 31, 2017 are as follows:

	Beginning Balance	Additions	Debt Reductions	Forgiven	Ending Balance	Amounts Due Within One Year
<b>BUSINESS-TYPE ACTIVITIES</b>						
Deferred Loans:						
1995 MHFA	\$ 356,859	\$	\$	\$ (356,859)	\$	\$
1999 MHFA	7,437			(2,475)	4,962	2,457
2001 MHFA	18,735			(3,740)	14,995	3,745
2001 Deferred Mortgage	84,500				84,500	
2006 MHFA Deferred Mortgage - Jordan II	1,044,110				1,044,110	
2012 Small Cities PI Loan	50,000				50,000	
2014 MHFA	405,000				405,000	
2016 MHFA	917,537				917,537	
2017 MHFA		2,970,000			2,970,000	
2017 PARIF		22,759			22,759	
MHFA MURL Promissory Notes:						
1993 Note	159,268				159,268	
1994 Note	142,949				142,949	
General Obligation Housing Development Bond						
Series 2009 Refunding	1,260,000		195,000		1,065,000	200,000
Other:						
Small Cities PI Loan (30 yr.)	32,293			(691)	31,602	703
Business-type Activities						
Long-term Liabilities	<u>\$ 4,478,688</u>	<u>\$ 2,992,759</u>	<u>\$ 195,000</u>	<u>\$ (363,765)</u>	<u>\$ 6,912,682</u>	<u>\$ 206,905</u>

The annual requirements to amortize all long-term debt outstanding as of December 31, 2017 are summarized below:

Years	General Obligation		Other	
	Principal	Interest	Principal	Interest
2017	\$ 200,000	\$ 33,325	\$ 6,905	\$ 1,293
2018	205,000	26,994	6,981	1,263
2019	215,000	19,954	4,506	1,231
2020	220,000	12,285	89,052	1,231
2021	225,000	4,162	78,615	2,365
2022 - 2026			1,346,327	
2032 - 2036			1,322,537	
2037 - 2041			2,992,759	
	<u>\$1,065,000</u>	<u>\$ 96,720</u>	<u>\$5,847,682</u>	<u>\$ 7,383</u>

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**7. Individual Fund Disclosures**

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Balances of inter-fund receivables and payables as of December 31, 2017 at the individual fund level for planned project interim borrowing and cash deficiency are as follows:

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
State / Local	\$ 157,763	\$ 197
Low Rent Public Housing		76,303
N/C S/R Section 8 Programs		75,443
Housing Choice Vouchers	197	
Bridges		5,853
Shelter Plus Care		164
	<u>\$ 157,960</u>	<u>\$ 157,960</u>

Transfers during the year ended December 31, 2017 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Low Rent Public Housing	\$ 91,574	\$
Public Housing Capital Fund Program		91,574
Housing Choice Vouchers	29,269	
Shelter Plus Care	27,242	
Bridges	11,481	
State / Local		67,992
	<u>\$ 159,566</u>	<u>\$ 159,566</u>

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**8. Commitments and Contingencies**

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The Organization receives a substantial amount of its support from the federal government. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

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**9. Deferred Compensation Plans**

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The Organization has an IRC Section 457 deferred compensation plan available to all employees of the HRA and is administered by an unrelated financial institution. The amount deferred (contributions to the plan by the employees) is generally not available until the employee retires.

The Organization also has a Section 401(a) defined contribution profit sharing plan for all eligible employees. Under this Plan, the Organization contributes 8% of eligible employee compensation to the Plan. This Plan also has vesting requirements of 20% per year with full vesting after year 5. Employer contributions to this Plan totaled \$48,104 for the year ended December 31, 2017.

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## **SUPPORTING DATA**

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE  
STATEMENT OF NET POSITION  
December 31, 2017

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
<b>Assets</b>			
<b>Current Assets</b>			
<b>Cash</b>			
111 Cash - unrestricted	\$ 97,097	\$	\$
113 Cash - other restricted			122,108
114 Cash - tenant security deposits	36,851		
115 Cash - restricted - payment of current liability	200,228		
<b>100 Total Cash</b>	<b>334,176</b>		<b>122,108</b>
<b>Receivables</b>			
122 Accounts receivable - other HUD projects	9,991		
125 Accounts receivable - miscellaneous			
126 Accounts receivable -tenants - dwelling units	2,740		
126.1 Allowance for doubtful accounts			
127 Loans receivable - current			
129 Accrued interest receivable			1,402
<b>120 Total Receivables</b>	<b>12,731</b>		<b>1,402</b>
142 Prepaid expenses and other assets	7,436		
143 Inventories	9,666		
144 Inter program due from			
<b>150 Total Current Assets</b>	<b>364,009</b>		<b>123,510</b>
<b>Noncurrent Assets</b>			
<b>Fixed Assets</b>			
161 Land	350,787		
162 Buildings	4,681,687		
163 Furniture, equipment & machinery - dwelling units	70,769		
164 Furniture, equipment & machinery - administration	133,933		
166 Accumulated depreciation	(2,891,364)		
167 Construction in progress	3,310,713		
<b>160 Total Fixed Assets</b>	<b>5,656,525</b>		
171 Notes, loans and mortgages receivable - noncurrent			1,936,657
<b>180 Total Noncurrent Assets</b>	<b>5,656,525</b>		<b>1,936,657</b>
<b>190 Total Assets</b>	<b>\$ 6,020,534</b>	<b>\$</b>	<b>\$ 2,060,167</b>

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	Shelter Plus Care	Total
\$ 265,260	\$ 13,480	\$	\$ 649,419	6,866	\$	\$ 1,032,122
	3,297					125,405
45,832			14,975			97,658
1,679			6,905			208,812
<b>312,771</b>	<b>16,777</b>		<b>671,299</b>	<b>6,866</b>		<b>1,463,997</b>
				6,018	759	16,768
			23,332			23,332
25,407			219			28,366
			584			1,986
<b>25,407</b>			<b>24,135</b>	<b>6,018</b>	<b>759</b>	<b>70,452</b>
10,474			6,405			24,315
14,369			2,090			26,125
	197		157,763			157,960
<b>363,021</b>	<b>16,974</b>		<b>861,692</b>	<b>12,884</b>	<b>759</b>	<b>1,742,849</b>
270,157			198,860			819,804
6,301,830			2,025,504			13,009,021
116,425			90,833			278,027
134,669	13,849		198,961			481,412
(3,519,050)	(12,042)		(1,515,664)			(7,938,120)
<b>3,304,031</b>	<b>1,807</b>		<b>998,494</b>			<b>3,310,713</b>
			345,708			2,282,365
<b>3,304,031</b>	<b>1,807</b>		<b>1,344,202</b>			<b>12,243,222</b>
<b>\$ 3,667,052</b>	<b>\$ 18,781</b>	<b>\$</b>	<b>\$ 2,205,894</b>	<b>\$ 12,884</b>	<b>\$ 759</b>	<b>\$ 13,986,071</b>

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE  
STATEMENT OF NET POSITION  
December 31, 2017

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
<b>Liabilities</b>			
<b>Current Liabilities</b>			
311 Bank overdraft	\$	\$	\$
312 Accounts payable <= 90 days	72,950		
321 Accrued wage / payroll tax payable	7,087		
322 Accrued compensated absences - current portion	11,458		
325 Accrued interest payable	18,163		
333 Accounts payable - other government	29,352		
341 Tenant security deposit	36,851		
342 Deferred revenues	228		27,884
343 Current portion of long-term debt	200,000		
345 Other current liabilities			
346 Accrued liabilities - other			
347 Inter program due to	75,443		
<b>310 Total Current Liabilities</b>	<b>451,532</b>		<b>27,884</b>
<b>Noncurrent Liabilities</b>			
351 Long-term debt, net of current	4,901,869		
353 Noncurrent liabilities - other			
354 Accrued compensated absences - noncurrent	14,968		
<b>350 Total Noncurrent Liabilities</b>	<b>4,916,837</b>		
<b>300 Total Liabilities</b>	<b>5,368,369</b>		<b>27,884</b>
<b>Equity/Net Assets</b>			
508.1 Net investment in capital assets	554,656		
511.1 Restricted net assets			2,032,283
512.1 Unrestricted net assets	97,509		
<b>513 Total Equity/Net Assets</b>	<b>652,165</b>		<b>2,032,283</b>
<b>600 Total Liabilities and Equity/Net Assets</b>	<b>\$ 6,020,534</b>	<b>\$</b>	<b>\$ 2,060,167</b>

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	Shelter Plus Care	Total
	\$	\$	\$	\$	\$	\$
3,055	526		4,579	7,000	43	88,153
4,719	2,824		9,885	31	552	25,098
10,869	3,152		9,576			35,055
			904			19,067
34,841			8,489			72,682
45,832			14,975			97,658
1,679						29,791
			6,905			206,905
			5,787			5,787
76,303			197	5,853	164	157,960
<b>177,298</b>	<b>6,502</b>		<b>61,297</b>	<b>12,884</b>	<b>759</b>	<b>738,156</b>
917,537			886,371			6,705,777
12,866	7,175		18,269			53,278
<b>930,403</b>	<b>7,175</b>		<b>904,640</b>			<b>6,759,055</b>
<b>1,107,701</b>	<b>13,677</b>		<b>965,937</b>	<b>12,884</b>	<b>759</b>	<b>7,497,211</b>
2,386,494	1,807		105,218			3,048,175
	3,297		345,709			2,381,289
172,857			789,030			1,059,396
<b>2,559,351</b>	<b>5,104</b>		<b>1,239,957</b>			<b>6,488,860</b>
<b>\$ 3,667,052</b>	<b>\$ 18,781</b>	<b>\$</b>	<b>\$ 2,205,894</b>	<b>\$ 12,884</b>	<b>\$ 759</b>	<b>\$ 13,986,071</b>

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 For the Year Ended December 31, 2017

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
<b>Revenues</b>			
<b>Tenant Revenue</b>			
70300 Net tenant rental revenue	\$ 387,616	\$	\$
70400 Tenant revenue - other	6,459		
<b>70500 Total Tenant Revenue</b>	<b>394,075</b>		
70600 HUD PHA operating grants	364,581	70,244	
70610 Capital grants			
<b>Fee Revenue</b>			
70710 Management fee			
70720 Asset management fee			
70730 Book-keeping fee			
70750 Other fees			
<b>70700 Total Fee Revenue</b>			
70800 Other government grants		24,168	1,527
71100 Investment income - unrestricted	69		4,467
71500 Other revenue	78,887		117,401
71600 Gain (loss) on sale of assets			
<b>70000 Total Revenue</b>	<b>\$ 837,612</b>	<b>\$ 94,412</b>	<b>\$ 123,395</b>

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	Shelter Plus Care	Total
\$ 476,764	\$	\$	\$ 123,887		\$	\$ 988,267
37,271			38,502			82,232
<b>514,035</b>			<b>162,389</b>			<b>1,070,499</b>
85,788	881,109	79,132 12,442			64,648	1,545,502 12,442
			405,382	79,232		510,309
450	67		1,970			7,023
5,085	7,728		557,573			766,674
			14,362			14,362
<b>\$ 605,358</b>	<b>\$ 888,904</b>	<b>\$ 91,574</b>	<b>\$ 1,141,676</b>	<b>\$ 79,232</b>	<b>\$ 64,648</b>	<b>\$ 3,926,811</b>

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 For the Year Ended December 31, 2017

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
<b>Expenses</b>			
<b>Administrative</b>			
91100 Administrative Salaries	\$ 161,298	\$	\$
91200 Auditing Fee	1,575		
91400 Advertising and Marketing	3,989		
91500 Employee Benefit Contribution	62,262		
91600 Office Expenses	19,982		
91700 Legal Expense	293		
91800 Travel	2,761		
91900 Other	20,428		49,687
<b>91000 Total Administrative</b>	<b>272,588</b>		<b>49,687</b>
<b>Tenant Services</b>			
92100 Salaries		38,379	
92300 Employee Benefit Contributions		20,803	
92400 Tenant Services - Other	575	50,696	
<b>92500 Total Tenant Services</b>	<b>575</b>	<b>109,878</b>	
<b>Utilities</b>			
93100 Water	11,509		
93200 Electricity	34,887		
93300 Gas	27,727		
93600 Sewer	15,098		
<b>93000 Total Utilities</b>	<b>89,221</b>		
<b>Ordinary Maintenance and Operations</b>			
94100 Labor	75,262		
94200 Materials and Other	39,561		
94300 Contracts	55,895		
94500 Employee Benefit Contributions	30,879		
<b>94000 Total Ordinary Maintenance and Operations</b>	<b>201,597</b>		
<b>Insurance</b>			
96110 Property Insurance	20,862		
96120 Liability Insurance	5,302		
96130 Workmen's Compensation	4,063		
96140 All Other Insurance	196		
<b>96100 Total Insurance</b>	<b>\$ 30,423</b>	<b>\$</b>	<b>\$</b>



Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	Shelter Plus Care	Total
\$ 106,918	\$ 57,090	\$	\$ 120,183	11,673	\$ 17,476	\$ 474,638
1,575	1,575		1,575			6,300
4,041			52			8,082
44,568	33,841		46,328	6,458	9,513	202,970
27,839	9,728		9,719			67,268
2,395			2,803			5,491
2,421	1,191		8,181		253	14,807
17,404	8,048		53,024			148,591
<b>207,161</b>	<b>111,473</b>		<b>241,865</b>	<b>18,131</b>	<b>27,242</b>	<b>928,147</b>
						38,379
						20,803
6,694						57,965
<b>6,694</b>						<b>117,147</b>
16,679			12,097			40,285
48,894			5,245			89,026
26,787			6,598			61,112
23,318			1,050			39,466
<b>115,678</b>			<b>24,990</b>			<b>229,889</b>
89,470			7,007			171,739
49,527			9,374			98,462
66,748	3,739		110,675			237,057
35,438			2,510			68,827
<b>241,183</b>	<b>3,739</b>		<b>129,566</b>			<b>576,085</b>
29,932			22,985			73,779
6,228			2,674			14,204
4,063			4,041			12,167
882						1,078
<b>\$ 41,105</b>	<b>\$</b>	<b>\$</b>	<b>\$ 29,700</b>	<b>\$</b>	<b>\$</b>	<b>\$ 101,228</b>

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 For the Year Ended December 31, 2017

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
<b>Expenses (Continued)</b>			
<b>Other General Expenses</b>			
96200 Other General Expenses	\$ 200	\$	\$ 6,796
96210 Compensated Absences	2,377		
96300 Payments in Lieu of Taxes	30,011		
96400 Bad Debt - Tenant Rents			
<b>96000 Total Other General Expenses</b>	<b>32,588</b>		<b>6,796</b>
<b>Interest Expense and Amortization Cost</b>			
96710 Interest on Mortgage Payable	36,325		
96720 Interest on Notes Payable			
96730 Amortization of Bond Issue Costs			
<b>96700 Total Interest Expense and Amortization Cost</b>	<b>36,325</b>		
<b>96900 Total Operating Expenses</b>	<b>663,317</b>	<b>109,878</b>	<b>56,483</b>
<b>97000 Excess Revenue Over Operating Expenses</b>	<b>174,295</b>	<b>(15,466)</b>	<b>66,912</b>
<b>Other Expenses</b>			
97100 Extraordinary Maintenance	22,698		
97200 Casualty loss			
97300 Housing Assistance Payments			
97350 HAP Portability - In			
97400 Depreciation Expense	112,173		
<b>90000 Total Expenses</b>	<b>798,188</b>	<b>109,878</b>	<b>56,483</b>
<b>Other Financing Sources (Uses)</b>			
10010 Operating transfers in			
10020 Operating transfers out			
<b>10100 Total Other Financing Sources (Uses)</b>			
<b>Excess (Deficiency) of Total Revenue Over</b>			
<b>10000 (Under) Total Expenses</b>	<b>\$ 39,424</b>	<b>\$ (15,466)</b>	<b>\$ 66,912</b>

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	Shelter Plus Care	Total
\$	\$		\$	\$	\$	\$
3,530	2,707		94,741		3,659	108,103
34,841	2,223		2,623			10,753
			13,719			78,571
<b>38,371</b>	<b>4,930</b>		<b>111,083</b>		<b>3,659</b>	<b>197,427</b>
			1,273			37,598
						0
						0
			<b>1,273</b>			<b>37,598</b>
<b>650,192</b>	<b>120,142</b>		<b>538,477</b>		<b>30,901</b>	<b>2,187,521</b>
<b>(44,834)</b>	<b>768,762</b>	<b>91,574</b>	<b>603,199</b>	<b>79,232</b>	<b>33,747</b>	<b>1,739,290</b>
						22,698
273						273
	790,838			72,582	60,989	924,409
	3,896					3,896
274,424	904		82,324			469,825
<b>924,889</b>	<b>915,780</b>		<b>620,801</b>	<b>72,582</b>	<b>91,890</b>	<b>3,608,622</b>
79,132	29,269			11,481	27,242	147,124
		(79,132)	(67,992)			(147,124)
<b>79,132</b>	<b>29,269</b>	<b>(79,132)</b>	<b>(67,992)</b>	<b>11,481</b>	<b>27,242</b>	
<b>\$ (240,399)</b>	<b>\$ 2,393</b>	<b>\$ 12,442</b>	<b>\$ 452,883</b>	<b>\$ 18,131</b>	<b>\$</b>	<b>\$ 318,189</b>

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**FINANCIAL DATA SCHEDULE  
MEMO ACCOUNT INFORMATION  
For the Year Ended December 31, 2017**

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
<b>Memo Account Information</b>			
11020	Required annual debt principal payments	\$	\$
11030	Beginning equity	612,741	15,466
11040	Prior period adjustment and equity transfers		1,965,371
11170	Administrative fee equity		
11180	Housing assistance payments equity		
11190	Unit months available	1,248	
11210	Unit months leased	1,240	
11270	Excess cash		
11610	Land purchases		
11620	Building purchases		
11630	Furniture and equipment - dwelling purchases		
11640	Furniture and equipment - administrative purchases		
11650	Leasehold improvements purchases		
11660	Infrastructure purchases		
13510	CFFP debt service payments		
13901	Replacement housing factor funds		

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Bridges	State / Local	Shelter Plus Care	Total
\$ 2,787,308 12,442	\$ 2,711	\$ (12,442)	\$	\$ 787,074	\$	\$ 6,170,671
1,428	2,028					4,704
1,399	1,793					4,432
103,425						103,425
		12,442				12,442
5,000						5,000

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**SCHEDULE OF CAPITAL FUNDS  
December 31, 2017**

	<u>2017</u>	<u>2016</u>	<u>Total</u>
Total Funds Approved	\$ 129,567	\$ 137,329	\$ 266,896
Total Funds Received	<u>79,132</u>	<u>115,436</u>	<u>194,568</u>
Remaining Funds Due	<u>\$ 50,435</u>	<u>\$ 21,893</u>	<u>\$ 72,328</u>
Total Funds Received	\$ 79,132	\$ 115,436	\$ 194,568
Total Funds Expended	<u>79,132</u>	<u>115,436</u>	<u>194,568</u>
Funds on Hand	<u>\$</u>	<u>\$</u>	<u>\$</u>
Status			
Received during Current Year	\$ 79,132	\$ 115,436	\$ 194,568
Current Amount Due			
Prior Amount Due			
Current Revenue	<u>\$ 79,132</u>	<u>\$ 115,436</u>	<u>\$ 194,568</u>



**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  
**Red Wing Housing and Redevelopment Authority**  
Red Wing, Minnesota

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 activities and each major fund of Red Wing Housing and Redevelopment Authority, as of December 31, 2017, and the related notes to the financial statements, which collectively comprise Red Wing Housing and Redevelopment Authority's basic financial statements and have issued our report thereon dated May 30, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Red Wing Housing and Redevelopment Authority's internal control over financial reporting (internal control) to determine the 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 Red Wing Housing and Redevelopment Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Red Wing Housing and Redevelopment Authority'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. Section 6.65, contains seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interests, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that Red Wing Housing and Redevelopment Authority failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. 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 the Organization's noncompliance with the above referenced provisions.

### **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.

*Smith, Schafn and Associates, Ltd.*



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

To the Board of Commissioners  
**Red Wing Housing and Redevelopment Authority**  
Red Wing, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the Red Wing Housing and Redevelopment Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Red Wing Housing and Redevelopment Authority's major federal programs for the year ended December 31, 2017. The Red Wing Housing and Redevelopment Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Red Wing Housing and Redevelopment Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Red Wing Housing and Redevelopment Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the Red Wing Housing and Redevelopment Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Red Wing Housing and Redevelopment Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Red Wing Housing and Redevelopment Authority's internal control over compliance.

Internal Control Over Compliance (continued)

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

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

Purpose of this Report

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Red Wing Housing and Redevelopment Authority, as of and for the year ended December 31, 2017. We have issued our report thereon dated May 30, 2018, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Smith, Schafn and Associates, Ltd.*

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

December 31, 2017

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing &amp; Urban Development</u>		
N/C S/R Section 8 Programs	14.195	\$ 364,581
Multifamily Housing Service Coordinators	14.191	70,244
Community Development Block Grant	14.218	1,527
Low Rent Public Housing	14.850	85,788
Housing Choice Vouchers	14.871	881,109
Public Housing Capital Fund Program	14.872	91,574
Shelter Plus Care	14.238	<u>64,648</u>
Total Expenditures of Federal Awards		<u>\$ 1,559,471</u>

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2017**

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Red Wing Housing and Redevelopment Authority under programs of the federal government for the year ended December 31, 2017. 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 Principals, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Red Wing Housing and Redevelopment Authority, it is not intended to and does not present the financial position, changes in assets, or cash flows of the Red Wing Housing and Redevelopment Authority.

**Note 2. Summary of Significant Accounting Principles**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Red Wing Housing and Redevelopment Authority has not charged indirect costs to any of the federal programs. Therefore the election of the de minimis indirect cost rate is not applicable as allowed under the Uniform Guidance.

**Note 3. Other**

Red Wing Housing and Redevelopment Authority had no expenditures to subrecipients for the year ended December 31, 2017.

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2017**

**SUMMARY OF AUDIT RESULTS**

1. The auditor’s report expresses an unqualified opinion on the financial statements of the Red Wing Housing and Redevelopment Authority.
2. No instances of material deficiencies disclosed during the audit of the financial statements is reported in the 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.
3. No instances of noncompliance material to the financial statements of the Red Wing Housing and Redevelopment Authority were disclosed during the audit.
4. No deficiencies in internal control over major federal award programs disclosed during the audit is reported in the Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award programs for the Red Wing Housing and Redevelopment Authority expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to a major federal award program for the Red Wing Housing and Redevelopment Authority are reported in this schedule.
7. The Programs tested as major programs were:

<u>Name of Program</u>	<u>CFDA</u>
Housing Choice Vouchers	14.871

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Red Wing Housing and Redevelopment Authority does not qualify as a low-risk auditee.

**Findings – Financial Statement Audit**

No findings were noted during the financial statement audit for the year ended December 31, 2017.

**Findings and Questioned Costs – Major Federal Award Programs Audit**

No findings were noted during the federal program audit for the year ended December 31, 2017.

**Prior Year Findings**

None noted.