

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

**FINANCIAL STATEMENTS  
DECEMBER 31, 2016**



## RED WING HOUSING AND REDEVELOPMENT AUTHORITY

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and each major fund of Red Wing Housing and Redevelopment Authority as of and for the year ended December 31, 2016, 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, 2016, 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 6, 2017**, 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, Schafn and Associates, Ltd.*

Red Wing, Minnesota  
**June 6, 2017**

## **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, 2016.

### **FINANCIAL HIGHLIGHTS**

- The assets of Red Wing Housing and Redevelopment Authority exceeded its liabilities at the close of the most recent fiscal year by \$6,170,671 (*net position*). Of this amount, \$933,214 (*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 \$3,752,325 and total expenses are \$3,452,518 for the current year.
- Red Wing Housing and Redevelopment Authority's total fixed assets for the current year are \$7,394,807.
- Red Wing Housing and Redevelopment Authority's total long term debt for the current year is \$4,478,688.
- At the end of the current fiscal year, unrestricted net position was \$933,214 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**

	2016	As Restated See Note 10 2015	Increase (Decrease)
Current and other assets	\$ 3,772,844	\$ 3,222,911	\$ 549,933
Capital assets	7,394,807	7,079,317	315,490
Total assets	<u>11,167,651</u>	<u>10,302,228</u>	<u>865,423</u>
Current liabilities	1,077,004	613,729	463,275
Long-term liabilities	3,919,976	3,817,635	102,341
Total liabilities	<u>4,996,980</u>	<u>4,431,364</u>	<u>565,616</u>
Net investment in capital assets	2,916,119	3,064,822	(148,703)
Restricted	2,321,338	1,876,663	444,675
Unrestricted	933,214	929,379	3,835
Total net position	<u>\$ 6,170,671</u>	<u>\$ 5,870,864</u>	<u>\$ 299,807</u>

The Organization's total net position for the current fiscal year is \$6,170,671 of which \$2,916,119 is invested in capital assets. The Red Wing Housing and Redevelopment Authority has \$1,511,754 in cash and investments as of December 31, 2016 (including the tenant security deposit account).

2016 was the 50<sup>th</sup> Anniversary of the Red Wing Housing and Redevelopment Authority.

In 2016, the HRA lent \$105,769 in Small Cities Program Income Funds to rehab two commercial properties in the downtown area of Red Wing and we lent \$53,000 in Small Cities Program Income funds to three home owners for rehab projects at their homes.

The 2014 DEED SCDP Grant was closed out at the end of 2016 with a final count of 8 houses rehabbed and 14 commercial properties rehabbed. At the end of December, the HRA had approximately \$1.8 million in all Small Cities loans outstanding.

The HRA acted as an agent of the City of Red Wing and applied for \$407,000 in a DEED SCDP grant to assist Southwest Minnesota Housing Partnership in rehabbing Trailside I and II apartment buildings. No other funds were received in our SCDP grant application for 2017.

The HRA received an HRA Tax Levy amount of \$393,500 in late 2016 with \$107,000 allocated to the Red Wing Affordable Housing Trust Fund. These amounts are payable in 2017.

In 2016, the HRA applied and did receive approval on two MHFA Loans: A \$3,000,000 HOME loan and \$723,000 PARIF loan. These loans will be used to do a substantial rehab of Jordan Tower II. The total project cost will be approximately \$3.9 million. The MHFA loans will be closed in 2017 with work to begin thereafter.

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

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

	2016	As Restated See Note 10 2015	Increase (Decrease)
<b>Revenues:</b>			
Federal grants	\$ 1,523,462	\$ 1,517,942	\$ 5,520
State and local revenues	793,044	569,309	223,735
Tenant revenue	1,068,127	1,032,947	35,180
Investment earnings	3,992	9,965	(5,973)
Other income	363,700	487,309	(123,609)
Total revenues	<u>3,752,325</u>	<u>3,617,472</u>	<u>134,853</u>
<b>Expenses:</b>			
Administration	951,311	853,207	98,104
Tenant Services	104,203	108,097	(3,894)
Utilities	226,605	246,069	(19,464)
Maintenance and operations	485,998	477,087	8,911
Insurance	89,310	88,580	730
General expense	148,947	122,605	26,342
Housing assistance payments	830,284	741,855	88,429
Depreciation	383,390	362,110	21,280
Other expenses	232,470	157,443	75,027
Total expenses	<u>3,452,518</u>	<u>3,157,053</u>	<u>295,465</u>
Change in net position	299,807	460,419	(160,612)
Net position, beginning of year	<u>5,870,864</u>	<u>5,410,445</u>	<u>460,419</u>
Net position, end of year	<u>\$ 6,170,671</u>	<u>\$ 5,870,864</u>	<u>\$ 299,807</u>

Total revenues for the current year were \$3,752,325 and total expenses were \$3,452,518.

In late 2015, the HRA was approved for a Bridges grant from Minnesota Housing Finance Agency at \$96,000 and 10 units of housing vouchers for people with Mental Health issues. All ten units were issued to recipients in 2016.

Federal grant revenues were slightly up over the previous year. The Section 8 HCV program was funded at a higher level than in 2015. The HRA is allocated 169 Housing Choice Vouchers per month and funding allowed us to issue about 155 vouchers per month compared to 135 per month in 2015. The HUD held reserve stood at \$9,339 at the end of December.

Jordan Tower II received a \$15 per unit rent increase for one-bedroom units and \$17 per unit for the two-bedroom units in 2016 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, 2016, amounted to \$7,394,807 (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)

	2016	2015	Increase (Decrease)
Land	\$ 819,804	\$ 620,944	\$ 198,860
Construction in progress	42,816	560,529	(517,713)
Buildings and improvements	13,274,726	12,294,103	980,623
Furniture and equipment - dwellings	248,507	248,507	
Furniture and equipment - administration	505,932	476,412	29,520
Less accumulated depreciation	<u>(7,496,978)</u>	<u>(7,121,178)</u>	<u>(375,800)</u>
<b>Total</b>	<u><u>\$ 7,394,807</u></u>	<u><u>\$ 7,079,317</u></u>	<u><u>\$ 315,490</u></u>

Rain gutters were installed at the Bluffview Apartments for just under \$16,000 in 2016.

**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 \$4,478,688.

Table 4  
**Long-Term Debt**

	2016	As Restated See Note 10 2015	Increase (Decrease)
Deferred Loans	\$ 2,884,178	\$ 2,228,539	\$ 655,639
MHFA MURL Promissory Notes	302,217	302,217	
General Obligation Housing Development Bonds	1,260,000	1,450,000	(190,000)
Other	32,293	33,739	(1,446)
<b>Total</b>	<b>\$ 4,478,688</b>	<b>\$ 4,014,495</b>	<b>\$ 464,193</b>

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

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

The HRA will act as City's agent for the \$407,000 Small Cities Development Grant to Southwest Minnesota Housing Partnership in 2017 for the rehab of Trailside I and II apartments.

The HRA is beginning its \$3.9 million rehab of Jordan Tower II in 2017.

The Community Development Grant program continues to be funded at \$40,000 per year for 2017.

The HRA applied for a \$475,000 USDA Rural Development Community Facilities loan to remodel the office. However, the estimated cost of rehabbing the office was substantially higher and this proposal has been put on hold for now.

The Section 8 HCV program is experiencing a reduction in funding beginning in 2017 and we expect even larger cuts in funding for 2018. We anticipate a cut of up to 30 HCV units due to funding.

In 2017, the HRA was successful in receiving a new Bridges contract from Minnesota Housing at \$146,000 for 12 vouchers to be used over a 24-month period.

The HRA is issuing an RFP to select a new lessee for the 3-unit Transitional Housing property in 2017.

**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, 2016**

	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	\$ 564,162	\$ 15,466	\$ 290,131	\$ 313,252
Receivables	15,711		11,061	3,208
Inventories	11,899			17,688
Prepaid expenses	5,388			6,323
Due from other funds				
Capital assets:				
Nondepreciable	371,941			270,157
Depreciable, net	2,107,198			3,290,857
Notes and mortgages receivable			1,801,782	
<b>Total Assets</b>	<b>3,076,299</b>	<b>15,466</b>	<b>2,102,974</b>	<b>3,901,485</b>
<b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Accounts payable				2,169
Accrued liabilities	6,503			7,227
Compensated absences	24,049			20,205
Accrued interest	20,844			
Deposits payable	36,684			43,828
Deferred revenue	226		88,618	1,883
Due to other governments	27,889			35,428
Due to other funds	43,253		48,985	85,900
Other liabilities				
Noncurrent liabilities:				
Due in one year	195,000			
Due in more than one year	2,109,110			917,537
<b>Total Liabilities</b>	<b>2,463,558</b>		<b>137,603</b>	<b>1,114,177</b>
<b>Net Position</b>				
Net investment in capital assets	175,029			2,643,477
Restricted net position			1,965,371	
Unrestricted net position	437,712	15,466		143,831
<b>Total Net Position</b>	<b>612,741</b>	<b>15,466</b>	<b>1,965,371</b>	<b>2,787,308</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 3,076,299</b>	<b>\$ 15,466</b>	<b>\$ 2,102,974</b>	<b>\$ 3,901,485</b>

**See Notes to the Financial Statements**

Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	Shelter Plus Care	Elimination	Total
\$ 104,277 7,307	\$	\$ 218,722 14,925 2,573 6,112 183,224	\$ 5,744 1,146	\$	\$	\$ 1,511,754 53,358 32,160 17,823
				440	(183,664)	
2,711		220,522 1,131,421 355,967				862,620 6,532,187 2,157,749
<u>114,295</u>		<u>2,133,466</u>	<u>6,890</u>	<u>440</u>	<u>(183,664)</u>	<u>11,167,651</u>
1,531 804 15,817		35,152 28,528 966 15,306	4,300 420	440		8,000 50,546 88,599 21,810 95,818
75,702		718 8,241 440	2,170		(183,664)	167,147 71,558
2,916 14,814						14,814
		363,712 893,329				558,712 3,919,976
<u>111,584</u>		<u>1,346,392</u>	<u>6,890</u>	<u>440</u>	<u>(183,664)</u>	<u>4,996,980</u>
2,711		94,902 355,967 336,205				2,916,119 2,321,338 933,214
<u>2,711</u>		<u>787,074</u>				<u>6,170,671</u>
<u>\$ 114,295</u>	<u>\$</u>	<u>\$ 2,133,466</u>	<u>\$ 6,890</u>	<u>\$ 440</u>	<u>\$ (183,664)</u>	<u>\$ 11,167,651</u>

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Year Ended December 31, 2016**

	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	\$ 377,899	\$	\$	\$ 502,081
HUD PHA operating grants	380,989	69,656		75,431
Other governmental grants		24,168	362,421	
Other revenue	44,256		93,243	156,937
Total Operating Revenues	<u>803,144</u>	<u>93,824</u>	<u>455,664</u>	<u>734,449</u>
<b>Operating Expenses</b>				
Administration	245,526		67,882	245,189
Tenant services	3,586	90,605		10,012
Utilities	83,599			114,640
Maintenance and operations	180,925			240,015
Insurance	24,627			36,792
General expense	44,765		1,696	36,875
Housing assistance payments				
Depreciation	112,199			182,193
Total Operating Expenses	<u>695,227</u>	<u>90,605</u>	<u>69,578</u>	<u>865,716</u>
Operating Income (Loss)	107,917	3,219	386,086	(131,267)
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	138		2,095	387
Gain (loss) on sale of assets				
Interest expense	(41,688)			
Casualty loss				(122,468)
Total Nonoperating Revenue (Expenses)	<u>(41,550)</u>		<u>2,095</u>	<u>(122,081)</u>
Income (Loss) Before Capital Grants or Transfers	66,367	3,219	388,181	(253,348)
Capital grants				
Operating transfers in				123,483
Operating transfers out				
Change in Net Position	<u>66,367</u>	<u>3,219</u>	<u>388,181</u>	<u>(129,865)</u>
<b>Net Position - Beginning of Year</b>	546,374	12,247	1,577,190	3,172,857
Prior Period Adjustment-Note 10				(255,684)
<b>Net Position - Beginning of Year As Restated</b>	<u>546,374</u>	<u>12,247</u>	<u>1,577,190</u>	<u>2,917,173</u>
<b>Net Position - End of Year</b>	<u>\$ 612,741</u>	<u>\$ 15,466</u>	<u>\$ 1,965,371</u>	<u>\$ 2,787,308</u>

**See Notes to the Financial Statements**



Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	Shelter Plus Care	Elimination	Total
\$ 828,631	\$ 79,922	\$ 188,147	\$	\$ 45,272	\$	\$ 1,068,127
		376,371	30,084			1,479,901
324		148,045			(79,105)	793,044
<u>828,955</u>	<u>79,922</u>	<u>712,563</u>	<u>30,084</u>	<u>45,272</u>	<u>(79,105)</u>	<u>3,704,772</u>
113,638		261,288	16,315	22,809	(21,336)	951,311
		28,366				104,203
3,411		61,647				226,605
		27,891				485,998
2,020		118,771		2,589	(57,769)	89,310
760,467			27,134	42,683		148,947
903		88,095				830,284
<u>880,439</u>		<u>586,058</u>	<u>43,449</u>	<u>68,081</u>	<u>(79,105)</u>	<u>3,220,048</u>
(51,484)	79,922	126,505	(13,365)	(22,809)		484,724
47		1,325				3,992
		(68,314)				(68,314)
						(41,688)
						(122,468)
<u>47</u>		<u>(66,989)</u>				<u>(228,478)</u>
(51,437)	79,922	59,516	(13,365)	(22,809)		256,246
	43,561					43,561
42,173			13,365	22,809	(201,830)	
	(123,483)	(78,347)			201,830	
<u>(9,264)</u>		<u>(18,831)</u>				<u>299,807</u>
11,975		757,841				6,078,484
		48,064				(207,620)
<u>11,975</u>		<u>805,905</u>				<u>5,870,864</u>
<u>\$ 2,711</u>	<u>\$</u>	<u>\$ 787,074</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 6,170,671</u>

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2016

	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	\$ 353,281	\$	\$
Cash received from intergovernmental	387,174	93,824	361,631
Other cash received	44,256		120,164
Cash paid to employees	(217,973)	(35,896)	
Cash paid to suppliers	(380,733)	(54,709)	(468,662)
	<u>186,005</u>	<u>3,219</u>	<u>13,133</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>			
<b>Cash Flows From Investing Activities</b>			
Interest income received	<u>138</u>		<u>2,095</u>
	<u>138</u>		<u>2,095</u>
<b>Net Cash Provided By Investing Activities</b>			
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition of capital assets	(21,154)		
Proceeds from capital grants			
Casualty loss costs			
Interfund borrowings	86,703		58,821
Operating transfers			
Other long-term liabilities			
Interest paid on long-term debt	(41,688)		
Proceeds from (principal paid) on long-term debt	(190,000)		
	<u>(166,139)</u>		<u>58,821</u>
<b>Net Cash Provided By (Used In) Capital and Related Financing Activities</b>			
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	20,004	3,219	74,049
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>544,158</u>	<u>12,247</u>	<u>216,082</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 564,162</u>	<u>\$ 15,466</u>	<u>\$ 290,131</u>

**See Notes to the Financial Statements**

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	Shelter Plus Care	Total
\$ 503,151	\$ 75,702	\$	\$ 188,144	\$	\$	\$ 1,120,278
78,587	821,324	79,922	366,538	28,938	45,272	2,263,210
156,937	324		148,045			469,726
(221,436)	(58,735)		(136,088)	(10,826)	(14,119)	(695,073)
<u>(457,374)</u>	<u>(819,657)</u>		<u>(359,462)</u>	<u>(27,903)</u>	<u>(53,522)</u>	<u>(2,622,022)</u>
59,865	18,958	79,922	207,177	(9,791)	(22,369)	536,119
387	47		1,325			3,992
<u>387</u>	<u>47</u>		<u>1,325</u>			<u>3,992</u>
(704,857)			(41,183)			(767,194)
		43,561				43,561
(122,468)						(122,468)
(52,195)	(14,956)		(80,103)	2,170	(440)	
123,483	42,173	(123,483)	(78,347)	13,365	22,809	
	14,082					14,082
<u>661,853</u>			<u>(7,660)</u>			<u>464,193</u>
(94,184)	41,299	(79,922)	(207,293)	15,535	22,369	(409,514)
(33,932)	60,304		1,209	5,744		130,597
<u>347,184</u>	<u>43,973</u>		<u>217,513</u>			<u>1,381,157</u>
<u>\$ 313,252</u>	<u>\$ 104,277</u>	<u>\$</u>	<u>\$ 218,722</u>	<u>\$ 5,744</u>	<u>\$</u>	<u>\$ 1,511,754</u>

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2016**

	<b>RECONCILIATION OF OPERATING</b>		
	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
	<u>          </u>	<u>          </u>	<u>          </u>
Operating Income (Loss)	\$ 107,917	\$ 3,219	\$ 386,086
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	112,199		
(Increase) Decrease In:			
Accounts receivable	6,185		(790)
Inventories	(11,899)		
Prepaid expenses	163		
Notes and mortgages receivable			(399,084)
Increase (Decrease) In:			
Accounts payable	(5,099)		
Other accrued liabilities	1,503		
Compensated absences	(346)		
Due to other governments			
Deferred revenue	(24,618)		26,921
	<u>          </u>	<u>          </u>	<u>          </u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 186,005</u>	<u>\$ 3,219</u>	<u>\$ 13,133</u>
<b>Supplemental Disclosure of Noncash Capital and Related Financing Activities</b>			
Cash paid for interest	\$ 41,688	\$	\$

**See Notes to the Financial Statements**

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

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	Shelter Plus Care	Total
\$ (131,267)	\$ (51,484)	\$ 79,922	\$ 126,505	\$ (13,365)	\$ (22,809)	\$ 484,724
182,193	903		88,095			383,390
3,156	(7,307)		(9,833)	(1,146)		(9,735)
8,002			(2,573)			(6,470)
1,601			10,979			12,743
			(16,790)			(415,874)
(10,387)	811		(9,107)	4,300		(19,482)
6,749	(543)		19,856	420	440	28,425
(1,252)	876		48			(674)
<u>1,070</u>	<u>75,702</u>		<u>(3)</u>			<u>79,072</u>
<u>\$ 59,865</u>	<u>\$ 18,958</u>	<u>\$ 79,922</u>	<u>\$ 207,177</u>	<u>\$ (9,791)</u>	<u>\$ (22,369)</u>	<u>\$ 536,119</u>
\$	\$	\$	\$	\$	\$	\$ 41,688

# RED WING HOUSING AND REDEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

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### 1. Summary of Significant Accounting Policies

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#### Reporting Entity

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

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

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

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

#### Basis of Presentation

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

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

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

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

#### Fund accounting

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

The Organization reports the following major proprietary funds:

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

# RED WING HOUSING AND REDEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

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

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#### Fund accounting (continued)

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

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

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

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

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

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

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

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

#### Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from the estimates.

#### Cash and cash equivalents

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

#### Capital assets

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

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

#### Compensated absences

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

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

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

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Deposits payable

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

Revenue recognition

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

Concentration of Credit Risk

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

Risk management

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

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**2. Cash and Cash Equivalents**

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Summary of Cash and Deposits

As of December 31, 2016 the Organization's cash and deposits consisted entirely of deposits held at a local financial institution.

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

Investment Policy

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

Investments Authorized by Minnesota Statute

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

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# RED WING HOUSING AND REDEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

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### 2. Cash and Cash Equivalents

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#### Custodial Credit Risk

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

#### Interest Rate Risk

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

#### Credit Risk

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

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### 3. Loans Receivable

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Following is a summary of the notes receivable outstanding at December 31, 2016 and 2015:

	As Restated See Note 10 Beginning Balance	Additions	Reductions	Ending Balance
Notes and Mortgages Receivable				
Community Development Block Grant / Small Cities Program	\$ 1,402,698	\$ 440,439	\$ 41,355	\$ 1,801,782
State / Local	339,177	31,528	14,738	355,967
Total	<u>\$ 1,741,875</u>	<u>\$ 471,967</u>	<u>\$ 56,093</u>	<u>\$ 2,157,749</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, 2016 totaled \$1,801,782.

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, 2016 totaled \$242,980.

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**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**4. Capital Assets**

	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets, not being depreciated					
Land	\$ 620,944	\$	\$	\$ 198,860	\$ 819,804
Construction in progress	560,529	42,816	(560,529)		42,816
Total capital assets	<u>1,181,473</u>	<u>42,816</u>	<u>(560,529)</u>	<u>198,860</u>	<u>862,620</u>
Capital assets, being depreciated:					
Buildings and improvements	12,294,103	1,284,907	(75,904)	(228,380)	13,274,726
Furniture and equipment - dwelling units	248,507				248,507
Furniture and equipment - administration	476,412			29,520	505,932
Total capital assets	<u>13,019,022</u>	<u>1,284,907</u>	<u>(75,904)</u>	<u>(198,860)</u>	<u>14,029,165</u>
Less accumulated depreciation	<u>7,121,178</u>	<u>383,391</u>	<u>(7,591)</u>		<u>7,496,978</u>
Total capital assets, being depreciated, net	<u>5,897,844</u>	<u>901,516</u>	<u>(68,313)</u>	<u>(198,860)</u>	<u>6,532,187</u>
Governmental activities capital assets, net	<u>\$ 7,079,317</u>	<u>\$ 944,332</u>	<u>\$ (628,842)</u>	<u>\$</u>	<u>\$ 7,394,807</u>

Depreciation expense was charged to functions/programs as follows:

**Business-Type Activities:**

N/C S/R Section 8 Programs	\$ 112,199
Low Rent Public Housing	182,193
Housing Choice Vouchers	904
State / Local	<u>88,095</u>

Total depreciation expense - business-type activities \$ 383,391

# RED WING HOUSING AND REDEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

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### 5. Long-Term Debt

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

#### **Deferred Loans:**

The 1995 Loan proceeds were issued for \$356,859. The entire balance with zero percent interest is forgiven after 20 years. This loan has not been forgiven and released as of December 31, 2016. The 1999 Loan proceeds were issued for \$24,770. The entire balance with zero percent interest is forgiven \$2,477 per year starting in the 11<sup>th</sup> year. The 2001 Loan proceeds were issued for \$37,450. The entire balance with zero percent interest is forgiven \$3,745 per year starting in the 11<sup>th</sup> year. The 2006 Mortgage proceeds were issued for rehabilitation of Jordan II. The entire balance with zero percent interest is deferred until 2024. The 2001 Mortgage proceeds were issued to finance temporary housing for low and moderate income persons. This zero percent interest loan must be repaid only if proceeds cease to be used for loan purposes. The 2012 Loan proceeds were issued for \$50,000. The entire balance with zero percent interest is forgiven after 10 years. The 2014 Loan proceeds were issued for \$405,000. The entire balance with zero percent interest is forgiven after 20 years. The 2016 Loan proceeds were issued for \$917,537. The entire balance with zero percent interest is forgiven after 20 years.

#### **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**

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**5. Long-Term Debt**

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A summary of interest rates, maturities and December 31, 2016 balances is as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2016
Deferred Loans:			
1995 MHFA	0.00%	2015	\$ 356,859
1999 MHFA	0.00%	2019	7,437
2001 MHFA	0.00%	2021	18,735
2001 Deferred Mortgage	0.00%	2021	84,500
2006 MHFA Deferred Mortgage - Jordan II	0.00%	2024	1,044,110
2012 Small Cities PI Loan	0.00%	2022	50,000
2014 MHFA	0.00%	2034	405,000
2016 MHFA	0.00%	2036	917,537
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	1,260,000
Other:			
Small Cities PI Loan	4.00%	2022	32,293
Total			<u>\$ 4,478,688</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, 2016 are as follows:

	As Restated See Note 10 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	\$ 356,859
1999 MHFA	9,911			(2,474)	7,437	2,475
2001 MHFA	22,475			(3,740)	18,735	3,740
2001 Deferred Mortgage	84,500				84,500	
2006 MHFA Deferred Mortgage - Jordan II	1,044,110				1,044,110	
2012 Small Cities PI Loan	50,000				50,000	
2014 MHFA	405,000				405,000	
2016 MHFA	255,684	661,853			917,537	
MHFA MURL Promissory Notes:						
1993 Note	159,268				159,268	
1994 Note	142,949				142,949	
General Obligation Housing Development Bond						
Series 2009 Refunding	1,450,000		190,000		1,260,000	195,000
Other:						
Small Cities PI Loan (30 yr.)	33,739			(1,446)	32,293	638
Business-type Activities						
Long-term Liabilities	<u>\$ 4,014,495</u>	<u>\$ 661,853</u>	<u>\$ 190,000</u>	<u>\$ (7,660)</u>	<u>\$ 4,478,688</u>	<u>\$ 558,712</u>

The annual requirements to amortize all long-term debt outstanding as of December 31, 2016 are summarized below:

Years	General Obligation		Other	
	Principal	Interest	Principal	Interest
2017	\$ 195,000	\$ 39,006	\$ 363,712	\$ 1,321
2018	200,000	33,325	6,925	1,293
2019	205,000	26,994	6,961	1,263
2020	215,000	19,954	4,506	1,231
2021	220,000	12,285	89,052	1,231
2022 - 2026	225,000	4,162	1,424,995	2,365
2032 - 2036			1,322,537	
	<u>\$ 1,260,000</u>	<u>\$ 135,726</u>	<u>\$ 3,218,688</u>	<u>\$ 8,704</u>

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

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

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**7. Individual Fund Disclosures**

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Balances of inter-fund receivables and payables as of December 31, 2016 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	\$ 183,224	\$ 440
Shelter Plus Care	440	
Low Rent Public Housing		85,900
N/C S/R Section 8 Programs		43,253
Housing Choice Vouchers		2,916
Bridges		2,170
Community Development Block Grants		48,985
	<u>\$ 183,664</u>	<u>\$ 183,664</u>

Transfers during the year ended December 31, 2016 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Low Rent Public Housing	\$ 123,483	\$
Public Housing Capital Fund Program		123,483
Housing Choice Vouchers	42,173	
Shelter Plus Care	22,809	
Bridges	13,365	
State / Local		78,347
	<u>\$ 201,830</u>	<u>\$ 201,830</u>

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**8. Commitments and Contingencies**

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

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**9. Deferred Compensation Plans**

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

The Organization also has a Section 401(a) defined contribution profit sharing plan for all eligible employees. Under this Plan, the Organization contributes 8% of eligible employee compensation to the Plan. This Plan also has vesting requirements of 20% per year with full vesting after year 5. Employer contributions to this Plan totaled \$48,104 for the year ended December 31, 2016.

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**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

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

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**10. Prior Period Adjustment**

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In 2016, management discovered an error in recording deferred loan proceeds of \$255,684 as revenue in 2015 in the Low Rent Public Housing program and an error in recording various expenses totaling \$48,064 from the State/Local program from 2015 and 2014 that should have been recorded as notes receivable. The effect of these errors have been corrected in the management, discussion, and analysis, the notes to the financial statements for notes receivable and debt, and the corresponding restatement of the beginning net position on the statement of revenues, expenses and changes in net position.

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## **SUPPORTING DATA**

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE  
STATEMENT OF NET POSITION  
December 31, 2016

	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	\$ 332,252	\$ 15,466	\$
113 Cash - other restricted			290,131
114 Cash - tenant security deposits	36,684		
115 Cash - restricted - payment of current liability	195,226		
<b>100 Total Cash</b>	<b>564,162</b>	<b>15,466</b>	<b>290,131</b>
<b>Receivables</b>			
122 Accounts receivable - other HUD projects	14,168		
125 Accounts receivable - miscellaneous			9,528
126 Accounts receivable -tenants - dwelling units	1,543		
126.1 Allowance for doubtful accounts			
127 Loans receivable - current			
129 Accrued interest receivable			1,533
<b>120 Total Receivables</b>	<b>15,711</b>		<b>11,061</b>
142 Prepaid expenses and other assets	5,388		
143 Inventories	11,899		
144 Inter program due from			
<b>150 Total Current Assets</b>	<b>597,160</b>	<b>15,466</b>	<b>301,192</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	(2,779,191)		
167 Construction in progress	21,154		
<b>160 Total Fixed Assets</b>	<b>2,479,139</b>		
171 Notes, loans and mortgages receivable - noncurrent			1,801,782
<b>180 Total Noncurrent Assets</b>	<b>2,479,139</b>		<b>1,801,782</b>
<b>190 Total Assets</b>	<b>\$ 3,076,299</b>	<b>\$ 15,466</b>	<b>\$ 2,102,974</b>

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	Shelter Plus Care	Total
\$ 267,541	\$ 20,075	\$	\$ (161,014)	5,744	\$	\$ 480,064
43,828	84,202		15,306			374,333
1,883			364,430			95,818
<b>313,252</b>	<b>104,277</b>		<b>218,722</b>	<b>5,744</b>		<b>1,511,754</b>
	6,983		22	1,146		22,319
	324		2,634			12,486
3,208			12,269			17,020
<b>3,208</b>	<b>7,307</b>		<b>14,925</b>	<b>1,146</b>		<b>53,358</b>
6,323			6,112			17,823
17,688			2,573			32,160
<b>340,471</b>	<b>111,584</b>		<b>425,556</b>	<b>6,890</b>	440	<b>183,664</b>
					<b>440</b>	<b>1,798,759</b>
270,157			198,860			819,804
6,289,389			2,303,650			13,274,726
116,425			90,833			278,027
129,669	13,849		198,961			476,412
(3,244,626)	(11,138)		(1,462,023)			(7,496,978)
<b>3,561,014</b>	<b>2,711</b>		<b>1,351,943</b>			<b>42,816</b>
			355,967			2,157,749
<b>3,561,014</b>	<b>2,711</b>		<b>1,707,910</b>			<b>9,552,556</b>
<b>\$ 3,901,485</b>	<b>\$ 114,295</b>	<b>\$</b>	<b>\$ 2,133,466</b>	<b>\$ 6,890</b>	<b>\$ 440</b>	<b>\$ 11,351,315</b>

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE  
STATEMENT OF NET POSITION  
December 31, 2016

	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			
321 Accrued wage / payroll tax payable	6,503		
322 Accrued compensated absences - current portion	10,825		
325 Accrued interest payable	20,844		
333 Accounts payable - other government	27,889		
341 Tenant security deposit	36,684		
342 Deferred revenues	226		88,618
343 Current portion of long-term debt	195,000		
345 Other current liabilities			
346 Accrued liabilities - other			
347 Inter program due to	43,253		48,985
<b>310 Total Current Liabilities</b>	<b>341,224</b>		<b>137,603</b>
<b>Noncurrent Liabilities</b>			
351 Long-term debt, net of current	2,109,110		
353 Noncurrent liabilities - other			
354 Accrued compensated absences - noncurrent	13,224		
<b>350 Total Noncurrent Liabilities</b>	<b>2,122,334</b>		
<b>300 Total Liabilities</b>	<b>2,463,558</b>		<b>137,603</b>
<b>Equity/Net Assets</b>			
508.1 Net investment in capital assets	175,029		
511.1 Restricted net assets			1,965,371
512.1 Unrestricted net assets	437,712	15,466	
<b>513 Total Equity/Net Assets</b>	<b>612,741</b>	<b>15,466</b>	<b>1,965,371</b>
<b>600 Total Liabilities and Equity/Net Assets</b>	<b>\$ 3,076,299</b>	<b>\$ 15,466</b>	<b>\$ 2,102,974</b>

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	Shelter Plus Care	Total
\$	\$	\$	\$	\$	\$	\$
2,169	1,531			4,300		8,000
7,227	804		29,180	420	440	44,574
9,132	4,674		8,540			33,171
			966			21,810
35,428			8,241			71,558
43,828			15,306			95,818
1,883	75,702		718			167,147
			363,712			558,712
			5,972			5,972
85,900	2,916		440	2,170		183,664
<b>185,567</b>	<b>85,627</b>		<b>433,075</b>	<b>6,890</b>	<b>440</b>	<b>1,190,426</b>
917,537			893,329			3,919,976
	14,814					14,814
11,073	11,143		19,988			55,428
<b>928,610</b>	<b>25,957</b>		<b>913,317</b>			<b>3,990,218</b>
<b>1,114,177</b>	<b>111,584</b>		<b>1,346,392</b>	<b>6,890</b>	<b>440</b>	<b>5,180,644</b>
2,643,477	2,711		94,902			2,916,119
			355,967			2,321,338
143,831			336,205			933,214
<b>2,787,308</b>	<b>2,711</b>		<b>787,074</b>			<b>6,170,671</b>
<b>\$ 3,901,485</b>	<b>\$ 114,295</b>	<b>\$</b>	<b>\$ 2,133,466</b>	<b>\$ 6,890</b>	<b>\$ 440</b>	<b>\$ 11,351,315</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, 2016

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
<b>Revenues</b>			
<b>Tenant Revenue</b>			
70300	Net tenant rental revenue	\$ 368,586	\$
70400	Tenant revenue - other	9,313	
<b>70500</b>	<b>Total Tenant Revenue</b>	<b>377,899</b>	
70600	HUD PHA operating grants	380,989	
70610	Capital grants	69,656	
<b>Fee Revenue</b>			
70710	Management fee		
70720	Asset management fee		
70730	Book-keeping fee		
70750	Other fees		
<b>70700</b>	<b>Total Fee Revenue</b>		
70800	Other government grants	24,168	362,421
71100	Investment income - unrestricted	138	2,095
71500	Other revenue	44,256	93,243
71600	Gain (loss) on sale of assets		
<b>70000</b>	<b>Total Revenue</b>	<b>\$ 803,282</b>	<b>\$ 457,759</b>

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	Shelter Plus Care	Total
\$ 477,702	\$	\$	\$ 141,455		\$	\$ 987,743
24,379			46,692			80,384
<b>502,081</b>			<b>188,147</b>			<b>1,068,127</b>
75,431	828,631	79,922 43,561			45,272	1,479,901 43,561
387	47		376,371	30,084		793,044
156,937	324		1,325			3,992
			148,045			442,805
			(68,314)			(68,314)
<b>\$ 734,836</b>	<b>\$ 829,002</b>	<b>\$ 123,483</b>	<b>\$ 645,574</b>	<b>\$ 30,084</b>	<b>\$ 45,272</b>	<b>\$ 3,763,116</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, 2016

	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	\$ 137,380	\$	\$
91200 Auditing Fee	1,700		
91400 Advertising and Marketing	3,843		
91500 Employee Benefit Contribution	51,064		
91600 Office Expenses	21,336		
91700 Legal Expense	275		
91800 Travel	1,259		
91900 Other	28,669		67,882
<b>91000 Total Administrative</b>	<b>245,526</b>		<b>67,882</b>
<b>Tenant Services</b>			
92100 Salaries		35,896	
92300 Employee Benefit Contributions		18,688	
92400 Tenant Services - Other	3,586	36,021	
<b>92500 Total Tenant Services</b>	<b>3,586</b>	<b>90,605</b>	
<b>Utilities</b>			
93100 Water	11,664		
93200 Electricity	45,345		
93300 Gas	11,725		
93600 Sewer	14,865		
<b>93000 Total Utilities</b>	<b>83,599</b>		
<b>Ordinary Maintenance and Operations</b>			
94100 Labor	80,593		
94200 Materials and Other	20,490		
94300 Contracts	44,001		
94500 Employee Benefit Contributions	35,841		
<b>94000 Total Ordinary Maintenance and Operations</b>	<b>180,925</b>		
<b>Insurance</b>			
96110 Property Insurance	15,420		
96120 Liability Insurance	5,209		
96130 Workmen's Compensation	3,898		
96140 All Other Insurance	100		
<b>96100 Total Insurance</b>	<b>\$ 24,627</b>	<b>\$</b>	<b>\$</b>



Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	Shelter Plus Care	Total
\$ 130,030	\$ 57,859	\$	\$ 125,884	10,826	\$ 14,119	\$ 476,098
1,700	1,700		1,700			6,800
3,602			50			7,495
52,256	34,303		57,109	5,440	7,754	207,926
29,890	9,393		14,158			74,777
6,145			12,893			19,313
1,095	225		1,415		936	4,930
20,471	10,158		48,079	49		175,308
<b>245,189</b>	<b>113,638</b>		<b>261,288</b>	<b>16,315</b>	<b>22,809</b>	<b>972,647</b>
						35,896
						18,688
10,012						49,619
<b>10,012</b>						<b>104,203</b>
17,274			12,335			41,273
47,665			5,893			98,903
26,104			9,167			46,996
23,597			971			39,433
<b>114,640</b>			<b>28,366</b>			<b>226,605</b>
91,406			10,157			182,156
70,424			8,512			99,426
47,533	3,411		39,273			134,218
30,652			3,705			70,198
<b>240,015</b>	<b>3,411</b>		<b>61,647</b>			<b>485,998</b>
27,002			22,776			65,198
5,892			1,217			12,318
3,898			3,898			11,694
						100
<b>\$ 36,792</b>	<b>\$</b>	<b>\$</b>	<b>\$ 27,891</b>	<b>\$</b>	<b>\$</b>	<b>\$ 89,310</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, 2016

	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	\$ 860	\$	\$ 1,696
96210 Compensated Absences			
96300 Payments in Lieu of Taxes	27,889		
96400 Bad Debt - Tenant Rents	695		
<b>96000 Total Other General Expenses</b>	<b>29,444</b>		<b>1,696</b>
<b>Interest Expense and Amortization Cost</b>			
96710 Interest on Mortgage Payable	41,688		
96720 Interest on Notes Payable			
96730 Amortization of Bond Issue Costs			
<b>96700 Total Interest Expense and Amortization Cost</b>	<b>41,688</b>		
<b>96900 Total Operating Expenses</b>	<b>609,395</b>	<b>90,605</b>	<b>69,578</b>
<b>97000 Excess Revenue Over Operating Expenses</b>	<b>193,887</b>	<b>3,219</b>	<b>388,181</b>
<b>Other Expenses</b>			
97100 Extraordinary Maintenance	15,321		
97200 Casualty loss			
97300 Housing Assistance Payments			
97350 HAP Portability - In			
97400 Depreciation Expense	112,199		
<b>90000 Total Expenses</b>	<b>736,915</b>	<b>90,605</b>	<b>69,578</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 10000 (Under) Total Expenses</b>	<b>\$ 66,367</b>	<b>\$ 3,219</b>	<b>\$ 388,181</b>

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	Shelter Plus Care	Total
\$ 355	\$ 1,144		\$ 101,012	\$	\$ 2,589	\$ 107,656
	876		47			923
35,428			16,341			79,658
1,092			1,371			3,158
<b>36,875</b>	<b>2,020</b>		<b>118,771</b>		<b>2,589</b>	<b>191,395</b>
						41,688
						0
						0
						<b>41,688</b>
<b>683,523</b>	<b>119,069</b>		<b>497,963</b>		<b>25,398</b>	<b>2,111,846</b>
<b>51,313</b>	<b>709,933</b>	<b>123,483</b>	<b>147,611</b>	<b>30,084</b>	<b>19,874</b>	<b>1,651,270</b>
						15,321
122,468						122,468
	760,143			27,134	42,683	829,960
	324					324
182,193	903		88,095			383,390
<b>988,184</b>	<b>880,439</b>		<b>586,058</b>	<b>27,134</b>	<b>68,081</b>	<b>3,463,309</b>
79,922	42,173			13,365	22,809	158,269
		(79,922)	(78,347)			(158,269)
<b>79,922</b>	<b>42,173</b>	<b>(79,922)</b>	<b>(78,347)</b>	<b>13,365</b>	<b>22,809</b>	
<b>\$ (173,426)</b>	<b>\$ (9,264)</b>	<b>\$ 43,561</b>	<b>\$ (18,831)</b>	<b>\$ 16,315</b>	<b>\$</b>	<b>\$ 299,807</b>

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**FINANCIAL DATA SCHEDULE  
MEMO ACCOUNT INFORMATION  
For the Year Ended December 31, 2016**

	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	546,374	12,247
11040	Prior period adjustment and equity transfers		1,577,190
11170	Administrative fee equity		
11180	Housing assistance payments equity		
11190	Unit months available	1,248	
11210	Unit months leased	1,230	
11270	Excess cash		
11610	Land purchases		
11620	Building purchases		
11630	Furniture and equipment - dwelling purchases		
11640	Furniture and equipment - administrative purchases		
11650	Leasehold improvements purchases		
11660	Infrastructure purchases		
13510	CFFP debt service payments		
13901	Replacement housing factor funds		

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Bridges	State / Local	Shelter Plus Care	Total
\$ 3,172,857 (212,123)	\$ 11,975	\$ (43,561)	\$	\$ 757,841 48,064	\$	\$ 6,078,484 (207,620)
1,428	1,772					4,448
1,404	1,792					4,426
73,933						73,933
1,221,824		43,561		19,522		1,284,907

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**SCHEDULE OF CAPITAL FUNDS**

**December 31, 2016**

	<u>2016</u>	<u>2015</u>	<u>Total</u>
Total Funds Approved	\$ 137,329	\$ 131,716	\$ 269,045
Total Funds Received	<u>115,436</u>	<u>123,669</u>	<u>239,105</u>
Remaining Funds Due	<u>\$ 21,893</u>	<u>\$ 8,047</u>	<u>\$ 29,940</u>
Total Funds Received	\$ 115,436	\$ 123,669	\$ 239,105
Total Funds Expended	<u>115,436</u>	<u>123,669</u>	<u>239,105</u>
Funds on Hand	<u>\$</u>	<u>\$</u>	<u>\$</u>
Status			
Received during Current Year	\$ 115,436	\$ 123,669	\$ 239,105
Current Amount Due			
Prior Amount Due			
Current Revenue	<u>\$ 115,436</u>	<u>\$ 123,669</u>	<u>\$ 239,105</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, 2016, 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 6, 2017**.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Red Wing Housing and Redevelopment Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Red Wing Housing and Redevelopment Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Red Wing Housing and Redevelopment Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

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

In connection with our audit, nothing came to our attention that caused us to believe that Red Wing Housing and Redevelopment Authority failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Organization's noncompliance with the above referenced provisions.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Smith, Schafn and Associates, Ltd.*





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

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

Report on Compliance for Each Major Federal Program

We have audited the Red Wing Housing and Redevelopment Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Red Wing Housing and Redevelopment Authority's major federal programs for the year ended December 31, 2016. The Red Wing Housing and Redevelopment Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Red Wing Housing and Redevelopment Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

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, 2016. We have issued our report thereon dated **June 6, 2017**, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Smith, Schafn and Associates, Ltd.*

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**

December 31, 2016

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing &amp; Urban Development</u>		
N/C S/R Section 8 Programs	14.195	\$ 380,989
Multifamily Housing Service Coordinators	14.191	69,656
Community Development Block Grant	14.218	362,421
Low Rent Public Housing	14.850	75,431
Housing Choice Vouchers	14.871	828,631
Public Housing Capital Fund Program	14.872	123,483
Shelter Plus Care	14.238	<u>45,272</u>
Total Expenditures of Federal Awards		<u>\$ 1,885,883</u>

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016**

**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, 2016. 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, 2016.

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2016**

**SUMMARY OF AUDIT RESULTS**

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

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

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

**Findings – Financial Statement Audit**

No findings were noted during the financial statement audit for the year ended December 31, 2016.

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

No findings were noted during the federal program audit for the year ended December 31, 2016.

**Prior Year Findings**

None noted.