

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

**FINANCIAL STATEMENTS  
DECEMBER 31, 2015**



## RED WING HOUSING AND REDEVELOPMENT AUTHORITY

### TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3 - 8
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Position	9 - 10
Statement of Revenues, Expenses and Changes in Net Position	11 - 12
Statement of Cash Flows	13 - 16
Notes to the Financial Statements	17 - 26
<b>SUPPLEMENTARY DATA</b>	
Financial Data Schedule	27 - 38
Schedule of Capital Funds	39
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	40 – 41
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	42 – 43
Schedule of Expenditures of Federal Awards	44
Notes to Schedule of Expenditures of Federal Awards	45
Schedule of Findings and Questioned Costs	46

**(This Page is Left Blank Intentionally)**



## 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, 2015, 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, 2015, 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 June 7, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Red Wing Housing and Redevelopment Authority's internal control over financial reporting and compliance.

*Smith, Schafu and Associates, Ltd.*

Red Wing, Minnesota  
June 7, 2016

## **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, 2015.

### **FINANCIAL HIGHLIGHTS**

- The assets of Red Wing Housing and Redevelopment Authority exceeded its liabilities at the close of the most recent fiscal year by \$6,078,484 (*net position*). Of this amount, \$881,315 (*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 \$3,986,915 and total expenses are \$3,308,876 for the current year.
- Red Wing Housing and Redevelopment Authority's total fixed assets for the current year are \$7,079,317.
- Red Wing Housing and Redevelopment Authority's total long term debt for the current year is \$3,758,811.
- At the end of the current fiscal year, unrestricted net position was \$881,315 or 27 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**

	2015	2014	Increase (Decrease)
Current and other assets	\$ 3,174,847	\$ 3,033,670	\$ 141,177
Capital assets	7,079,317	6,897,535	181,782
Total assets	<u>10,254,164</u>	<u>9,931,205</u>	<u>322,959</u>
Current liabilities	613,729	772,594	(158,865)
Long-term liabilities	3,561,951	3,758,166	(196,215)
Total liabilities	<u>4,175,680</u>	<u>4,530,760</u>	<u>(355,080)</u>
Net investment in capital assets	3,320,506	2,972,041	348,465
Restricted	1,876,663	1,363,365	513,298
Unrestricted	881,315	1,065,039	(183,724)
Total net position	<u>\$ 6,078,484</u>	<u>\$ 5,400,445</u>	<u>\$ 678,039</u>

The Organization's total net position for the current fiscal year is \$6,078,484 of which \$3,320,506 is invested in capital assets. The Red Wing Housing and Redevelopment Authority has \$1,381,157 in cash and investments as of December 31, 2015 (including the tenant security deposit account).

The MURL house was sold to an eligible applicant in 2015 and remains in the MURL program. We are repaying General Redevelopment back money that was borrowed to complete the rehabilitation of the MURL house through rents collected from the two MURL Houses.

The HRA closed its second Publically Owned Housing Program deferred loan in May of 2015. The amount of the loan was \$923,000. The total cost of the project was \$1.3 million with the difference coming from Capital Funds Program and the General Redevelopment Fund. These funds were used to replace 225 windows in Jordan Tower I.

In 2015, the HRA lent \$182,000 in Small Cities Program Income Funds loans to rehab three commercial properties in the downtown and Old West Main areas of Red Wing plus one single family house.

In 2015, the HRA worked on the \$683,184 DEED 2014 Small Cities Development Grant Program award. These funds are rehabbing 14 Commercial properties and 8 Owner Occupied houses in the Pottery Place/Old West Main Areas of the City of Red Wing to date. The HRA should complete the grant well in time for the 30 months allowed to complete the loans. CEDA was contracted by the HRA to be the administrator of the loan program. The HRA intends to apply for as much as \$1,000,000 in late 2016 for a new Small Cities Development Grant Program award.

The HRA received a levy amount of \$371,148 in 2015 with \$96,842 allocated to a newly established Affordable Housing Trust Fund.

The HRA completed a Physical Needs Assessment (PNA) in 2015 for Jordan Tower II. This PNA indicates the HRA will need \$5,262,528 in funds to complete the necessary capital repairs in Jordan Towers over the next 15 to 20 years. The HRA is applying for assistance from Minnesota housing in 2016 in the amount of \$3.9 million to begin capital improvements in Jordan Tower II.

The HRA began, in 2015, the process of obtaining designs and financing for an office remodel. This is the first major remodeling job on the office since it was built in 1991.

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

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

	<u>2015</u>	<u>2014</u>	Increase (Decrease)
Revenues:			
Federal grants	\$ 1,443,478	\$ 1,407,065	\$ 36,413
State and local revenues	903,207	406,164	497,043
Tenant revenue	1,032,947	1,019,105	13,842
Investment earnings	9,965	14,654	(4,689)
Other income	597,318	134,139	463,179
Total revenues	<u>3,986,915</u>	<u>2,981,127</u>	<u>1,005,788</u>
Expenses:			
Administration	874,543	760,191	114,352
Tenant Services	108,097	85,438	22,659
Utilities	246,069	248,542	(2,473)
Maintenance and operations	477,087	501,035	(23,948)
Insurance	88,580	86,000	2,580
General expense	253,092	233,066	20,026
Housing assistance payments	741,855	728,851	13,004
Depreciation	362,110	357,347	4,763
Other expenses	157,443	81,241	76,202
Total expenses	<u>3,308,876</u>	<u>3,081,711</u>	<u>227,165</u>
Change in net position	678,039	(100,584)	778,623
Net position, beginning of year	<u>5,400,445</u>	<u>5,501,029</u>	<u>(100,584)</u>
Net position, end of year	<u>\$ 6,078,484</u>	<u>\$ 5,400,445</u>	<u>\$ 678,039</u>

Total revenues for the current year were \$3,986,915 and total expenses were \$3,308,876.

Federal grant revenues were slightly up over the previous year. The Section 8 HCV program continues to be funded at about 80% of past allocations in 2015. The HRA is allocated 169 Housing Choice Vouchers per month but funding allowed only about 135 vouchers per month. The Payment Standard was increase to 105% of Fair Market Rents. The HUD held reserve stood at \$44,945 at the end of December.

Jordan Tower II received an \$8 per unit rent increase in 2015 based on a rent comparability study.

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

**CAPITAL ASSETS**

The Organization's investment in capital assets as of December 31, 2015, amounted to \$7,079,317 (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)

	2015	2014	Increase (Decrease)
Land	\$ 620,944	\$ 620,944	\$
Construction in progress	560,529	47,732	512,797
Buildings and improvements	12,294,103	12,321,684	(27,581)
Furniture and equipment - dwellings	248,507	250,366	(1,859)
Furniture and equipment - administration	476,412	461,185	15,227
Less accumulated depreciation	<u>(7,121,178)</u>	<u>(6,804,376)</u>	<u>(316,802)</u>
<b>Total</b>	<u><u>\$ 7,079,317</u></u>	<u><u>\$ 6,897,535</u></u>	<u><u>\$ 181,782</u></u>

The HRA painted Bluffview Apartments in 2015.

The HRA installed a new retaining wall at the Transitional Housing project in 2015.

Jordan Tower I sustained damage from several incidences in 2015, a kitchen fire, water damage from a broken toilet, trucks running into the canopy and a car crashing into a unit from the parking lot. These items were repaired in 2015 or early 2016. The HRA received insurance proceeds on all damages except the water damage.

The HRA installed surveillance cameras in Jordan Towers I and II and in the office/garage in 2015.

**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 \$3,758,811.

Table 4  
**Long-Term Debt**

	2015	2014	Increase (Decrease)
Deferred Loans	\$ 1,972,855	\$ 1,979,070	\$ (6,215)
MHFA MURL Promissory Notes	302,217	302,217	
General Obligation Housing Development Bonds	1,450,000	1,635,000	(185,000)
Other	33,739	33,739	
Total	\$ 3,758,811	\$ 3,950,026	\$ (191,215)

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 with CEDA intend to apply for a new Small Cities Development Grant in late 2016 for about \$1 million.

The HRA is applying for a \$3.9 million rehab loan for Jordan Tower II. This should be a 0% deferred loan.

The Community Development Grant program continues to be funded at \$40,000 per year.

The HRA is applying for a \$475,000 USDA Rural Development Community Facilities loan to remodel the office. This will have about a \$24,000 annual payment with an interest rate of 2 7/8 % and 30-year term.

**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, 2015

	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	\$ 544,158	\$ 12,247	\$ 216,082	\$ 347,184
Receivables	21,896		10,271	6,364
Inventories				25,690
Prepaid expenses	5,551			7,924
Due from other funds	43,450		9,836	
Capital assets:				
Nondepreciable	350,787			830,686
Depreciable, net	2,219,397			2,207,664
Notes and mortgages receivable			1,402,698	
<b>Total Assets</b>	<b>3,185,239</b>	<b>12,247</b>	<b>1,638,887</b>	<b>3,425,512</b>
<b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Accounts payable	5,099			12,556
Accrued liabilities	5,204			3,170
Compensated absences	24,395			21,457
Accrued interest	23,219			
Deposits payable	35,796			45,115
Deferred revenue	24,844		61,697	813
Due to other governments	26,198			31,449
Due to other funds				138,095
Other liabilities				
Noncurrent liabilities:				
Due in one year	190,000			
Due in more than one year	2,304,110			
<b>Total Liabilities</b>	<b>2,638,865</b>		<b>61,697</b>	<b>252,655</b>
<b>Net Position</b>				
Net investment in capital assets	76,074			3,038,350
Restricted net position			1,577,190	
Unrestricted net position	470,300	12,247		134,507
<b>Total Net Position</b>	<b>546,374</b>	<b>12,247</b>	<b>1,577,190</b>	<b>3,172,857</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 3,185,239</b>	<b>\$ 12,247</b>	<b>\$ 1,638,887</b>	<b>\$ 3,425,512</b>

**See Notes to the Financial Statements**

Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Shelter Plus Care	Elimination	Total
\$ 43,973	\$	\$ 217,513 5,092	\$	\$	\$ 1,381,157 43,623 25,690 30,566
		17,091 106,724		(160,010)	
3,614		1,467,169 291,113			1,181,473 5,897,844 1,693,811
<u>47,587</u>	<u></u>	<u>2,104,702</u>	<u></u>	<u>(160,010)</u>	<u>10,254,164</u>
720		9,107			27,482
1,347		13,113			22,834
14,941		28,480			89,273
		2,289			25,508
		15,975			96,886
		721			88,075
		8,432			66,079
17,872		4,043		(160,010)	
732					732
		6,860			196,860
		1,257,841			3,561,951
<u>35,612</u>	<u></u>	<u>1,346,861</u>	<u></u>	<u>(160,010)</u>	<u>4,175,680</u>
3,614		202,468			3,320,506
8,361		291,112			1,876,663
		264,261			881,315
<u>11,975</u>	<u></u>	<u>757,841</u>	<u></u>	<u></u>	<u>6,078,484</u>
<u>\$ 47,587</u>	<u>\$</u>	<u>\$ 2,104,702</u>	<u>\$</u>	<u>\$ (160,010)</u>	<u>\$ 10,254,164</u>

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Year Ended December 31, 2015**

	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	\$ 369,093	\$	\$	\$ 473,192
HUD PHA operating grants	371,568	66,376		74,067
Other governmental grants		28,314	272,644	255,684
Other revenue	39,329		324,776	114,994
Total Operating Revenues	<u>779,990</u>	<u>94,690</u>	<u>597,420</u>	<u>917,937</u>
<b>Operating Expenses</b>				
Administration	186,591		68,007	180,710
Tenant services	5,021	96,373		6,703
Utilities	92,692			127,402
Maintenance and operations	202,789			204,481
Insurance	25,006			35,433
General expense	32,449		1,692	33,357
Housing assistance payments				
Depreciation	113,376			153,335
Total Operating Expenses	<u>657,924</u>	<u>96,373</u>	<u>69,699</u>	<u>741,421</u>
Operating Income (Loss)	122,066	(1,683)	527,721	176,516
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	(11)		4,885	389
Gain (loss) on sale of assets	(6,154)			(17,436)
Interest expense	(46,438)			
Casualty loss				(94,902)
Total Nonoperating Revenue (Expenses)	<u>(52,603)</u>		<u>4,885</u>	<u>(111,949)</u>
Income (Loss) Before Capital Grants or Transfers	69,463	(1,683)	532,606	64,567
Operating transfers in				186,899
Operating transfers out				
Change in Net Position	<u>69,463</u>	<u>(1,683)</u>	<u>532,606</u>	<u>251,466</u>
<b>Net Position - Beginning of Year</b>	<u>476,911</u>	<u>13,930</u>	<u>1,044,584</u>	<u>2,921,391</u>
<b>Net Position - End of Year</b>	<u>\$ 546,374</u>	<u>\$ 12,247</u>	<u>\$ 1,577,190</u>	<u>\$ 3,172,857</u>

**See Notes to the Financial Statements**



Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Shelter Plus Care	Elimination	Total
\$	\$	\$	\$	\$	\$
785,635	112,435	190,662	33,397		1,032,947
	74,464	272,101			1,443,478
		118,219			903,207
					597,318
<u>785,635</u>	<u>186,899</u>	<u>580,982</u>	<u>33,397</u>		<u>3,976,950</u>
115,018		302,588	21,629		874,543
					108,097
		25,975			246,069
4,812		65,005			477,087
17		28,124			88,580
2,404		181,165	2,025		253,092
710,483			31,372		741,855
904		94,495			362,110
<u>833,638</u>		<u>697,352</u>	<u>55,026</u>		<u>3,151,433</u>
(48,003)	186,899	(116,370)	(21,629)		825,517
54		4,648			9,965
		8,837			(14,753)
		(1,350)			(47,788)
					(94,902)
<u>54</u>		<u>12,135</u>			<u>(147,478)</u>
(47,949)	186,899	(104,235)	(21,629)		678,039
50,631			21,629	(259,159)	
	(186,899)	(72,260)		259,159	
<u>2,682</u>		<u>(176,495)</u>			<u>678,039</u>
9,293		934,336			5,400,445
<u>\$ 11,975</u>	<u>\$</u>	<u>\$ 757,841</u>	<u>\$</u>	<u>\$</u>	<u>\$ 6,078,484</u>

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2015

	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	\$ 393,503	\$	\$
Cash received from intergovernmental	392,717	94,690	264,570
Other cash received	39,329		215,173
Cash paid to employees	(175,158)	(48,233)	
Cash paid to suppliers	(387,317)	(48,140)	(623,903)
	<u>263,074</u>	<u>(1,683)</u>	<u>(144,160)</u>
Net Cash Provided By (Used In) Operating Activities			
<b>Cash Flows From Investing Activities</b>			
Interest income received	(11)		4,885
	<u>(11)</u>		<u>4,885</u>
Net Cash Provided By Investing Activities			
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition of capital assets	(35,136)		
Casualty loss costs			
Interfund borrowings	(43,450)		(9,836)
Operating transfers			
Other long-term liabilities			
Interest paid on long-term debt	(46,438)		
Principal paid on long-term debt	(185,000)		
	<u>(310,024)</u>		<u>(9,836)</u>
Net Cash Provided By (Used In) Capital and Related Financing Activities			
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(46,961)	(1,683)	(149,111)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>591,119</u>	<u>13,930</u>	<u>365,193</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 544,158</u>	<u>\$ 12,247</u>	<u>\$ 216,082</u>

**See Notes to the Financial Statements**

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Shelter Plus Care	Total
\$ 473,553	\$	\$	\$ 191,381	\$	\$ 1,058,437
330,601	793,335	186,899	257,774	40,583	2,361,169
114,994			118,219		487,715
(167,617)	(54,908)		(160,873)	(13,393)	(620,182)
(434,777)	(777,989)		(422,765)	(43,447)	(2,738,338)
<u>316,754</u>	<u>(39,562)</u>	<u>186,899</u>	<u>(16,264)</u>	<u>(16,257)</u>	<u>548,801</u>
<u>389</u>	<u>54</u>		<u>4,648</u>		<u>9,965</u>
<u>389</u>	<u>54</u>		<u>4,648</u>		<u>9,965</u>
(597,159)			73,650		(558,645)
(94,902)					(94,902)
138,095	17,872		(97,309)	(5,372)	
186,899	50,631	(186,899)	(72,260)	21,629	
	(41,331)				(41,331)
			(1,350)		(47,788)
			(6,215)		(191,215)
<u>(367,067)</u>	<u>27,172</u>	<u>(186,899)</u>	<u>(103,484)</u>	<u>16,257</u>	<u>(933,881)</u>
(49,924)	(12,336)		(115,100)		(375,115)
<u>397,108</u>	<u>56,309</u>		<u>332,613</u>		<u>1,756,272</u>
<u>\$ 347,184</u>	<u>\$ 43,973</u>	<u>\$</u>	<u>\$ 217,513</u>	<u>\$</u>	<u>\$ 1,381,157</u>

**See Notes to the Financial Statements**

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2015**

**RECONCILIATION OF OPERATING**

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
Operating Income (Loss)	\$ 122,066	\$ (1,683)	\$ 527,721
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	113,376		
(Increase) Decrease In:			
Accounts receivable	21,149		(8,074)
Inventories			
Prepaid expenses	(97)		
Notes and mortgages receivable			(554,204)
Increase (Decrease) In:			
Accounts payable	(1,516)		
Other accrued liabilities	(16,309)		
Compensated absences	(5)		
Due to other governments			
Deferred revenue	24,410		(109,603)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 263,074</u>	<u>\$ (1,683)</u>	<u>\$ (144,160)</u>
<b>Supplemental Disclosure of Noncash Capital and Related Financing Activities</b>			
Cash paid for interest	\$ 46,438	\$	\$

**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	Shelter Plus Care	Total
\$ 176,516	\$ (48,003)	\$ 186,899	\$ (116,370)	\$ (21,629)	\$ 825,517
153,335	904		94,495		362,110
850	7,700		(14,327)	7,186	14,484
(2,964)					(2,964)
(438)	17		(10,983)		(11,501)
			37,893		(516,311)
(8,003)	374		659	(888)	(9,374)
(2,313)	(1,456)		(8,908)	(926)	(29,912)
(590)	902		558		865
361			719		(84,113)
<u>\$ 316,754</u>	<u>\$ (39,562)</u>	<u>\$ 186,899</u>	<u>\$ (16,264)</u>	<u>\$ (16,257)</u>	<u>\$ 548,801</u>
\$	\$	\$	\$ 1,350	\$	\$ 47,788

# RED WING HOUSING AND REDEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

---

### 1. Summary of Significant Accounting Policies

---

#### 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

---

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

---

#### 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 *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.

	<u>Useful Life in Years</u>
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)

---

#### 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.



**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**2. Cash and Cash Equivalents**

---

*Summary of Cash and Deposits*

As of December 31, 2015 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	\$ 1,292,000
Certificates of deposit	August 2016 - October 2016	<u>89,157</u>
		<u>\$ 1,381,157</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.

*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.

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**3. Loans Receivable**

---

Following is a summary of the notes receivable outstanding at December 31, 2015 and 2014:

	<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	\$ 848,494	\$ 701,946	\$ 147,742	\$ 1,402,698
State / Local	314,006	107,142	130,035	291,113
Total	<u>\$ 1,162,500</u>	<u>\$ 809,088</u>	<u>\$ 277,777</u>	<u>\$ 1,693,811</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, 2015 totaled \$1,402,698.

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, 2015 totaled \$291,113.

**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	\$ 620,944	\$	\$	\$ 620,944
Construction in progress	47,732	512,797		560,529
Total capital assets	<u>668,676</u>	<u>512,797</u>		<u>1,181,473</u>
Capital assets, being depreciated:				
Buildings and improvements	12,321,684	122,709	(150,290)	12,294,103
Furniture and equipment - dwelling units	250,366		(1,859)	248,507
Furniture and equipment - administration	461,185	35,137	(19,910)	476,412
Total capital assets	<u>13,033,235</u>	<u>157,846</u>	<u>(172,059)</u>	<u>13,019,022</u>
Less accumulated depreciation	<u>6,804,376</u>	<u>362,109</u>	<u>(45,307)</u>	<u>7,121,178</u>
Total capital assets, being depreciated, net	<u>6,228,859</u>	<u>(204,263)</u>	<u>(126,752)</u>	<u>5,897,844</u>
Governmental activities capital assets, net	<u>\$ 6,897,535</u>	<u>\$ 308,534</u>	<u>\$ (126,752)</u>	<u>\$ 7,079,317</u>

Depreciation expense was charged to functions/programs as follows:

**Business-Type Activities:**

N/C S/R Section 8 Programs	\$ 113,376
Low Rent Public Housing	153,335
Housing Choice Vouchers	904
State / Local	<u>94,495</u>
Total depreciation expense - business-type activities	<u>\$ 362,110</u>

# RED WING HOUSING AND REDEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

---

### 5. Long-Term Debt

---

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 \$359,859. The entire balance with zero percent interest is forgiven after 20 years. 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.

#### **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, 2015 balances is as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2015
Deferred Loans:			
1995 MHFA	0.00%	2015	\$ 356,859
1999 MHFA	0.00%	2019	9,911
2001 MHFA	0.00%	2021	22,475
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
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	1,450,000
Other:			
Small Cities PI Loan	4.00%	2022	33,739
Total			<u>\$ 3,758,811</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, 2015 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	12,386			(2,475)	9,911	2,477
2001 MHFA	26,215			(3,740)	22,475	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	
MHFA MURL Promissory Notes:						
1993 Note	159,268				159,268	
1994 Note	142,949				142,949	
General Obligation Housing Development Bond						
Series 2009 Refunding	1,635,000		185,000		1,450,000	190,000
Other:						
Small Cities PI Loan (30 yr)	33,739				33,739	638
Business-type Activities						
Long-term Liabilities	<u>\$ 3,950,026</u>	<u>\$</u>	<u>\$ 185,000</u>	<u>\$ (6,215)</u>	<u>\$ 3,758,811</u>	<u>\$ 196,860</u>

The annual requirements to amortize all long-term debt outstanding as of December 31, 2015 are summarized below:

Years	General Obligation		Other	
	Principal	Interest	Principal	Interest
2016	\$ 190,000	\$ 44,063	\$ 6,885	\$ 1,349
2017	195,000	39,006	363,756	1,321
2018	200,000	33,325	6,925	1,293
2019	205,000	26,994	6,957	1,263
2020	215,000	19,954	4,506	1,231
2021 - 2025	445,000	16,447	1,514,782	3,596
2034			405,000	
	<u>\$ 1,450,000</u>	<u>\$ 179,789</u>	<u>\$ 2,308,811</u>	<u>\$ 10,053</u>

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

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

---

**7. Individual Fund Disclosures**

---

Balances of inter-fund receivables and payables as of December 31, 2015 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	\$ 106,724	\$ 4,043
Low Rent Public Housing		138,095
N/C S/R Section 8 Programs	43,450	
Housing Choice Vouchers		17,872
Community Development Block Grants	9,836	
	<u>\$ 160,010</u>	<u>\$ 160,010</u>

Transfers during the year ended December 31, 2015 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Low Rent Public Housing	\$ 186,899	\$
Public Housing Capital Fund Program		186,899
Housing Choice Vouchers	50,631	
Shelter Plus Care	21,629	
State / Local		72,260
	<u>\$ 259,159</u>	<u>\$ 259,159</u>

**8. Commitments and Contingencies**

---

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.

---

**9. Deferred Compensation Plans**

---

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 \$39,510 for the year ended December 31, 2015.

**(This Page is Left Blank Intentionally)**



## **SUPPORTING DATA**

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE  
STATEMENT OF NET POSITION  
December 31, 2015

	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	\$ 293,518	\$ 12,247	\$
113 Cash - other restricted			216,082
114 Cash - tenant security deposits	35,796		
115 Cash - restricted - payment of current liability	214,844		
<b>100 Total Cash</b>	<b>544,158</b>	<b>12,247</b>	<b>216,082</b>
<b>Receivables</b>			
122 Accounts receivable - other HUD projects	21,186		
125 Accounts receivable - miscellaneous			7,126
126 Accounts receivable -tenants - dwelling units	710		
126.1 Allowance for doubtful accounts			
127 Loans receivable - current			
129 Accrued interest receivable			3,145
<b>120 Total Receivables</b>	<b>21,896</b>		<b>10,271</b>
142 Prepaid expenses and other assets	5,551		
143 Inventories			
144 Inter program due from	43,450		9,836
<b>150 Total Current Assets</b>	<b>615,055</b>	<b>12,247</b>	<b>236,189</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	(2,666,992)		
167 Construction in progress			
<b>160 Total Fixed Assets</b>	<b>2,570,184</b>		
171 Notes, loans and mortgages receivable - noncurrent			1,402,698
<b>180 Total Noncurrent Assets</b>	<b>2,570,184</b>		<b>1,402,698</b>
<b>190 Total Assets</b>	<b>\$ 3,185,239</b>	<b>\$ 12,247</b>	<b>\$ 1,638,887</b>

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Shelter Plus Care	Total
\$ 301,256	\$ 34,879	\$	\$ 193,957	\$	\$ 835,857
45,115	9,094		15,975		225,176
813			7,581		96,886
<b>347,184</b>	<b>43,973</b>		<b>217,513</b>		<b>1,381,157</b>
					21,186
6,364			4,568		11,694
			212		7,286
			312		3,457
<b>6,364</b>			<b>5,092</b>		<b>43,623</b>
7,924			17,091		30,566
25,690					25,690
			106,724		160,010
<b>387,162</b>	<b>43,973</b>		<b>346,420</b>		<b>1,641,046</b>
270,157					620,944
5,024,003			2,588,413		12,294,103
116,425			61,313		248,507
129,669	13,849		198,961		476,412
(3,062,433)	(10,235)		(1,381,518)		(7,121,178)
560,529					560,529
<b>3,038,350</b>	<b>3,614</b>		<b>1,467,169</b>		<b>7,079,317</b>
			291,113		1,693,811
<b>3,038,350</b>	<b>3,614</b>		<b>1,758,282</b>		<b>8,773,128</b>
<b>\$ 3,425,512</b>	<b>\$ 47,587</b>	<b>\$</b>	<b>\$ 2,104,702</b>	<b>\$</b>	<b>\$ 10,414,174</b>

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE  
STATEMENT OF NET POSITION  
December 31, 2015

	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	5,099		
321 Accrued wage / payroll tax payable	5,204		
322 Accrued compensated absences - current portion	9,736		
325 Accrued interest payable	23,219		
333 Accounts payable - other government	26,198		
341 Tenant securtiy deposit	35,796		
342 Deferred revenues	24,844		61,697
343 Current portion of long-term debt	190,000		
345 Other current liabilities			
346 Accrued liabilities - other			
347 Inter program due to			
<b>310 Total Current Liabilities</b>	<b>320,096</b>		<b>61,697</b>
<b>Noncurrent Liabilities</b>			
351 Long-term debt, net of current	2,304,110		
353 Noncurrent liabilities - other			
354 Accrued compensated absences - noncurrent	14,659		
<b>350 Total Noncurrent Liabilities</b>	<b>2,318,769</b>		
<b>300 Total Liabilities</b>	<b>2,638,865</b>		<b>61,697</b>
<b>Equity/Net Assets</b>			
508.1 Net investment in capital assets	76,074		
511.1 Restricted net assets			1,577,190
512.1 Unrestricted net assets	470,300	12,247	
<b>513 Total Equity/Net Assets</b>	<b>546,374</b>	<b>12,247</b>	<b>1,577,190</b>
<b>600 Total Liabilities and Equity/Net Assets</b>	<b>\$ 3,185,239</b>	<b>\$ 12,247</b>	<b>\$ 1,638,887</b>

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Shelter Plus Care	Total
\$ 12,496	\$	\$	\$	\$	\$ 12,496
	720		9,107		14,926
3,170	1,347		9,892		19,613
8,829	4,759		8,350		31,674
			2,289		25,508
31,449			8,432		66,079
45,115			15,975		96,886
813			721		88,075
			6,860		196,860
			3,221		3,221
60					60
138,095	17,872		4,043		160,010
<b>240,027</b>	<b>24,698</b>		<b>68,890</b>		<b>715,408</b>
			1,257,841		3,561,951
	732				732
12,628	10,182		20,130		57,599
<b>12,628</b>	<b>10,914</b>		<b>1,277,971</b>		<b>3,620,282</b>
<b>252,655</b>	<b>35,612</b>		<b>1,346,861</b>		<b>4,335,690</b>
3,038,350	3,614		202,468		3,320,506
	8,361		291,112		1,876,663
134,507			264,261		881,315
<b>3,172,857</b>	<b>11,975</b>		<b>757,841</b>		<b>6,078,484</b>
<b>\$ 3,425,512</b>	<b>\$ 47,587</b>	<b>\$</b>	<b>\$ 2,104,702</b>	<b>\$</b>	<b>\$ 10,414,174</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, 2015**

	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	\$ 362,134	\$	\$
70400	6,959		
<b>70500</b>	<b>369,093</b>		
70600	371,568	66,376	
70610			
<b>Fee Revenue</b>			
70710			
70720			
70730			
70750			
<b>70700</b>			
70800		28,314	272,644
71100	(11)		4,885
71500	39,329		324,776
71600	(6,154)		
<b>70000</b>	<b>\$ 773,825</b>	<b>\$ 94,690</b>	<b>\$ 602,305</b>

<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>	<u>Public Housing Capital Fund Program</u>	<u>State / Local</u>	<u>Shelter Plus Care</u>	<u>Total</u>
\$ 452,381	\$	\$	\$ 143,970	\$	\$ 958,485
20,811			46,692		74,462
<b>473,192</b>			<b>190,662</b>		<b>1,032,947</b>
74,067	785,635	112,435 74,464		33,397	1,443,478 74,464
255,684			272,101		828,743
389	54		4,648		9,965
114,994			118,219		597,318
(17,436)			8,837		(14,753)
<b>\$ 900,890</b>	<b>\$ 785,689</b>	<b>\$ 186,899</b>	<b>\$ 594,467</b>	<b>\$ 33,397</b>	<b>\$ 3,972,162</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, 2015

	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	\$ 97,706	\$	\$
91200 Auditing Fee	1,432		
91310 Book-Keeping Fee	6,308		
91400 Advertising and Marketing	3,465		
91500 Employee Benefit Contribution	35,919		
91600 Office Expenses	22,661		
91700 Legal Expense	196		275
91800 Travel	24		
91900 Other	18,880		67,732
<b>91000 Total Administrative</b>	<b>186,591</b>		<b>68,007</b>
<b>Tenant Services</b>			
92100 Salaries		48,233	
92300 Employee Benefit Contributions		19,799	
92400 Tenant Services - Other	5,021	28,341	
<b>92500 Total Tenant Services</b>	<b>5,021</b>	<b>96,373</b>	
<b>Utilities</b>			
93100 Water	11,960		
93200 Electricity	32,706		
93300 Gas	34,504		
93600 Sewer	13,522		
<b>93000 Total Utilities</b>	<b>92,692</b>		
<b>Ordinary Maintenance and Operations</b>			
94100 Labor	77,457		
94200 Materials and Other	38,205		
94300 Contracts	50,530		
94500 Employee Benefit Contributions	36,597		
<b>94000 Total Ordinary Maintenance and Operations</b>	<b>202,789</b>		
<b>Insurance</b>			
96110 Property Insurance	15,401		
96120 Liability Insurance	5,307		
96130 Workmen's Compensation	4,183		
96140 All Other Insurance	115		
<b>96100 Total Insurance</b>	<b>\$ 25,006</b>	<b>\$</b>	<b>\$</b>



Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Shelter Plus Care	Total
\$ 81,881	\$ 54,006	\$	\$ 152,362	\$ 13,393	\$ 399,348
1,432	1,156		1,180		5,200
	5,285		10,729		22,322
3,255			150		6,870
38,103	34,469		72,135	7,327	187,953
29,772	10,820		11,211		74,464
					471
29	231		7,588	909	8,781
26,238	9,051		47,233		169,134
<b>180,710</b>	<b>115,018</b>		<b>302,588</b>	<b>21,629</b>	<b>874,543</b>
					48,233
					19,799
6,703					40,065
<b>6,703</b>					<b>108,097</b>
17,652			11,567		41,179
46,068			6,333		85,107
41,081			7,189		82,774
22,601			886		37,009
<b>127,402</b>			<b>25,975</b>		<b>246,069</b>
86,326			7,952		171,735
41,477			11,837		91,519
48,055	4,812		42,041		145,438
28,623			3,175		68,395
<b>204,481</b>	<b>4,812</b>		<b>65,005</b>		<b>477,087</b>
25,328			22,833		63,562
5,879			1,108		12,294
4,183			4,183		12,549
43	17				175
<b>\$ 35,433</b>	<b>\$ 17</b>	<b>\$</b>	<b>\$ 28,124</b>	<b>\$</b>	<b>\$ 88,580</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, 2015

	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	\$ 1,304	\$	\$ 1,692
96210 Compensated Absences	(5)		
96300 Payments in Lieu of Taxes	26,198		
96400 Bad Debt - Tenant Rents	4,594		
<b>96000 Total Other General Expenses</b>	<b>32,091</b>		<b>1,692</b>
<b>Interest Expense and Amortization Cost</b>			
96710 Interest on Mortgage Payable	46,438		
96720 Interest on Notes Payable			
96730 Amortization of Bond Issue Costs			
<b>96700 Total Interest Expense and Amortization Cost</b>	<b>46,438</b>		
<b>96900 Total Operating Expenses</b>	<b>590,628</b>	<b>96,373</b>	<b>69,699</b>
<b>97000 Excess Revenue Over Operating Expenses</b>	<b>183,197</b>	<b>(1,683)</b>	<b>532,606</b>
<b>Other Expenses</b>			
97100 Extraordinary Maintenance	358		
97200 Casualty loss			
97300 Housing Assistance Payments			
97400 Depreciation Expense	113,376		
<b>90000 Total Expenses</b>	<b>704,362</b>	<b>96,373</b>	<b>69,699</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>\$ 69,463</b>	<b>\$ (1,683)</b>	<b>\$ 532,606</b>

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Shelter Plus Care	Total
\$	\$		\$	\$	\$
(590)	1,502		164,635	2,025	171,158
31,449	902		559		866
2,498			15,971		73,618
<u>33,357</u>	<u>2,404</u>		<u>181,165</u>	<u>2,025</u>	<u>252,734</u>
			1,350		47,788
					0
			<u>1,350</u>		<u>47,788</u>
<b>588,086</b>	<b>122,251</b>		<b>604,207</b>	<b>23,654</b>	<b>2,094,898</b>
<u>312,804</u>	<u>663,438</u>	<u>186,899</u>	<u>(9,740)</u>	<u>9,743</u>	<u>1,877,264</u>
					358
94,902					94,902
	710,483			31,372	741,855
153,335	904		94,495		362,110
<u>836,323</u>	<u>833,638</u>		<u>698,702</u>	<u>55,026</u>	<u>3,294,123</u>
112,435	50,631			21,629	184,695
		(112,435)	(72,260)		(184,695)
<u>112,435</u>	<u>50,631</u>	<u>(112,435)</u>	<u>(72,260)</u>	<u>21,629</u>	
<u>\$ 177,002</u>	<u>\$ 2,682</u>	<u>\$ 74,464</u>	<u>\$ (176,495)</u>	<u>\$</u>	<u>\$ 678,039</u>

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**FINANCIAL DATA SCHEDULE  
MEMO ACCOUNT INFORMATION  
For the Year Ended December 31, 2015**

	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	476,911	1,044,584
11040	Prior period adjustment and equity transfers		
11170	Administrative fee equity		
11180	Housing assistance payments equity		
11190	Unit months available	1,224	
11210	Unit months leased	1,196	
11270	Excess cash		
11610	Land purchases		
11620	Building purchases		
11630	Furniture and equipment - dwelling purchases	35,136	
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	State / Local	Shelter Plus Care	Total
\$ 2,921,391 74,464	\$ 9,293	\$ (74,464)	\$ 934,336	\$	\$ 5,400,445
1,428	1,777				4,429
1,410	1,626				4,232
64,515					64,515
9,897		74,464	38,346		122,707
					35,136

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**SCHEDULE OF CAPITAL FUNDS**

December 31, 2015

	<u>2015</u>	<u>2014</u>	<u>Total</u>
Total Funds Approved	\$ 131,716	\$ 130,257	\$ 261,973
Total Funds Received	<u>123,669</u>	<u>67,027</u>	<u>190,696</u>
Remaining Funds Due	<u>\$ 8,047</u>	<u>\$ 63,230</u>	<u>\$ 71,277</u>
Total Funds Received	\$ 123,669	\$ 67,027	\$ 190,696
Total Funds Expended	<u>123,669</u>	<u>67,027</u>	<u>190,696</u>
Funds on Hand	<u>\$</u>	<u>\$</u>	<u>\$</u>
Status			
Received during Current Year	\$ 123,669	\$ 67,027	\$ 190,696
Current Amount Due			
Prior Amount Due			
Current Revenue	<u>\$ 123,669</u>	<u>\$ 67,027</u>	<u>\$ 190,696</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, 2015, 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 June 7, 2016.

**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, Schafu 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, 2015. 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 City of Caledonia, Minnesota'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, 2015.

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, 2015. We have issued our report thereon dated June 7, 2016, 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, Schafu and Associates, Ltd.*

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**

December 31, 2015

<b>Federal Grantor/Pass-through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<u>U.S. Department of Housing &amp; Urban Development</u>		
N/C S/R Section 8 Programs	14.195	\$ 371,568
Multifamily Housing Service Coordinators	14.191	66,376
Community Development Block Grant	14.218	268,894
Low Rent Public Housing	14.856	74,067
Housing Choice Vouchers	14.871	785,635
Public Housing Capital Fund Program	14.872	186,899
Shelter Plus Care	14.238	<u>33,397</u>
Total Expenditures of Federal Awards		<u>\$ 1,786,836</u>

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2015**

**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, 2015. 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, 2015.

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2015**

**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 qualifies as a low-risk auditee.

**Findings – Financial Statement Audit**

No findings were noted during the financial statement audit for the year ended December 31, 2015.

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

No findings were noted during the federal program audit for the year ended December 31, 2015.

**Prior Year Findings**

None noted.