

**Babcock. Langbein and Company**

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Board of Commissioners  
Red Wing Housing and Redevelopment Authority  
Red Wing, Minnesota

**Independent Auditor's Report**

We have audited the accompanying financial statements of the major funds of the Red Wing Housing and Redevelopment Authority as of and for the year ended December 31, 2010 which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Red Wing Housing and Redevelopment Authority management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Red Wing Housing and Redevelopment Authority as of December 31, 2010, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated April 5, 2011 on our consideration of the Red Wing Housing and Redevelopment Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit. We have also examined the financial data schedule submitted to the Real Estate Assessment Center( REAC).

Management's Discussion and Analysis as listed in the table of contents is not a required part of the basic financial statements but is supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of management inquiries regarding methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

**Babcock. Langbein and Company**

Certified Public Accountants

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and the financial data schedule are presented for purposes of additional analysis and are not a required part of the financial statements of the Red Wing Housing and Redevelopment Authority. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements as a whole.

*Babcock, Langbein and Company*

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Babcock, Langbein and Company

**Red Wing Housing and Redevelopment Authority  
December 31, 2010**

**Management Discussion and Analysis**

This document is prepared in accordance with Government Accounting Standards Board Statement No. 34. It should be read in conjunction with the financial statements of the Authority which are also within this report. The Authority has no component units and is not a component unit of any other entity. All amounts presented refer to the Authority.

**Financial Highlights**

**Overview**

Total Assets decreased by 2,800,881 over the previous year while liabilities decreased by 3,021,685 resulting in an overall increase in Net Assets of 220,804

Working Capital decreased by 2,678,228 during the year.

Total revenue increased by 172,601 over that of the prior year.  
Total expenses increased by 72,257 over that of the prior year.

Total fixed assets increased by 850,895 over that of the prior year, while accumulated depreciation increased by 364,376, resulting in an increase in net fixed assets of 486,519.

All funds had a positive balance at year end.

As management of the Red Wing Housing and Redevelopment Authority, Red Wing, MN (HRA) we offer the following narrative overview and analysis of the HRA's financial statements and activities for the fiscal year ending December 31, 2010.

**Red Wing Housing and Redevelopment Authority**  
**December 31, 2010**

**Financial Statements**

All funds of the Authority are proprietary funds. Accounting procedures are the same as those for business enterprises. The financial statements of the Authority consist of the following:

**Statement of Net Assets - Proprietary Funds**

This statement presents everything which the authority owns and owes. All assets, including cash, accounts receivable, prepaid expenses and fixed assets are listed and totaled. All liabilities, including amounts due to vendors (accounts payable) and others (other accrued expenses) are listed and totaled. The difference between the total of the assets and the total of the liabilities is the Net Assets of the Authority. Net Assets added to the total liabilities equals the total assets of the Authority. Net Assets are also equal to the total of all prior years' net income and losses of the authority including all contributions from HUD.

**Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds.**

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 Authority's operations. Nonoperating revenue and expenses include items outside of operations and include such items as Interest income, Capital Grants and Gains or losses on disposition of fixed assets.

The income or loss for the year, added to the prior year's net assets equals the current year's net assets.

**Statement of Cash Flows - Proprietary Funds**

This statement records the sources and uses of cash for the year. Sources include or would include Operating Activities (Collections from tenants and other operating income received less operating expenses paid); Non-Capital Financing Activities (Operating Grants, interfund transfers and loans); Capital Financing Activities (Proceeds of long-term debt used to purchase fixed assets, the purchase of fixed assets, interest paid on long-term debt); Investing Activities (Purchase and sale of investments, investment income).

The total of the above amounts equals the increase or decrease in cash for the year. This increase or decrease, when added to the prior year's cash balance, equal the current cash balance. Cash is defined as all checking, savings and Certificate Accounts and all cash on hand. Differences in all other asset and liability accounts, when added to the net income or loss, equals the change in cash for the year.

These financial statements are presented for each of the funds of the Authority:

Red Wing Housing and Redevelopment Authority  
December 31, 2010

Management Discussion and Analysis

**Low Rent Public Housing**

This 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 Authority.

**Housing Choice Vouchers**

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

**Public Housing Capital Fund Program**

This 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.

**Other Funds**

N/C S/R Section 8 Programs  
Multifamily Housing Service Coordinators  
Community Development Block Grants / Small Cities Program  
State/Local  
CFRG

All funds are presented in each of the financial statements:

**STATEMENT OF NET ASSETS**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**  
**STATEMENT OF CASH FLOWS**

**Red Wing Housing and Redevelopment Authority**  
**December 31, 2010**

**Management Discussion and Analysis**

**Condensed Financial Information - All Funds**

	<u>December</u> <u>31, 2010</u>	<u>December</u> <u>31, 2009</u>	<u>Increase</u> <u>(Decrease)</u>
Assets			
Current Assets	2,942,117	5,734,678	(2,792,561)
Capital Assets	7,421,764	7,430,084	(8,320)
Total Assets	<u>\$10,363,881</u>	<u>\$13,164,762</u>	<u>(\$2,800,881)</u>
Liabilities			
Current Liabilities	911,021	1,025,354	(114,333)
Long-term Debt	4,234,737	7,142,089	(2,907,352)
Total Liabilities	<u>\$5,145,758</u>	<u>\$8,167,443</u>	<u>(\$3,021,685)</u>
Net Assets			
Invested in Capital Assets Net of Related Debt	1,876,689	(1,641,113)	3,517,802
Restricted Net Assets	366,535	2,362,433	(1,995,898)
Unrestricted Net Assets	2,974,899	\$4,275,999	(\$1,301,100)
Total Net Assets	<u>\$5,218,123</u>	<u>\$4,997,319</u>	<u>\$220,804</u>
Total Liabilities and Net Assets	<u>\$10,363,881</u>	<u>\$13,164,762</u>	<u>(\$2,800,881)</u>
Program Revenue			
Federal Grants (HUD)	1,549,231	1,455,405	93,826
Tenant Revenue	918,264	855,506	62,758
Investment Earnings	50,106	73,033	(22,927)
Other Income	\$784,475	\$745,531	\$38,944
Total Income	<u>\$3,302,076</u>	<u>\$3,129,475</u>	<u>\$172,601</u>
Program Expenses			
Administration	705,184	705,457	(273)
Tenant Services	108,672	68,324	40,348
Utilities	202,138	230,280	(28,142)
Ordinary maintenance and operation	513,811	474,498	39,313
General expense	361,162	434,487	(73,325)
Depreciation	405,461	400,343	5,118
Extraordinary Maintenance/Project Costs	0	3,714	(3,714)
Housing Assistance Payments	784,844	691,912	92,932
Total Other Expenses	<u>3,081,272</u>	<u>3,009,015</u>	<u>72,257</u>
Excess of Revenue over (Under) Expenses	<u>220,804</u>	<u>120,460</u>	<u>100,344</u>
Change in Net Assets	220,804	120,460	100,344
Beginning Net Assets	4,997,319	4,876,859	120,460
Ending Net Assets	<u>\$5,218,123</u>	<u>\$4,997,319</u>	<u>\$220,804</u>

See Notes to Financial Statements

**Red Wing Housing and Redevelopment Authority**  
**December 31, 2010**

**Specific Comments**

Current Assets decreased by 2,792,561 during the year as follows:

	<u>Increase (Decrease)</u>	<u>Components of Working Capital</u>
Cash	(\$1,635,916)	
Accounts Receivable /Interest Receivable	92,558	
Investments	(55,255)	
Investments - Restricted	(1,194,489)	
Prepaid Expenses	6,327	
Inventories	(5,786)	
<b>Total Current Assets</b>	<b><u>(2,792,561)</u></b>	<b>(\$2,792,561)</b>

The HRA refunded the Jordan Tower II 1998 Bond Issue with Series 2009A. Proceeds were received in December 2009 with the payoff in January 2010. The 2009A issue was for \$2,335,000. Consequently, our current assets show a significant decreases from the previous year.

The HRA receives about \$9,000 per month from Small Cities Program Income. The HRA has a large reserve account in Small Cities from the program income and payoff of Small Cities loans. The HRA has developed a plan to utilize nearly all these funds over the next 18 months with LMI housing developments and other eligible community investments.

The Section 8 Voucher program experienced a significant shortfall in income in 2010. Income for the program did not meet the costs expended for the vouchers issued. The HRA worked with the HUD Shortfall Team in 2010 to minimize the impact of not receiving enough funds to meet monthly voucher costs. Consequently, the HRA ended the year 2010 with a zero dollar balance in its Net Restricted Account for the Section 8 Program. By the end of the year, the HRA also significantly reduced the number of vouchers outstanding to achieve a balance with the funds received from HUD and the funds expended monthly.

The HRA continues to make its normal debt repayments.

**Red Wing Housing and Redevelopment Authority**  
**December 31, 2010**

Current Liabilities decreased by 114,333 during the year, as follows:

	<u>Increase</u> <u>(Decrease)</u>	
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts Payable <= 90 Days	102,861	
Accrued Wage / Payroll Tax Payable	2,771	
Accrued Compensated Absences - Current Portion	1,305	
Accrued Interest Payable	(44,169)	
Accounts Payable - Other Government	2,280	
Tenant Security Deposits	(167)	
Deferred Revenues	(68,521)	
Current portion of Long-term Debt	(111,056)	
Accrued Liabilities - Other	363	
Total Current Liabilities	<u>(\$114,333)</u>	<u>(114,333)</u>
		<u>Increase</u> <u>(Decrease)</u> <u>in Working</u> <u>Capital</u>
		(\$2,678,228)

In 2010, the HRA began new construction on twin homes in the downtown area with construction financing coming from a local bank. These homes will be for sale in 2011.

Also, in 2010, the HRA acquired a house for a major rehabilitation project. Financing came from a local bank. The HRA will sell this house in 2011.

The HRA refunded its 1998 Bond issue on Jordan Tower II with the 2009A Bond issue of \$2,335,000

**Red Wing Housing and Redevelopment Authority**  
**December 31, 2010**

Total revenue increased by 172,601 over that of the prior year. as follows:

	<u>Increase</u> <u>(Decrease)</u>
<b>Operating Revenue</b>	
Net Tenant Rental Revenue	5,481
Tenant Revenue - Other	57,277
HUD PHA Operating Grants	(43,829)
Other Government Grants	57,727
Other Revenue	(13,513)
Capital Grants	137,655
Investment Income - Unrestricted	(25,565)
Investment Income - Restricted	2,638
Gain/Loss on Sale of Fixed Assets	(5,270)
Total Revenue	<u>\$172,601</u>

HUD reduced the HRA operating subsidy for the LRPB program in 2010 by \$ 80,000.

The HRA received an ARRA grant of \$198,696 in 2009 of which \$166,278 was obligated in 2010.

The HRA received \$44,206 for the performance of energy audits under its Energy Audit Contract with Three Rivers Community Action in 2010.

The HRA received \$24,473 in administration fees for the local administration of the Minnesota Housing Rental Rehab HOME program in 2010.

The HRA received \$8,212 in administration fees for the administration of its Small Cities Program Income program in 2010.

**Red Wing Housing and Redevelopment Authority**  
**December 31, 2010**

Total expenses increased by 72,257 over that of the prior year. as follows:

	<u>Increase</u> <u>(Decrease)</u>
Operating Expenses	
Administration	(273)
Tenant Services	40,348
Utilities	(28,142)
Ordinary maintenance and operation	39,313
General expense	(73,325)
Extraordinary Maintenance/Project Costs	(3,714)
Housing Assistance Payments	92,932
Depreciation	5,118
Total Expenses	<u>\$72,257</u>

The Section 8 Voucher program experienced a significant shortfall in income in 2010. Income for the program did not meet the costs expended for the vouchers issued. The HRA worked with the HUD Shortfall Team in 2010 to minimize the impact of not receiving enough funds to meet monthly voucher costs. Consequently, the HRA ended the year 2010 with a zero dollar balance in its Net Restricted Account for the Section 8 Program. By the end of the year, the HRA also significantly reduced the number of vouchers outstanding to achieve a balance with the funds received from HUD and the funds expended monthly.

**Red Wing Housing and Redevelopment Authority**  
December 31, 2010

**Analysis of Overall Financial Position and Results of Operations**

<b>Overall increase (Decrease) in Net Assets</b>	220,804	120,460
Percent of Revenue	6.69 %	3.85 %
Percent of Assets	2.13 %	0.92 %
Percent of Beginning Net Assets	4.42 %	2.47 %
 <b>Net Assets - Unrestricted</b>		
Percent of Expenses	96.55 %	142.11 %

There were no significant changes in programs, organizational structure, revenue sources or categories of expenses for the year.

**Analysis of Balances and Transactions of Individual Funds**

	<u>N/C S/R Section 8 Programs</u>	<u>Multifamily Housing Service Coordinators</u>	<u>Community Development Block Grants / Small Cities Program</u>	<u>Low Rent Public Housing</u>
Beginning Net Assets	(\$57,239)	\$2,123	\$947,364	\$2,398,762
Revenue	777,487	85,762	12,046	609,260
Expenses	(685,380)	(83,327)	(22,046)	(637,055)
Transfers in(out)	0	0	0	0
Other	0	0	0	(166,278)
Net Increase (Decrease)	92,107	2,435	(10,000)	138,483
Ending Net Assets	<u>\$34,868</u>	<u>\$4,558</u>	<u>\$937,364</u>	<u>\$2,537,245</u>
Restricted Net Assets				
Capital Assets net of Related Debt	(820,839)	0	0	2,163,834
Other Restricted Net Assets	0	0	366,535	0
Net Assets Available for Future Use	<u>\$855,707</u>	<u>\$4,558</u>	<u>\$570,829</u>	<u>\$373,411</u>
Total Net Assets	<u>\$34,868</u>	<u>\$4,558</u>	<u>\$937,364</u>	<u>\$2,537,245</u>
Percent Increase (Decrease)	(160.92) %	114.70 %	(1.06) %	5.77 %

There were no significant unusual or unanticipated transactions.

	<u>Housing Choice Vouchers</u>	<u>Public Housing Capital Fund Program</u>	<u>State/Local</u>	<u>CFRG</u>
Beginning Net Assets	\$91,556	\$0	\$1,614,753	\$0
Revenue	786,969	0	864,274	166,278
Expenses	(876,736)	0	(776,728)	0
Transfers in(out)	11,970	0	(11,970)	0
Other	0	0	0	166,278
Net Increase (Decrease)	(77,797)	0	75,576	0
Ending Net Assets	<u>\$13,759</u>	<u>\$0</u>	<u>\$1,690,329</u>	<u>\$0</u>
Restricted Net Assets				
Capital Assets net of R	9,006	0	524,688	0
Other Restricted Net Assets	0	0	612,325	0
Net Assets Available for	<u>\$4,753</u>	<u>\$0</u>	<u>\$553,316</u>	<u>\$0</u>
	<u>\$13,759</u>	<u>\$0</u>	<u>\$1,690,329</u>	<u>\$0</u>
Percent Increase (Decrease)	(84.97) %	ERR %	4.68 %	ERR %

There were no significant unusual or unanticipated transactions.

**Red Wing Housing and Redevelopment Authority**  
**December 31, 2010**

**Management Discussion and Analysis**

**Capital Assets and Long-term Debt**

Changes in Capital assets for the year were as follows:

Business-type Activities			Adjustments/		
Capital Assets not being depreciated	<u>December</u>	<u>Additions</u>	<u>Deletions</u>	<u>December</u>	
<u>Life in Years</u>	<u>31, 2009</u>	<u>31, 2010</u>	<u>31, 2010</u>	<u>31, 2010</u>	
Land and Improvements	\$635,180	\$226,837	\$0	\$862,017	
Total Capital Assets not being Depreciated	<u>635,180</u>	<u>350,901</u>	<u>0</u>	<u>986,081</u>	
Capital Assets being depreciated					
Buildings / Infrastructure	<u>30-40</u> 11,425,935	172,661	0	11,598,596	
Equipment and Other	<u>3-10</u> 791,584	368,418	(41,085)	1,118,917	
Total Capital Assets being Depreciated	<u>12,217,519</u>	<u>541,079</u>	<u>(41,085)</u>	<u>12,717,513</u>	
Accumulated Depreciation	<u>(6,838,605)</u>	<u>(405,461)</u>	<u>41,085</u>	<u>(7,202,981)</u>	
Total Capital Assets being Depreciated, net	<u>5,378,914</u>	<u>135,618</u>	<u>0</u>	<u>5,514,532</u>	
Business-type Activities Capital Assets, net	<u>\$6,014,094</u>	<u>\$486,519</u>	<u>\$0</u>	<u>\$6,500,613</u>	
Current year depreciation expense:					
N/C S/R Section 8 Programs		102,531			
Low Rent Public Housing		119,987			
Housing Choice Vouchers		1,154			
State/Local		<u>181,789</u>			
Total		<u>\$405,461</u>			
Long Term Debt				(4,623,924)	
Investment in Capital Assets net of Long-term Debt				<u>\$1,876,689</u>	

**Red Wing Housing and Redevelopment Authority**  
**December 31, 2010**

**Management Discussion and Analysis**

<b>Long Term Debt</b>	<u>Balance</u> <u>December</u> <u>31, 2009</u>	<u>2010</u> <u>Payments /</u> <u>Additions</u>	<u>Balance</u> <u>December</u> <u>31, 2010</u>	<u>2011</u> <u>Payments</u> <u>Due</u>
1. Revenue Bonds Payable	2,860,000	(2,860,000)	0	0
2. MHFA MURL funds payable	302,217	0	302,217	0
3. Mortgage Payable - Bank	0	0	0	0
3. Housing Development Bonds	57,875	(29,538)	28,337	28,337
4. Colvill refunding bonds	285,000	(285,000)	0	0
5. MHFA Deferred Mortgage	84,500	0	84,500	0
6. MHFA Deferred Mortgage	1,044,110	0	1,044,110	0
7. MHFA Deferred Mortgage - Jordan II	269,874	(4,114)	265,760	4,399
8. Community Investment Project Debt	0	147,394	147,394	0
9. Bond	2,335,000	0	2,335,000	165,000
	<u>\$7,238,576</u>	<u>(\$3,031,258)</u>	<u>\$4,207,318</u>	<u>\$197,736</u>

Item 1 represents the 1998 Bond Issue for Jordan Tower II. The bond was refunded in 2010.

Item 5 represents the Colvill Refunding Bonds which were paid in full. ISD exercised the purchase option in the Option Agreement and purchased the property from the HRA for \$1.00 as agreed upon in 1994.

Item 8 represents debt owed to White Rock Bank for two houses that the HRA has sold on Contract for Deed but continues with the debt to the bank. Payments from the vendees make the payments due to the Bank by the HRA.

**Anticipated Significant Changes**

The HRA anticipates selling the Twin Homes for \$300,000 in 2011.

The HRA anticipates selling the Rehabbed house for \$145,900 in 2011.

The HRA will close a \$150,000 Small Cities Program Income loan with Red Wing Shoe Company in 2010 for the purpose of providing handicap accessibility to their retail store.

The HRA continues to list for sale 101.4 acres of land at \$522,000.

The HRA intends to pursue multi-family housing development in Red Wing and may expend \$400,000 of Small Cities Program Income funds for that purpose.

**Additional Information**

For additional Information contact Randal Hemmerlin , Executive Director at 651-388-7571.  
 Red Wing Housing and Redevelopment Authority  
 428 West Fifth Street  
 Red Wing, Minnesota 55066

STATEMENT OF NET ASSETS  
Red Wing Housing and Redevelopment Authority  
Red Wing, Minnesota  
**STATEMENT OF NET ASSETS**  
PROPRIETARY FUNDS  
December 31, 2010

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinator s	Community Developme nt Block Grants / Small Cities Program	Low Rent Public Housing
<b>ASSETS</b>				
Current Assets				
Cash	1,054,754	4,558	612,602	507,016
Accounts Receivable / Interest Receivable	1,113	0	93,191	30,538
Investments	0	0	0	0
Prepaid Expenses	5,209	0	0	7,400
Inventories	0	0	0	26,853
Inter program Due From	0	0	0	590
Total Current Assets	<u>1,061,076</u>	<u>4,558</u>	<u>705,793</u>	<u>572,397</u>
Non-Current Assets				
Capital Assets:				
Land	200,309	0	0	283,602
Buildings	4,323,191	0	0	3,588,281
Furniture, Equipment & Machinery - Dwelling Units	72,143	0	0	116,379
Furniture, Equipment & Machinery - Administration	83,205	0	0	150,960
Leasehold Improvements	0	0	0	427,224
Construction in Progress	12,252	0	0	1,799
Accumulated Depreciation	(2,132,829)	0	0	(2,404,411)
Notes, Loans and Mortgages Receivable - Non Current	0	0	273,349	0
Other Assets	65,286	0	0	0
Total Noncurrent Assets	<u>2,623,557</u>	<u>0</u>	<u>273,349</u>	<u>2,163,834</u>
Total Assets	<u><u>3,684,633</u></u>	<u><u>4,558</u></u>	<u><u>979,142</u></u>	<u><u>2,736,231</u></u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Days	18,552	0	0	99,136
Accrued Wage / Payroll Tax Payable	11,064	0	0	5,571
Accrued Compensated Absences - Current Portion	18,280	0	0	12,248
Accrued Interest Payable	32,300	0	0	0
Accounts Payable - Other Government	25,039	0	0	31,849
Tenant Security Deposits	30,250	0	0	42,755
Deferred Revenues	275	0	0	90
Current portion of Long-term Debt	405,000	0	0	0
Accrued Liabilities - Other	0	0	0	0
Inter program Due To	123,950	0	41,778	3
Total Current Liabilities	<u>664,710</u>	<u>0</u>	<u>41,778</u>	<u>191,652</u>
Long-term debt, net of current Long-term Debt other	2,974,110	0	0	0
Accrued Compensated Absences - Noncurrent	10,945	0	0	7,334
Total Long-term Debt	<u>2,985,055</u>	<u>0</u>	<u>0</u>	<u>7,334</u>
Total Liabilities	<u><u>3,649,765</u></u>	<u><u>0</u></u>	<u><u>41,778</u></u>	<u><u>198,986</u></u>
<b>Net Assets</b>				
Investment in Capital Assets net of Related Debt	(820,839)	0	0	2,163,834
Restricted Net Assets	0	0	366,535	0
Unrestricted Net Assets	855,707	4,558	570,829	373,411
Total Fund Equity	<u>34,868</u>	<u>4,558</u>	<u>937,364</u>	<u>2,537,245</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u><u>3,684,633</u></u>	<u><u>4,558</u></u>	<u><u>979,142</u></u>	<u><u>2,736,231</u></u>

See Notes to Financial Statements

Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	CFRG	Elimination	Total
28,055	0	58,061	0	0	2,265,046
0	0	35,211	66,901	0	226,954
0	0	391,604	0	0	391,604
121	0	18,930	0	0	31,660
0	0	0	0	0	26,853
3,820	0	165,141	0	(169,551)	0
<u>31,996</u>	<u>0</u>	<u>668,947</u>	<u>66,901</u>	<u>(169,551)</u>	<u>2,942,117</u>
0	0	378,106	0	0	862,017
0	0	3,687,124	0	0	11,598,596
0	0	22,157	0	0	210,679
15,212	0	204,343	0	0	453,720
0	0	27,294	0	0	454,518
0	0	110,013	0	0	124,064
(6,206)	0	(2,659,535)	0	0	(7,202,981)
0	0	582,516	0	0	855,865
0	0	0	0	0	65,286
<u>9,006</u>	<u>0</u>	<u>2,352,018</u>	<u>0</u>	<u>0</u>	<u>7,421,764</u>
<u>41,002</u>	<u>0</u>	<u>3,020,965</u>	<u>66,901</u>	<u>(169,551)</u>	<u>10,363,881</u>
573	0	29,066	66,901	0	214,228
2,376	0	6,566	0	0	25,577
4,542	0	17,471	0	0	52,541
0	0	965	0	0	33,265
0	0	7,829	0	0	64,717
0	0	7,645	0	0	80,650
0	0	556	0	0	921
0	0	32,679	0	0	437,679
0	0	1,443	0	0	1,443
0	0	3,820	0	(169,551)	0
<u>7,491</u>	<u>0</u>	<u>108,040</u>	<u>66,901</u>	<u>(169,551)</u>	<u>911,021</u>
0	0	1,212,135	0	0	4,186,245
17,032	0	0	0	0	17,032
2,720	0	10,461	0	0	31,460
<u>19,752</u>	<u>0</u>	<u>1,222,596</u>	<u>0</u>	<u>0</u>	<u>4,234,737</u>
<u>27,243</u>	<u>0</u>	<u>1,330,636</u>	<u>66,901</u>	<u>(169,551)</u>	<u>5,145,758</u>
9,006	0	524,688	0	0	1,876,689
0	0	612,325	0	0	978,860
4,753	0	553,316	0	0	2,362,574
<u>13,759</u>	<u>0</u>	<u>1,690,329</u>	<u>0</u>	<u>0</u>	<u>5,218,123</u>
<u>41,002</u>	<u>0</u>	<u>3,020,965</u>	<u>66,901</u>	<u>(169,551)</u>	<u>10,363,881</u>

See Notes to Financial Statements

Red Wing Housing and Redevelopment Authority  
Red Wing, Minnesota  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**  
ALL PROPRIETARY FUNDS  
December 31, 2010

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Developme nt Block Grants / Small Cities Program	Low Rent Public Housing
Operating Revenues				
Net Tenant Rental Revenue	335,573	\$0	\$0	\$431,728
Tenant Revenue - Other	0	0	0	5,876
Total Tenant Revenue	<u>335,573</u>	<u>0</u>	<u>0</u>	<u>437,604</u>
HUD PHA Operating Grants	368,933	85,762	0	109,217
Other Government Grants	0	0	0	0
Other Revenue	52,819	0	8,287	34,225
Total Operating Revenues	<u>757,325</u>	<u>85,762</u>	<u>8,287</u>	<u>581,046</u>
Operating Expenses				
Administration	174,387	2,066	18,095	150,755
Tenant Services	0	80,898	0	5,975
Utilities	77,359	0	0	106,923
Ordinary maintenance and operation	152,189	0	3,951	175,757
General expense	178,914	363	0	77,658
Housing Assistance Payments	0	0	0	0
Depreciation	102,531	0	0	119,987
Total Operating Expenses	<u>685,380</u>	<u>83,327</u>	<u>22,046</u>	<u>637,055</u>
Operating Income (Loss)	<u>71,945</u>	<u>2,435</u>	<u>(13,759)</u>	<u>(56,009)</u>
Nonoperating Revenues ( Expenses)				
Capital Grants	0	0	0	34,421
Unrestricted	6,492	0	3,759	5,901
Gain/Loss on Sale of Fixed Assets	0	0	0	(12,108)
Investment Income - Restricted	13,670	0	0	0
Total Other Income (Expense)	<u>20,162</u>	<u>0</u>	<u>3,759</u>	<u>28,214</u>
Income (Loss) Before Transfers	<u>92,107</u>	<u>2,435</u>	<u>(10,000)</u>	<u>(27,795)</u>
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	0	0
Change in Net Assets	<u>92,107</u>	<u>2,435</u>	<u>(10,000)</u>	<u>(27,795)</u>
Net Assets - Beginning	<u>(57,239)</u>	<u>2,123</u>	<u>947,364</u>	<u>2,398,762</u>
Prior Period Adjustments, Equity Transfers and Correction of Errors				
	<u>0</u>	<u>0</u>	<u>0</u>	<u>166,278</u>
Ending Equity	<u>\$34,868</u>	<u>\$4,558</u>	<u>\$937,364</u>	<u>\$2,537,245</u>

See Notes to Financial Statements

Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	CFRG	Elimination	Total
\$0	\$0	\$88,546	\$0	\$0	\$855,847
0	0	56,541	0	0	62,417
0	0	145,087	0	0	918,264
784,620	0	0	0	0	1,348,532
0	0	591,298	0	0	591,298
2,229	0	107,725	0	0	205,285
786,849	0	844,110	0	0	3,063,379
79,986	0	279,895	0	0	705,184
0	0	21,799	0	0	108,672
0	0	17,856	0	0	202,138
0	0	181,914	0	0	513,811
10,752	0	93,475	0	0	361,162
784,844	0	0	0	0	784,844
1,154	0	181,789	0	0	405,461
876,736	0	776,728	0	0	3,081,272
<b>(89,887)</b>	<b>0</b>	<b>67,382</b>	<b>0</b>	<b>0</b>	<b>(17,893)</b>
0	0	0	166,278	0	200,699
71	0	20,164	0	0	36,387
0	0	0	0	0	(12,108)
49	0	0	0	0	13,719
120	0	20,164	166,278	0	238,697
11,970	0	0	0	(11,970)	0
0	0	(11,970)	0	11,970	0
(77,797)	0	75,576	166,278	0	220,804
91,556	0	1,614,753	0	0	4,997,319
0	0	0	(166,278)	0	0
<b>\$13,759</b>	<b>\$0</b>	<b>\$1,690,329</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,218,123</b>

Red Wing Housing and Redevelopment Authority  
Red Wing, Minnesota  
**STATEMENT OF CASH FLOWS**  
PROPRIETARY FUNDS  
December 31, 2010

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinator s	Community Developme nt Block Grants / Small Cities Program	Low Rent Public Housing
<b>Cash Flow From Operations</b>				
Cash Received from Tenants	\$ 335,573	\$ 0	\$ 0	\$ 437,604
Federal Funds Received	368,933	85,762	0	109,217
Other Cash Received	52,819	0	0	0
Cash paid to Employees	(140,354)	(50,925)	(8,442)	(128,872)
Cash paid to Suppliers	(5,235,664)	(32,402)	221,678	(232,669)
<b>Total Cash flow from operations</b>	<u>(4,618,693)</u>	<u>2,435</u>	<u>213,236</u>	<u>185,280</u>
<b>Cash Flow From Investing Activities</b>				
Interest Received	20,162	0	3,759	5,901
<b>Total Cash flow from Investing Activities</b>	<u>20,162</u>	<u>0</u>	<u>3,759</u>	<u>5,901</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Capital Expenditures	(344,847)	0	(161,152)	(219,703)
Federal Funds Received - Capital Funding	0	0	0	34,421
Debt Proceeds	2,335,000			0
Transfers in (Out)	0	0	0	0
Principal paid on Long-term Debt	0	0	0	0
<b>Total Cash flow from Capital and Related Financing Activities</b>	<u>1,990,153</u>	<u>0</u>	<u>(161,152)</u>	<u>(185,282)</u>
<b>Total Increase (Decrease) in Cash</b>	<u>(2,608,378)</u>	<u>2,435</u>	<u>55,843</u>	<u>5,899</u>
<b>Cash Balance, Beginning of the year</b>	3,663,132	2,123	556,759	501,117
<b>Cash Balance, End of the year</b>	<u>\$ 1,054,754</u>	<u>\$ 4,558</u>	<u>\$ 612,602</u>	<u>\$ 507,016</u>

Cash is defined as all checking, savings and certificate accounts and all cash on hand.

Red Wing Housing and Redevelopment Authority

Red Wing Housing and Redevelopment Authority  
 Red Wing, Minnesota  
**STATEMENT OF CASH FLOWS**  
 PROPRIETARY FUNDS  
 December 31, 2010

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinator s	Community Developme nt Block Grants / Small Cities Program	Low Rent Public Housing
<b>Reconciliation of Operating Income (Loss) to Cash Flow from Operations</b>				
Operating Income (Loss)	\$ 71,945	\$ 2,435	\$ (13,759)	\$ (56,009)
Depreciation	102,531	0	0	119,987
Change in Noncash Current Assets	(946)	0	931	(20,548)
Change in Current Liabilities	228,675	0	6,617	50,581
Other	(5,020,898)	0	219,447	91,269
Total Cash flow from operations	<u>\$ (4,618,693)</u>	<u>\$ 2,435</u>	<u>\$ 213,236</u>	<u>\$ 185,280</u>
<b>Supplemental Cash Flow Information</b>				
Cash paid for interest	\$108,103	\$0	\$0	\$0
Capitalized interest	\$0	\$0	\$0	\$0

Housing Choice Vouchers	Public Housing Capital Fund Program	State/ Local	CFRG	Eliminatio n	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 773,177
784,620	0	0	0	0	1,348,532
0	0	591,298	0	0	644,117
(47,093)	0	(169,285)	0	0	(544,971)
(872,418)	0	(675,793)	26,928	0	(6,800,340)
<u>(134,891)</u>	<u>0</u>	<u>(253,780)</u>	<u>26,928</u>	<u>0</u>	<u>(4,579,485)</u>
120	0	20,164	0	0	50,106
<u>120</u>	<u>0</u>	<u>20,164</u>	<u>0</u>	<u>0</u>	<u>50,106</u>
0	0	0	(166,278)	0	(891,980)
0	0	0	166,278	0	200,699
0	0	26,928	(26,928)	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	26,928	(26,928)	0	1,643,719
<u>(134,771)</u>	<u>0</u>	<u>(206,688)</u>	<u>0</u>	<u>0</u>	<u>(2,885,660)</u>
162,826	0	656,353	0	0	5,542,310
<u>\$ 28,055</u>	<u>\$ 0</u>	<u>\$ 449,665</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,656,650</u>

Housing Choice Vouchers	Public Housing Capital Fund Program	State/ Local	CFRG	Eliminatio n	Total
\$ (89,887)	\$ 0	\$ 67,382	\$ 0	\$ 0	\$ (17,893)
1,154	0	181,789	0	0	405,461
(2,352)	0	(137,460)	(66,554)	133,830	(93,099)
(66,766)	0	(266,164)	66,554	(133,830)	(114,333)
22,960	0	(99,327)	26,928	0	(4,759,621)
<u>\$ (134,891)</u>	<u>\$ 0</u>	<u>\$ (253,780)</u>	<u>\$ 26,928</u>	<u>\$ 0</u>	<u>\$ (4,579,485)</u>
\$0	\$0	\$28,227	\$0	\$0	\$136,330
\$0	\$0	\$0	\$0	\$0	\$0

Red Wing Housing and Redevelopment Authority  
**Notes to the Financial Statements**  
Red Wing, Minnesota  
December 31, 2010

**I. Summary of Significant Accounting Policies**

**A. General Statement**

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

**B. Financial Reporting Entity**

The Authority's basic financial statements include the accounts of all Authority operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization s board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Authority has no component units.

**C. Basis of Presentation**

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Authority. All funds of the Authority are Proprietary Funds.

Private sector standards of accounting and financial reporting issued prior to December , 1989 generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Standards Board.

**Fund Financial Statements**

The Authority segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for each proprietary activity. These statements present each fund as a separate column on the fund financial statements.

Red Wing Housing and Redevelopment Authority  
**Notes to the Financial Statements**

Red Wing, Minnesota  
December 31, 2010

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The Authority has presented the following major proprietary funds:

**Low Rent Public Housing**

This 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 Authority.

**Housing Choice Vouchers**

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

**Public Housing Capital Fund Program**

This 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.

**Other Funds**

Separate funds are maintained to record the following additional programs and activities:

N/C S/R Section 8 Programs  
Multifamily Housing Service Coordinators  
Community Development Block Grants / Small Cities Program  
State/Local  
CFRG

**D. Measurement Focus/Basis of Accounting**

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

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

Revenues susceptible to accrual include rental income and capital grants earned but not received. Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenue is recognized when the corresponding expenditure is incurred. The Authority also receives an annual appropriation from HUD, which is recognized as revenue when received, unless it is received prior to the period to which it applies. In that case, revenue recognition is then deferred until the appropriate period.

Investment earnings and revenue from other sources are recognized when earned.

**E. Budget Information**

The Authority adopts an estimated revenue and expenditure budget for each Fund. Comparisons of estimated revenues and budgeted expenditures to actual are not presented in the financial statements. Amendments to the original budget require board approval. Appropriations lapse at year end. The Authority does not use encumbrance accounting.

Red Wing Housing and Redevelopment Authority  
**Notes to the Financial Statements**

Red Wing, Minnesota  
December 31, 2010

**F. Assets, Liabilities, and Fund Equity Accounts**

**1. Assets:**

Cash and Investments

Investment are stated at fair value, except for nonnegotiable certificates of deposit, which are on a cost basis, and short-term money market investments, which are stated at amortized cost. All checking, savings, certificates of Deposit and cash on hand are included in cash for the cash flow statement.

Prepaid Items

Prepaid expenses present items paid in the current year which are properly expensed in a following year.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of each fund involved.

Capital Assets

Capital assets, which includes property, buildings, furniture and equipment, are reported in the applicable business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Depreciation is recorded using the straight line method over the various lives of the assets which range from three to forty years.

**2. Liabilities:**

All liabilities are recorded as incurred in the appropriate enterprise fund.

**3. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets in vested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**G. Vacation and Personal Leave**

Under the Authority's personnel policies, employees are granted vacation in varying amounts based on their length of service. Vacation leave accrual varies from 6 2/3 to 13 1/3 hours per month. Personal leave accrual is 12 days per year. An employee's accrued vacation bank may not exceed one year's accrual without approval of the Executive Director. The maximum accumulation of sick leave is 1,000 hours. The Agency reimburses a 1/2 of unused sick leave accrued, up to 240 hours, at termination in good standing.

Red Wing Housing and Redevelopment Authority  
**Notes to the Financial Statements**

Red Wing, Minnesota

**II. Deposits and Investments**

State statutes and HUD regulations require that all Authority deposits be covered by insurance, surety bond, or collateral.

Following is a summary of the deposits covered by insurance or collateral at Year End:

	<u>Book Balance</u>	<u>Bank Balance</u>
Covered Deposits		
Insured, or collateralized with securities held by the Authority or its agent in the Authority's name	\$2,265,046	\$2,240,130
Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name	<u>\$0</u>	<u>\$0</u>
<b>Total Covered Deposits</b>	<u><u>\$2,265,046</u></u>	<u><u>\$2,240,130</u></u>

State Statutes authorize the HA to invest in obligations of the US Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days. Investments held by the HA at year end classified as to credit risk are as follows:

Category 1 - Insured or registered, or securities held by the HA agent in the HA's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the HA's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the HA's name.

	<u>Category 1</u>	<u>Carrying Amount</u>		<u>Market Value</u>
Money Market / Certificates of Deposit /Other Deposits	\$ 391,604	\$ 391,604	\$	391,604
Total	<u>\$ 391,604</u>	<u>\$ 391,604</u>	<u>\$</u>	<u>391,604</u>

Red Wing Housing and Redevelopment Authority  
**Notes to the Financial Statements**  
Red Wing Housing and Redevelopment Authority  
**Notes to the Financial Statements**  
Red Wing, Minnesota  
December 31, 2010

**III. Other Assets**

	<u>December</u> <u>31, 2009</u>	<u>(Increase)</u> <u>Decrease</u>	<u>December</u> <u>31, 2010</u>	<u>Due in 2011</u>
Notes and Mortgages Receivable				
Contracts Receivable on Small Cities Development Loans	425,766	59,232	366,534	97,576
MURL Loans Receivable	188,577	5,911	182,666	17,725
MHFA Downtown Improvement Project	3,710	1,163	2,547	1,212
Low Interest Downtown Development	55,684	9,744	45,940	10,122
Metro Plains Rental Development	99,000	0	99,000	0
MHFA	232	232	0	0
Emp Comp Loans	833	365	468	468
S/F Rehab Rceivable	11,003	3,566	7,437	1,180
Comm Inv Project CD's	279,587	5,319	274,268	5,015
	<u>\$1,064,392</u>	<u>\$85,532</u>	<u>\$978,860</u>	<u>\$133,298</u>
Current			122,995	
Past Due			11,699	
Long-term			<u>844,166</u>	
			<u>\$978,860</u>	

Other Assets

**Long Term Development Costs**

Long term development costs consist of cost incurred by the Authority to assist the Red Wing, MN community in the development of affordable housing. The Authority will recover its costs upon development and sale of the property. 0

**Bond Refinance Costs (Net)**

65,286

Total other Assets

\$65,286

**Capital Assets**

A summary of the capital assets at December 31, 2010 :

Business-type Activities

**Capital Assets not being depreciated**

	<u>December</u> <u>31, 2009</u>	<u>Additions</u>	<u>Adjustments/</u> <u>Deletions</u>	<u>December 31, 2010</u>
Life in Years				
Land and Improvements	\$635,180	\$226,837	\$0	\$862,017
Construction in Progress	0	124,064	0	124,064
Total Capital Assets not being Depreciated	<u>635,180</u>	<u>350,901</u>	<u>0</u>	<u>986,081</u>

**Capital Assets being depreciated**

Buildings / Infrastructure	<u>30-40</u>	11,425,935	172,661	0	11,598,596
Equipment and Other	<u>3-10</u>	791,584	368,418	(41,085)	1,118,917
Total Capital Assets being Depreciated		<u>12,217,519</u>	<u>541,079</u>	<u>(41,085)</u>	<u>12,717,513</u>
Accumulated Depreciation		<u>(6,838,605)</u>	<u>(405,461)</u>	<u>41,085</u>	<u>(7,202,981)</u>
Total Capital Assets being Depreciated, net		<u>5,378,914</u>	<u>135,618</u>	<u>0</u>	<u>19,920,494</u>
Business-type Activities Capital Assets, net		<u>\$6,014,094</u>	<u>\$486,519</u>	<u>\$0</u>	<u>\$20,906,575</u>

N/C S/R Section 8 Programs  
Low Rent Public Housing  
Housing Choice Vouchers  
State/Local

102,531  
119,987  
1,154  
181,789

Current year depreciation expense:

\$405,461

**IV. Liabilities**

Liabilities at year end consisted of the following:

	<u>December 31, 2010</u>
CURRENT LIABILITIES	
Accounts Payable <= 90 Days	214,228
Accrued Wage / Payroll Tax Payable	25,577
Accrued Compensated Absences - Current Portion	52,541
Accrued Interest Payable	33,265
Accounts Payable - Other Government	64,717
Tenant Security Deposits	80,650
Deferred Revenues	921
Current portion of Long-term Debt	437,679
Accrued Liabilities - Other	1,443
Long-term debt, net of current	4,186,245
Long-term Debt other	17,032
Accrued Compensated Absences - Noncurrent	31,460
Total Liabilities	<u>\$ 5,145,758</u>

Red Wing Housing and Redevelopment Authority  
**Notes to the Financial Statements**

Red Wing, Minnesota  
 December 31, 2010

Long Term Debt	<b>Balance</b>	<b>2010</b>	<b>Balance</b>	<b>2011</b>
	<b>December 31</b>	<b>Payments /</b>	<b>December 31</b>	<b>Payments</b>
	<b>2009</b>	<b>Additions</b>	<b>2010</b>	<b>Due</b>
1. Revenue Bonds Payable	2,860,000	(2,860,000)	0	0
2 MHFA MURL funds payable	302,217	0	302,217	0
3 Housing Development Bonds	57,875	(29,538)	28,337	28,337
4 Colvill refunding bonds	285,000	(285,000)	0	0
5 MHFA Deferred Mortgage	84,500	0	84,500	0
6 MHFA Deferred Mortgage - Jordan	1,044,110	0	1,044,110	0
7 Community Investment Project Debt	269,874	(4,114)	265,760	4,399
8 Community Investment Project Debt		147,394	147,394	0
9 Jordan II 2009 GO Bond	2,335,000	0	2,335,000	165,000
	<u>7,238,576</u>	<u>(3,031,258)</u>	<u>\$ 4,207,318</u>	<u>\$ 197,736</u>
			Current	\$ 197,736
			Long-term	<u>4,009,582</u>
			Total	<u>\$ 4,207,318</u>
			Balance December 31, 2009	\$ 7,238,576
			Debt Issued	147,394
			Debt Redeemed	<u>(3,178,652)</u>
			Balance December 31, 2010	<u>\$ 4,207,318</u>

Red Wing Housing and Redevelopment Authority  
Notes to the Financial Statements

Red Wing, Minnesota  
December 31, 2010

**Long Term Debt (Continued)**

- 1 Revenue Bonds Payable \$0  
\$4,700,000, 1998, Red Wing HRA Revenue Refunding Bonds (Jordan Tower II Project with annual installments ranging from \$200,000 to \$275,000; interest at 4.2% to 4.9% \$1,600,000 term bonds due 1-1-2019 at 4.9% to yield 5.02%. Paid in full in 1/2010.
- 2 MHFA MURL funds payable \$302,217  
The HRA accepted funds in 1993 and 1994 from the Minnesota Rural and Urban Homesteading Program in order to make non-interest bear 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 expenditures.
- 3 Housing Development Bonds \$28,337  
Housing Development Project Bonds. Issued 9/10/96 with an interest rate of 10.85%. Semi-annual payments of \$17,546.36 each beginning Interest rate will be adjusted as of 9/10/01 and 9/10/06 to a rate equal to 2.6% under the daily New York Prime rate. Proceeds of the project used to acquire the development property known as the Zignego property.
- 4 Colvill refunding bonds \$0  
\$1,090,000, 2004, Red Wing HRA (IDS No. 256 Lease Obligations) Public Project Revenue Bonds. Installments of \$160,000 to \$285,000; Interest rate 3.00%. Matured 2/1/2010. The bonds are payable solely from ISD No. 256 lease payments.
- 5 MHFA Deferred Mortgage \$84,500  
Represents a loan to finance temporary housing to low and moderate income persons. The zero percent loan must be repaid only if proceed for the loan purpose. Loan matures 9/3/2011.
- 6 MHFA Deferred Mortgage - Jordan II \$1,044,110  
Represents a deferred payment mortgage by the MHFA for rehabilitation of Jordan II. The entire balance with zero interest is deferred until 1/1/11. Jordan II ceases to be used for low income housing.
- 7 Community Investment Project Debt \$265,760  
The HRA established a \$1,000,000 Line of Credit at White Rock Bank for the purpose of purchasing and rehabilitating homes in the community. Two homes were purchased and rehabbed, then sold on a contract for deed. The LOC was converted to a 3 year, 6% mortgage with a balloon payment due on 8/8/12 and 8/12/12. Monthly loan payments mirror the contract for deed payments on both homes.
- 8 Community Investment Project Debt \$147,394  
The HRA established a \$1,000,000 Line of Credit at White Rock Bank for the purpose of purchasing and rehabilitating homes in the community. This project consists of the purchase of property at 1334 East Ave., Red Wing, MN which the HRA is rehabbing to sell in the Spring of 2011. The second project is the construction of a twinhomes at 119 W. 5th Street, Red Wing MN which will also be put on the market for sale in Spring of 2011.
- 9 Jordan II 2009 GO Bond \$2,335,000  
\$2,335,000 Housing Development Refunding Bonds, Series 2009A (City of Red Wing, Minnesota General Obligation). Bond proceeds are to retire the initial Red Wing HRA Jordan Tower II Project Series 1998. Installments ranging from \$165,000 due on 1/1/11 to \$225,000 due on 1/1/12. Interest rates from 2.00 for 2010 bonds to 3.70 for year 2022 bonds.

Red Wing Housing and Redevelopment Authority  
**Notes to the Financial Statements**

Red Wing, Minnesota  
 December 31, 2010

Long Term Debt

Approximate Future payments on Long-term Debt are as follows:

	<u>Other Principal</u>	<u>Jordan II GO Bond</u>	<u>Redevelopment</u>
2011	282,236	165,000	117,236
2012	583,755	175,000	408,755
2013	180,000	180,000	0
2014	180,000	180,000	0
2015	185,000	185,000	0
2016	190,000	190,000	0
2017	195,000	195,000	0
2018	200,000	200,000	0
2019	205,000	205,000	0
2020	517,217	215,000	302,217
2021	1,489,110	1,489,110	0
<b>Total</b>	<u>\$4,207,318</u>	<u>\$3,379,110</u>	<u>\$828,208</u>

**Unexpired Deferred Project Financing**

The HRA has obtained financing for various projects from the MHFA through the use of deferred loans.

Under the terms of these loans, if the HRA complies with the financing terms, the loan is forgiven.

At year end, the HRA had unexpired deferred loans as follows:

	<u>Beginning</u>	<u>Forgiven</u>	<u>Ending</u>	
MHFA Loan of 11-24-1995	356,859	0	356,859	Forgiven after 20 years
MHFA Loan of 03-27-2001	37,450	0	37,450	Forgiven \$3,745 per year starting 11th year; fully forgiven 03/27/2021
MHFA Loan of 11-18-1999	24,773	(2,477)	22,296	Forgiven \$2,477.30 per year starting 11th year; fully forgiven 11/1/2019.
	<u>\$419,082</u>	<u>(\$2,477)</u>	<u>\$416,605</u>	

Bond discount and refinancing costs are amortized over the life of the bonds.

**Net Assets**

Fund net asset balances are classified as follows:

Investment in Capital Assets net of Related Debt	\$1,876,689
Restricted Net Assets	\$366,535
Unrestricted Net Assets	2,974,899
Total	<u>\$5,218,123</u>

Red Wing Housing and Redevelopment Authority  
**Notes to the Financial Statements**

Red Wing, Minnesota  
December 31, 2010

**V. Compensated Absences Payable**

Changes in Compensated Absences for the period ended December 31, 2010 :

Balance December 31, 2009	\$80,426
Net changes in compensated absences	3,575
Balance December 31, 2010	<u><u>\$84,001</u></u>

**VI. Risk Management**

The Authority is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; workers' compensation claims; and natural disasters. Property and casualty and worker's compensation liabilities are insured. The Authority retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the general purpose financial statements.

**VII. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

**VIII. Deferred Compensation Program (457)**

The plan is 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.

**IX. Economic Dependency**

The Low Income Public Housing, Capital Funding and Housing Choice Voucher Programs of the Authority are economically dependent on annual contributions and grants from HUD. Without those contributions and grants, the programs would operate at a loss.

Red Wing Housing and Redevelopment Authority  
Notes to the Financial Statements

**X. Segment Information - Enterprise Funds**

	<u>N/C S/R Section 8 Programs</u>	<u>Multifamily Housing Service Coordinator s</u>	<u>Community Development Block Grants / Small Cities Program</u>	<u>Low Rent Public Housing</u>
Total Assets	3,684,633	4,558	979,142	2,736,231
Total Equity	34,868	4,558	937,364	2,537,245
Total Revenue	777,487	85,762	12,046	609,260
Net Income	92,107	2,435	(10,000)	(27,795)
Working Capital	396,366	4,558	664,015	380,745
	<u>Housing Choice Vouchers</u>	<u>Public Housing Capital Fund Program</u>	<u>State/Local</u>	<u>CFRG</u>
Total Assets	41,002	0	3,020,965	66,901
Total Equity	13,759	0	1,690,329	0
Total Revenue	786,969	0	864,274	166,278
Net Income	(77,797)	0	75,576	166,278
Working Capital	24,505	0	560,907	0

Red Wing Housing and Redevelopment Authority  
 Red Wing, Minnesota  
**Schedule of Capital Funds**  
 December 31, 2010

	2010 <b>Capital Funding</b>	2009 <b>Capital Funding</b>	CFRG 2009 <b>Capital Funding</b>	<b>Total</b>
Total Funds Approved	\$156,721	\$155,600	\$198,489	\$510,810
Total Funds Received	13,558	60,558	126,305	200,421
Remaining Funds Due	<u>\$143,163</u>	<u>\$95,042</u>	<u>\$72,184</u>	<u>\$310,389</u>
Total Funds Received	\$13,558	\$60,558	\$126,305	\$200,421
Total Funds Expended	13,558	60,558	126,305	200,421
Funds on Hand	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Status	<b>Not Complete</b>	<b>Not Complete</b>	<b>Not Complete</b>	
Received during Current Year	\$13,558	\$20,516	\$99,723	\$133,798
Current Amount Due	0	0	66,901	66,901
Prior Amount Due	0	0	0	0
Current Revenue	<u>\$13,558</u>	<u>\$20,516</u>	<u>\$166,624</u>	<u>\$200,699</u>

Red Wing Housing and Redevelopment Authority  
 Red Wing, Minnesota  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 December 31, 2010

Federal

**Grantor - US Department of Housing and Urban Development**

<u>Program</u>	<u>Program Type</u>	<u>CFDA#</u>	<u>Expenditures</u>
N/C S/R Section 8 Programs	Major	14.182	\$ 368,933
Multifamily Housing Service Coordinators	Non-Major	14.191	85,762
Low Rent Public Housing	Non-Major	14.850a	109,217
Housing Choice Vouchers	Major	14.871	784,620
Public Housing Capital Fund Program	Non-Major	14.872	34,421
CFRG	Non-Major	14.885	166,278
Total Federal			\$ <u>1,549,231</u>

Red Wing Housing and Redevelopment Authority  
 Red Wing, Minnesota  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 December 31, 2010

Federal

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Red Wing Housing and Redevelopment Authority  
 Red Wing, Minnesota  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 December 31, 2010

Federal

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<b><u>Program</u></b>	<b><u>Program Type</u></b>	<b><u>CFDA#</u></b>	<b><u>Expenditures</u></b>
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CFRG	Non-Major	14.885	166,278
Total Federal			<b>\$ 1,549,231</b>

Red Wing Housing and Redevelopment Authority

Summary of Audit Results  
Red Wing Housing and Redevelopment Authority

Summary of Audit Results

**Financial Statements**

- 1 The auditor's report expresses an unqualified opinion on the general purpose financial statements.
- 2 No material weaknesses were identified.
- 3 No significant deficiencies were identified.
- 4 No instances of noncompliance to the general purpose financial statements were disclosed during the audit.

**Federal Awards**

- 1 No material weaknesses were identified.
- 2 No significant deficiencies were identified.
- 3 An unqualified auditor's report was issued on compliance with major programs.
- 4 The Authority was determined to be a low risk auditee.
- 5 The threshold for distinguishing between type A and type B programs is \$500,000.
- 6 Major programs tested include:

	<u>CFDA #</u>	
N/C S/R Section 8 Programs	14.182	\$368,933
Housing Choice Vouchers	14.871	\$784,620

Red Wing Housing and Redevelopment Authority

**Babcock, Langbein and Company**

Certified Public Accountants

A Professional Association

Minneapolis, Minnesota 55421

(651) 631-9354

**Report on Compliance with Requirements Applicable to  
Each Major Program and Internal Control over  
compliance in Accordance with OMB Circular A-133**

**Compliance**

We have audited the compliance of the Red Wing Housing and Redevelopment Authority with the types of compliance requirements described in the U. S. OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-133 COMPLIANCE SUPPLEMENT that are applicable to each of its major federal programs for the year ended December 31, 2010 .The

Red Wing Housing and Redevelopment Authority's major federal programs are identified in the schedule of financial assistance section of this report. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Red Wing Housing and Redevelopment Authority 's management. Our responsibility is to express an opinion on the Red Wing Housing and Redevelopment Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States; and OMB Circular A- 133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NONPROFIT ORGANIZATIONS. Those standards and OMB Circular A- 133 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. Our audit does not provide a legal determination on the Red Wing Housing and Redevelopment Authority's compliance with those requirements.

In our opinion, the Red Wing Housing and Redevelopment Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010 . The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

**Internal Control over Compliance**

The management of the Red Wing Housing and Redevelopment Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Red Wing Housing and Redevelopment Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Babcock, Langbein and Company*

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Babcock, Langbein and Company

April 5, 2011

Red Wing Housing and Redevelopment Authority  
**Babcock, Langbein and Company**

Certified Public Accountants  
A Professional Association  
Minneapolis, Minnesota 55421  
(612) 781-9354

Board of Commissioners  
Red Wing Housing and Redevelopment Authority  
Red Wing, Minnesota

**Independent Auditor's Report on Schedule of Federal Expenditures**

We have audited the accompanying general-purpose financial statements of the Red Wing Housing and Redevelopment Authority as of and for the year ended December 31, 2010, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Red Wing Housing and Redevelopment Authority, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by US Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

*Babcock, Langbein and Company*

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Babcock, Langbein and Company  
April 5, 2011