

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

**FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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, 2014, 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, 2014, 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 2, 2015, on our consideration of the Red Wing Housing and Redevelopment Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Red Wing Housing and Redevelopment Authority's internal control over financial reporting and compliance.

Smith, Schafu and Associates, Ltd.

Red Wing, Minnesota
June 2, 2015

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, 2014.

FINANCIAL HIGHLIGHTS

- The assets of Red Wing Housing and Redevelopment Authority exceeded its liabilities at the close of the most recent fiscal year by \$5,400,445 (*net position*). Of this amount, \$1,065,039 (*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 \$2,981,127 and total expenses are \$3,081,711 for the current year.
- Red Wing Housing and Redevelopment Authority's total fixed assets for the current year are \$6,897,535.
- Red Wing Housing and Redevelopment Authority's total long term debt for the current year is \$3,950,026.
- At the end of the current fiscal year, unrestricted net position was \$1,065,039 or 35 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

	2014	2013	Increase (Decrease)
Current and other assets	\$ 3,033,670	\$ 2,580,516	\$ 453,154
Capital assets	6,897,535	7,437,801	(540,266)
Total assets	<u>9,931,205</u>	<u>10,018,317</u>	<u>(87,112)</u>
Current liabilities	772,594	643,761	128,833
Long-term liabilities	3,758,166	3,873,527	(115,361)
Total liabilities	<u>4,530,760</u>	<u>4,517,288</u>	<u>13,472</u>
Net investment in capital assets	2,972,041	3,455,483	(483,442)
Restricted	1,363,365	1,357,650	5,715
Unrestricted	1,065,039	687,896	377,143
Total net position	<u>\$ 5,400,445</u>	<u>\$ 5,501,029</u>	<u>\$ (100,584)</u>

The Organization's total net position for the current fiscal year is \$5,400,445 of which \$2,972,041 is invested in capital assets. The Red Wing Housing and Redevelopment Authority has \$1,756,272 in cash and investments as of December 31, 2014 (including the tenant security deposit account).

In February of 2014, the sale of the 101.5 acres of farmland, owned by the HRA since 1996 was closed. The land was sold to Independent School District 256 in the amount of \$345,000 of which about \$338,000 was used to pay off housing debt the HRA had on the Twin Homes, and two single family houses, all rental properties of the HRA.

The HRA received a MURL house back through a cancellation of a Contract for Deed. This house required substantial rehabilitation before the HRA could resell the property in the program. The HRA used approximately \$92,000 in MURL reserve funds and other resources to rehab the property. The house was sold to an eligible applicant in 2015 and remains in the MURL program.

The HRA closed its first Publically Owned Housing Program deferred loan in May of 2014. The amount was \$405,000. These funds were used to modernize the elevators in Jordan Tower I, rehab office space, rehab two bathrooms and one tub room.

In 2014, the HRA lent \$112,000 in Small Cities Program Income Funds loans to rehab two commercial properties in the downtown area of Red Wing.

In 2014, the HRA received a \$683,184 DEED Small Cities Development Grant Program award. These funds will be matched by local resources so that the entire program will be \$999,996. These funds will rehab 12 Commercial properties and 10 Owner Occupied houses in the Pottery Place/Old West Main Areas of the City of Red Wing. The HRA has 30 months to complete the loans. CEDA was contracted by the HRA to be the administrator of the loan program.

The HRA received a levy amount of \$269,236 in 2014.

The HRA completed a Green Physical Needs Assessment (GPNA) in 2014 for Jordan Tower I. This GPNA indicates the HRA will need about \$5.9 million in capital funds to complete the necessary capital repairs in Jordan Towers over the next 15 to 20 years.

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

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

	2014	2013	Increase (Decrease)
Revenues:			
Federal grants	\$ 1,407,065	\$ 1,294,924	\$ 112,141
State and local revenues	406,164	295,471	110,693
Tenant revenue	1,019,105	1,024,508	(5,403)
Investment earnings	14,654	19,068	(4,414)
Other income	134,139	133,500	639
Total revenues	<u>2,981,127</u>	<u>2,767,471</u>	<u>213,656</u>
Expenses:			
Administration	760,191	709,403	50,788
Tenant Services	85,438	103,483	(18,045)
Utilities	248,542	242,857	5,685
Maintenance and operations	501,035	478,017	23,018
Insurance	86,000	79,885	6,115
General expense	233,066	102,555	130,511
Housing assistance payments	728,851	718,186	10,665
Depreciation	357,347	320,865	36,482
Other expenses	81,241	75,228	6,013
Total expenses	<u>3,081,711</u>	<u>2,830,479</u>	<u>251,232</u>
Change in net position	(100,584)	(63,008)	(37,576)
Net position, beginning of year	<u>5,501,029</u>	<u>5,564,037</u>	<u>(63,008)</u>
Net position, end of year	<u>\$ 5,400,445</u>	<u>\$ 5,501,029</u>	<u>\$ (100,584)</u>

Total revenues for the current year were \$2,981,127 and total expenses were \$3,081,711.

Federal grant revenues were slightly up over the previous year. The Section 8 HCV program continues to be funded at 80% of past allocations. The HRA is allocated 169 Housing Choice Vouchers per month but funding allows only about 137 vouchers per month.

Jordan Tower II received a small rent increase in 2014 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, 2014, amounted to \$6,897,535 (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)

	2014	2013	Increase (Decrease)
Land	\$ 620,944	\$ 989,050	\$ (368,106)
Construction in progress	47,732	-	47,732
Buildings and improvements	12,321,684	12,184,229	137,455
Furniture and equipment - dwellings	250,366	250,366	
Furniture and equipment - administration	461,185	463,847	(2,662)
Less accumulated depreciation	<u>(6,804,376)</u>	<u>(6,449,691)</u>	<u>(354,685)</u>
Total	<u><u>\$ 6,897,535</u></u>	<u><u>\$ 7,437,801</u></u>	<u><u>\$ (540,266)</u></u>

The HRA installed an office space in Jordan Tower II for the "BeBloomin" computer room.

The HRA refinished the parking lot of Bluffview Apartments in 2014.

The HRA installed new windows at the Women's Shelter in 2014.

Deer Run Apartments received a new roof in 2014

The HRA completed a structural rehab project on nearly all our 19 scattered site family public housing units. This project required shoring up the basement load bearing walls to avoid future damage.

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

Long-Term Debt. At the end of the fiscal year, the Red Wing Housing and Redevelopment Authority had long-term debt of \$3,950,026.

Table 4
Long-Term Debt

	2014	2013	Increase (Decrease)
Deferred Loans	\$ 1,979,070	\$ 1,580,293	\$ 398,777
MHFA MURL Promissory Notes	302,217	302,217	
General Obligation Housing Development Bonds	1,635,000	1,815,000	(180,000)
Other	33,739	373,259	(339,520)
Total	\$ 3,950,026	\$ 4,070,769	\$ (120,743)

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND FEES

The HRA with CEDA will continue to administer our latest Small Cities Development Grant in 2015 and 2016 to get the funds utilized in the community.

The HRA applied for and received a \$923,000 POHP loan for Jordan Tower I for 225 H- Windows in the tower. The total cost of the project is about \$1.2 million. Project completion is expected to be late 2015. POHP funds are State of Minnesota GO Bond money and are deferred and forgiven after 20 years.

We are expecting a slight increase in our funding for the Section 8 Voucher program and may be able to issue 147 vouchers per month.

Bluffview Apartments are scheduled to have the exterior painted in 2015.

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

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, 2014

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program	Low Rent Public Housing
Assets				
Cash and cash equivalents	\$ 591,119	\$ 13,930	\$ 365,193	\$ 397,108
Receivables	43,045		2,197	7,214
Inventories				22,726
Prepaid expenses	5,454			7,486
Due from other funds				
Capital assets:				
Nondepreciable	350,787			317,889
Depreciable, net	2,303,791			2,294,073
Notes and mortgages receivable			848,494	
Total Assets	<u>3,294,196</u>	<u>13,930</u>	<u>1,215,884</u>	<u>3,046,496</u>
Liabilities and Net Position				
Liabilities				
Accounts payable	6,615			20,559
Accrued liabilities	23,291			6,628
Compensated absences	24,400			22,047
Accrued interest	25,300			
Deposits payable	33,960			43,049
Deferred revenue	434		171,300	452
Due to other governments	24,175			32,370
Due to other funds				
Other liabilities				
Noncurrent liabilities:				
Due in one year	185,000			
Due in more than one year	2,494,110			
Total Liabilities	<u>2,817,285</u>		<u>171,300</u>	<u>125,105</u>
Net Position				
Net investment in capital assets				2,611,962
Restricted net position			1,044,584	
Unrestricted net position	476,911	13,930		309,429
Total Net Position	<u>476,911</u>	<u>13,930</u>	<u>1,044,584</u>	<u>2,921,391</u>
Total Liabilities and Net Position	<u>\$ 3,294,196</u>	<u>\$ 13,930</u>	<u>\$ 1,215,884</u>	<u>\$ 3,046,496</u>

See Notes to the Financial Statements

Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Shelter Plus Care	Elimination	Total
\$ 56,309	\$	\$ 332,613	\$	\$	\$ 1,756,272
7,700		5,765	7,186		73,107
17		6,108			22,726
		5,372		(5,372)	19,065
					668,676
4,518		1,626,477			6,228,859
		314,006			1,162,500
<u>68,544</u>		<u>2,290,341</u>	<u>7,186</u>	<u>(5,372)</u>	<u>9,931,205</u>
346		8,448	888		36,856
2,803		25,785	926		59,433
14,039		27,922			88,408
		939			26,239
		14,149			91,158
		2			172,188
		7,844			64,389
			5,372	(5,372)	
42,063					42,063
		6,860			191,860
		1,264,056			3,758,166
<u>59,251</u>		<u>1,356,005</u>	<u>7,186</u>	<u>(5,372)</u>	<u>4,530,760</u>
4,518		355,561			2,972,041
4,775		314,006			1,363,365
		264,769			1,065,039
<u>9,293</u>		<u>934,336</u>			<u>5,400,445</u>
<u>\$ 68,544</u>	<u>\$</u>	<u>\$ 2,290,341</u>	<u>\$ 7,186</u>	<u>\$ (5,372)</u>	<u>\$ 9,931,205</u>

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2014

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program	Low Rent Public Housing
Operating Revenues				
Tenant rental revenues	\$ 355,742	\$	\$	\$ 479,222
HUD PHA operating grants	384,664	63,858		77,772
Other governmental grants		24,183	51,276	
Other revenue	36,335			7,479
Total Operating Revenues	<u>776,741</u>	<u>88,041</u>	<u>51,276</u>	<u>564,473</u>
Operating Expenses				
Administration	171,252		16,686	151,069
Tenant services	3,596	74,111		7,731
Utilities	102,484			119,469
Maintenance and operations	212,218			195,884
Insurance	23,062			31,773
General expense	31,382		1,692	48,001
Housing assistance payments				
Depreciation	116,081			152,883
Total Operating Expenses	<u>660,075</u>	<u>74,111</u>	<u>18,378</u>	<u>706,810</u>
Operating Income (Loss)	116,666	13,930	32,898	(142,337)
Nonoperating Revenues (Expenses)				
Investment income	84		5,294	
Gain (loss) on sale of assets				
Interest expense	(50,600)			
Total Nonoperating Revenue (Expenses)	<u>(50,516)</u>		<u>5,294</u>	
Income (Loss) Before Capital Grants or Transfers	66,150	13,930	38,192	(142,337)
Operating transfers in				139,334
Operating transfers out				
Change in Net Position	<u>66,150</u>	<u>13,930</u>	<u>38,192</u>	<u>(3,003)</u>
Net Position - Beginning of Year	410,761		907,392	2,924,394
Prior period adjustment - Note 10			99,000	
Net Position - Beginning of Year As Restated	<u>410,761</u>		<u>1,006,392</u>	<u>2,924,394</u>
Net Position - End of Year	<u>\$ 476,911</u>	<u>\$ 13,930</u>	<u>\$ 1,044,584</u>	<u>\$ 2,921,391</u>

See Notes to the Financial Statements

Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Shelter Plus Care	Elimination	Total
\$ 725,879	\$ 118,966 61,469	\$ 184,141 269,236 90,325	\$ 35,926	\$	\$ 1,019,105 1,407,065 406,164 134,139
<u>725,879</u>	<u>180,435</u>	<u>543,702</u>	<u>35,926</u>		<u>2,966,473</u>
87,696	11,341	298,252	23,895		760,191 85,438 248,542
1,771		26,589 91,162			501,035
3,168		27,997			86,000
2,827	29,760	117,344	2,060		233,066
694,985			33,866		728,851
1,029		87,354			357,347
<u>791,476</u>	<u>41,101</u>	<u>648,698</u>	<u>59,821</u>		<u>3,000,470</u>
(65,597)	139,334	(104,996)	(23,895)		(33,997)
66		9,210 (25,046) (5,595)			14,654 (25,046) (56,195)
<u>66</u>		<u>(21,431)</u>			<u>(66,587)</u>
(65,531)	139,334	(126,427)	(23,895)		(100,584)
23,643	(139,334)	(47,538)	23,895	(186,872) 186,872	
<u>(41,888)</u>		<u>(173,965)</u>			<u>(100,584)</u>
51,181		1,108,301			5,402,029 99,000
<u>51,181</u>		<u>1,108,301</u>			<u>5,501,029</u>
<u>\$ 9,293</u>	<u>\$</u>	<u>\$ 934,336</u>	<u>\$</u>	<u>\$</u>	<u>\$ 5,400,445</u>

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2014

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
Cash Flows From Operating Activities			
Cash received from tenants	\$ 355,542	\$	\$ 171,300
Cash received from intergovernmental	342,089	88,041	54,102
Other cash received	36,335		
Cash paid to employees	(175,078)	(42,202)	
Cash paid to suppliers	(399,754)	(31,909)	(124,123)
	<u>159,134</u>	<u>13,930</u>	<u>101,279</u>
Net Cash Provided By (Used In) Operating Activities			
Cash Flows From Investing Activities			
Interest income received	84		5,294
	<u>84</u>		<u>5,294</u>
Net Cash Provided By Investing Activities			
Cash Flows From Capital and Related Financing Activities			
Acquisition of capital assets			
Proceeds from sale of capital assets			
Interfund borrowings			
Operating transfers			
Other long-term liabilities			
Interest paid on long-term debt	(50,600)		
Proceeds from issuance of long-term debt			
Principal paid on long-term debt	(180,000)		
	<u>(230,600)</u>		
Net Cash Provided By (Used In) Capital and Related Financing Activities			
Net Increase (Decrease) in Cash and Cash Equivalents	(71,382)	13,930	106,573
Cash and Cash Equivalents - Beginning of Year	662,501		258,620
Cash and Cash Equivalents - End of Year	<u>\$ 591,119</u>	<u>\$ 13,930</u>	<u>\$ 365,193</u>

See Notes to the Financial Statements

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Shelter Plus Care	Total
\$ 478,933	\$	\$	\$ 184,103	\$	\$ 1,189,878
78,676	718,179	180,435	272,859	39,036	1,773,417
7,479			90,325		134,139
(123,247)	(44,086)	(11,341)	(174,587)	(15,160)	(585,701)
(453,647)	(746,990)	(29,760)	(371,070)	(48,589)	(2,205,842)
(11,806)	(72,897)	139,334	1,630	(24,713)	305,891
	66		9,210		14,654
	66		9,210		14,654
(81,575)			(103,612)		(185,187)
			343,061		343,061
			(818)	818	
139,334	23,643	(139,334)	(47,538)	23,895	
	5,918				5,918
			(5,595)		(56,195)
			405,000		405,000
			(345,743)		(525,743)
57,759	29,561	(139,334)	244,755	24,713	(13,146)
45,953	(43,270)		255,595		307,399
351,155	99,579		77,018		1,448,873
\$ 397,108	\$ 56,309	\$	\$ 332,613	\$	\$ 1,756,272

See Notes to the Financial Statements

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

RECONCILIATION OF OPERATING

	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)	\$ 116,666	\$ 13,930	\$ 32,898
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	116,081		
(Increase) Decrease In:			
Accounts receivable	(42,575)		2,826
Inventories			
Prepaid expenses	(469)		
Notes and mortgages receivable			(103,822)
Increase (Decrease) In:			
Accounts payable	(68,526)		
Other accrued liabilities	35,187		(1,923)
Compensated absences	2,970		
Due to other governments			
Deferred revenue	(200)		171,300
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 159,134</u>	<u>\$ 13,930</u>	<u>\$ 101,279</u>
Supplemental Disclosure of Noncash Capital and Related Financing Activities			
Cash paid for interest	\$ 50,600	\$	\$

See Notes to the Financial Statements

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

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Shelter Plus Care	Total
\$ (142,337)	\$ (65,597)	\$ 139,334	\$ (104,996)	\$ (23,895)	\$ (33,997)
152,883	1,029		87,354		357,347
904	(7,700)		3,623	3,110	(39,812)
7,212					7,212
(1,166)	104		581		(950)
			(8,383)		(112,205)
(20,249)	(1,905)		(3,612)	(3,941)	(98,233)
(11,704)	44		25,635	13	47,252
2,940	1,128		1,466		8,504
(289)			(38)		170,773
<u>\$ (11,806)</u>	<u>\$ (72,897)</u>	<u>\$ 139,334</u>	<u>\$ 1,630</u>	<u>\$ (24,713)</u>	<u>\$ 305,891</u>
\$	\$	\$	\$ 5,595	\$	\$ 56,195

See Notes to the Financial Statements

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity

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

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

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

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

Basis of Presentation

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

Measurement Focus, Basis of accounting and Financial Statement Presentation

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

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

Fund accounting

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

The Organization reports the following major proprietary funds:

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

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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.

Fund accounting (continued)

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

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

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

Use of estimates

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

Cash and cash equivalents

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

Capital assets

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

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

Compensated absences

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

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

Deposits payable

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

Revenue recognition

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

Concentration of Credit Risk

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

Risk management

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

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

2. Cash and Cash Equivalents

Summary of Cash and Deposits

As of December 31, 2014 the Organization's cash and deposits consisted entirely of deposits held at a local financial institution.

<u>Cash and Deposits</u>	<u>Maturities</u>	<u>Fair Value</u>
Cash	None	\$ 1,667,588
Certificates of deposit	August 2015 - October 2015	<u>88,684</u>
		<u>\$ 1,756,272</u>

Investment Policy

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

Investments Authorized by Minnesota Statute

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

Custodial Credit Risk

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

Interest Rate Risk

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

Credit Risk

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

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

3. Loans Receivable

Following is a summary of the notes receivable outstanding at December 31, 2014 and 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes and Mortgages Receivable				
Community Development Block Grant / Small Cities Program	\$ 744,672	\$ 222,794	\$ 118,972	\$ 848,494
State / Local	305,623	15,000	6,617	314,006
Total	<u>\$ 1,050,295</u>	<u>\$ 237,794</u>	<u>\$ 125,589</u>	<u>\$ 1,162,500</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, 2014 totaled \$848,494.

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, 2014 totaled \$314,006.

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

4. Capital Assets

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 989,050	\$	\$ (368,106)	\$ 620,944
Construction in progress		47,732		47,732
Total capital assets	<u>989,050</u>	<u>47,732</u>	<u>(368,106)</u>	<u>668,676</u>
Capital assets, being depreciated:				
Buildings and improvements	12,184,229	137,455		12,321,684
Furniture and equipment - dwelling units	250,366			250,366
Furniture and equipment - administration	463,847		(2,662)	461,185
Total capital assets	<u>12,898,442</u>	<u>137,455</u>	<u>(2,662)</u>	<u>13,033,235</u>
Less accumulated depreciation	<u>6,449,691</u>	<u>357,347</u>	<u>(2,662)</u>	<u>6,804,376</u>
Total capital assets, being depreciated, net	<u>6,448,751</u>	<u>(219,892)</u>		<u>6,228,859</u>
Governmental activities capital assets, net	<u>\$ 7,437,801</u>	<u>\$ (172,160)</u>	<u>\$ (368,106)</u>	<u>\$ 6,897,535</u>

Depreciation expense was charged to functions/programs as follows:

Business-Type Activities:

N/C S/R Section 8 Programs	\$ 116,081
Low Rent Public Housing	152,883
Housing Choice Vouchers	1,029
State / Local	<u>87,354</u>
 Total depreciation expense - business-type activities	 <u>\$ 357,347</u>

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

5. Long-Term Debt

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

Deferred Loans:

The 1995 Loan proceeds were issued for \$359,859. The entire balance with zero percent interest is forgiven after 20 years. The 1999 Loan proceeds were issued for \$24,770. The entire balance with zero percent interest is forgiven \$2,477 per year starting in the 11th 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 11th year. The 2006 Mortgage proceeds were issued for rehabilitation of Jordan II. The entire balance with zero percent interest is deferred until 2024. The 2001 Mortgage proceeds were issued to finance temporary housing for low and moderate income persons. This zero percent interest loan must be repaid only if proceeds cease to be used for loan purposes. The 2012 Loan proceeds were issued for \$50,000. The entire balance with zero percent interest is forgiven after 10 years. The 2014 Loan proceeds were issued for \$405,000. The entire balance with zero percent interest is forgiven after 20 years.

MHFA MURL Promissory Notes:

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

General Obligation Housing Development Bonds:

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

Other Loans:

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

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

5. Long-Term Debt

A summary of interest rates, maturities and December 31, 2014 balances is as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2014
Deferred Loans:			
1995 MHFA	0.00%	2015	\$ 356,859
1999 MHFA	0.00%	2019	12,386
2001 MHFA	0.00%	2021	26,215
2001 Deferred Mortgage	0.00%	2021	84,500
2006 MHFA Deferred Mortgage - Jordan II	0.00%	2024	1,044,110
2012 Small Cities PI Loan	0.00%	2022	50,000
2014 MHFA	0.00%	2034	405,000
MHFA MURL Promissory Notes:			
1993 Note	0.00%	2023	159,268
1994 Note	0.00%	2023	142,949
General Obligation Housing Development Bond Series 2009 Refunding	2.00 - 3.70%	2022	1,635,000
Other:			
Small Cities PI Loan	4.00%	2022	33,739
Total			<u>\$ 3,950,026</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, 2014 are as follows:

	Beginning Balance	Additions	Debt Reductions	Forgiven	Ending Balance	Amounts Due Within One Year
BUSINESS-TYPE ACTIVITIES						
Deferred Loans:						
1995 MHFA	\$ 356,859	\$	\$	\$	\$ 356,859	\$ 356,859
1999 MHFA	14,864			(2,478)	12,386	2,477
2001 MHFA	29,960			(3,745)	26,215	3,745
2001 Deferred Mortgage	84,500				84,500	
2006 MHFA Deferred Mortgage - Jordan II	1,044,110				1,044,110	
2012 Small Cities PI Loan	50,000				50,000	
2014 MHFA		405,000			405,000	
MHFA MURL Promissory Notes:						
1993 Note	159,268				159,268	
1994 Note	142,949				142,949	
General Obligation Housing Development Bond						
Series 2009 Refunding	1,815,000		180,000		1,635,000	185,000
Other:						
Buchanan Street Loan	122,975		122,975			
12th Street Loan	123,835		123,835			
5th Street Loan	92,073		92,073			
Small Cities PI Loan (30 yr)	34,376		637		33,739	663
Business-type Activities						
Long-term Liabilities	<u>\$ 4,070,769</u>	<u>\$ 405,000</u>	<u>\$ 519,520</u>	<u>\$ (6,223)</u>	<u>\$ 3,950,026</u>	<u>\$ 548,744</u>

The annual requirements to amortize all long-term debt outstanding as of December 31, 2014 are summarized below:

Years	General Obligation		Other	
	Principal	Interest	Principal	Interest
2015	\$ 185,000	\$ 48,519	\$ 363,744	\$ 1,375
2016	190,000	44,063	6,897	1,349
2017	195,000	39,006	6,925	1,321
2018	200,000	33,325	6,953	1,293
2019	205,000	26,994	6,984	1,263
2020 - 2024	660,000	36,401	1,518,523	4,859
2034			405,000	
	<u>\$ 1,635,000</u>	<u>\$ 228,308</u>	<u>\$ 2,315,026</u>	<u>\$ 11,460</u>

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Individual Fund Disclosures

Balances of inter-fund receivables and payables as of December 31, 2014 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	\$ 5,372	\$
Shelter Plus Care		5,372
	<u>\$ 5,372</u>	<u>\$ 5,372</u>

Transfers during the year ended December 31, 2014 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Low Rent Public Housing	\$ 139,334	\$
Public Housing Capital Fund Program		139,334
Housing Choice Vouchers	23,643	
Shelter Plus Care	23,895	
State / Local		47,538
	<u>\$ 186,872</u>	<u>\$ 186,872</u>

8. Commitments and Contingencies

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

9. Deferred Compensation Plans

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

The Organization also has a Section 401(a) defined contribution profit sharing plan for all eligible employees. Under this Plan, the Organization contributes 8% of eligible employee compensation to the Plan. This Plan also has vesting requirements of 20% per year with full vesting after year 5. Employer contributions to this Plan totaled \$39,510 for the year ended December 31, 2014.

10. Prior Period Adjustment

During 2014, management discovered it had inadvertently failed to record a note receivable issued from its Community Block Grants/Small Cities Program of \$99,000 from 1994. As a result, the note receivable balance and equity have been restated to record this transaction.

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SUPPORTING DATA

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE
STATEMENT OF NET POSITION
December 31, 2014

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
Assets			
Current Assets			
Cash			
111 Cash - unrestricted	\$ 371,725	\$ 13,930	\$
113 Cash - other restricted			365,193
114 Cash - tenant security deposits	33,960		
115 Cash - restricted - payment of current liability	185,434		
100 Total Cash	591,119	13,930	365,193
Receivables			
122 Accounts receivable - other HUD projects	16,886		
125 Accounts receivable - miscellaneous	24,183		657
126 Accounts receivable -tenants - dwelling units	1,976		
126.1 Allowance for doubtful accounts			
127 Loans receivable - current			
129 Accrued interest receivable			1,540
120 Total Receivables	43,045		2,197
142 Prepaid expenses and other assets	5,454		
143 Inventories			
144 Inter program due from			
150 Total Current Assets	639,618	13,930	367,390
Noncurrent Assets			
Fixed Assets			
161 Land	350,787		
162 Buildings	4,690,437		
163 Furniture, equipment & machinery - dwelling units	70,769		
164 Furniture, equipment & machinery - administration	98,796		
166 Accumulated depreciation	(2,556,211)		
167 Construction in progress			
160 Total Fixed Assets	2,654,578		
171 Notes, loans and mortgages receivable - noncurrent			848,494
180 Total Noncurrent Assets	2,654,578		848,494
190 Total Assets	\$ 3,294,196	\$ 13,930	\$ 1,215,884

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Shelter Plus Care	Total
\$ 353,607	\$ 13,763	\$	\$ 311,602	\$	\$ 1,064,627
43,049	42,546		14,149		407,739
452			6,862		91,158
397,108	56,309		332,613		1,756,272
	7,700		5	7,186	31,777
7,214			20,227		45,067
					9,190
			533		2,073
7,214	7,700		20,765	7,186	88,107
7,486	17		6,108		19,065
22,726					22,726
			5,372		5,372
434,534	64,026		364,858	7,186	1,891,542
270,157					620,944
4,972,589			2,658,658		12,321,684
118,034			61,563		250,366
129,829	15,212		217,348		461,185
(2,926,379)	(10,694)		(1,311,092)		(6,804,376)
47,732					47,732
2,611,962	4,518		1,626,477		6,897,535
			299,006		1,147,500
2,611,962	4,518		1,925,483		8,045,035
\$ 3,046,496	\$ 68,544	\$	\$ 2,290,341	\$ 7,186	\$ 9,936,577

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE
STATEMENT OF NET POSITION
December 31, 2014

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
Liabilities			
Current Liabilities			
311 Bank overdraft	\$	\$	\$
312 Accounts payable <= 90 days	6,615		
321 Accrued wage / payroll tax payable	13,207		
322 Accrued compensated absences - current portion	10,679		
325 Accrued interest payable	25,300		
331 Accounts payable - HUD PHA programs			
333 Accounts payable - other government	24,175		
341 Tenant security deposit	33,960		
342 Deferred revenues	434		171,300
343 Current portion of long-term debt	185,000		
345 Other current liabilities	10,084		
346 Accrued liabilities - other			
347 Inter program due to			
310 Total Current Liabilities	309,454		171,300
Noncurrent Liabilities			
351 Long-term debt, net of current	2,494,110		
353 Noncurrent liabilities - other			
354 Accrued compensated absences - noncurrent	13,721		
350 Total Noncurrent Liabilities	2,507,831		
300 Total Liabilities	2,817,285		171,300
Equity/Net Assets			
508.1 Net investment in capital assets	(24,532)		
Prior period adjustment			99,000
511.1 Restricted net assets			945,584
512.1 Unrestricted net assets	501,443	13,930	
513 Total Equity/Net Assets	476,911	13,930	1,044,584
600 Total Liabilities and Equity/Net Assets	\$ 3,294,196	\$ 13,930	\$ 1,215,884

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Shelter Plus Care	Total
\$ 7,268	\$ 346	\$	\$ 8,448	\$ 888	\$ 7,268
6,628	2,803		19,045	926	16,297
10,122	4,279		9,249		42,609
			939		34,329
32,370			7,844		26,239
43,049			14,149		64,389
452			2		91,158
			6,860		172,188
			6,740		191,860
13,291					16,824
				5,372	13,291
113,180	7,428		73,276	7,186	681,824
			1,264,056		3,758,166
	42,063				42,063
11,925	9,760		18,673		54,079
11,925	51,823		1,282,729		3,854,308
125,105	59,251		1,356,005	7,186	4,536,132
2,611,962	4,518		355,561		2,947,509
	4,775		314,006		99,000
309,429			264,769		1,264,365
2,921,391	9,293		934,336		1,089,571
\$ 3,046,496	\$ 68,544	\$	\$ 2,290,341	\$ 7,186	\$ 9,936,577

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

**FINANCIAL DATA SCHEDULE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2014**

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
Revenues			
Tenant Revenue			
70300	\$ 350,608	\$	\$
70400	5,134		
70500	355,742		
70600	384,664	63,858	
70610			
Fee Revenue			
70710			
70720			
70730			
70750			
70700			
70800		24,183	51,276
71100	84		5,294
71500	36,335		
71600			
72000			
70000	\$ 776,825	\$ 88,041	\$ 56,570

<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>	<u>Public Housing Capital Fund Program</u>	<u>State / Local</u>	<u>Shelter Plus Care</u>	<u>Total</u>
\$ 452,193	\$	\$	\$ 137,449	\$	\$ 940,250
27,029			46,692		78,855
479,222			184,141		1,019,105
77,772	725,879	118,966 61,469		35,926	1,407,065 61,469
			269,236		344,695
	66		9,210		14,654
7,479			90,325		134,139
			(25,046)		(25,046)
\$ 564,473	\$ 725,945	\$ 180,435	\$ 527,866	\$ 35,926	\$ 2,956,081

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 For the Year Ended December 31, 2014

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
Expenses			
Administrative			
91100 Administrative Salaries	\$ 90,185	\$	\$
91200 Auditing Fee			
91310 Book-Keeping Fee	6,577		
91400 Advertising and Marketing	3,092		
91500 Employee Benefit Contribution	33,560		
91600 Office Expenses	23,222		
91700 Legal Expense			
91800 Travel	95		
91900 Other	14,521		16,686
91000 Total Administrative	171,252		16,686
Tenant Services			
92100 Salaries		42,202	
92300 Employee Benefit Contributions		18,858	
92400 Tenant Services - Other	3,596	13,051	
92500 Total Tenant Services	3,596	74,111	
Utilities			
93100 Water	12,034		
93200 Electricity	33,854		
93300 Gas	43,515		
93600 Sewer	13,081		
93000 Total Utilities	102,484		
Ordinary Maintenance and Operations			
94100 Labor	81,924		
94200 Materials and Other	34,622		
94300 Contracts	66,469		
94500 Employee Benefit Contributions	29,203		
94000 Total Ordinary Maintenance and Operations	212,218		
Insurance			
96110 Property Insurance	15,027		
96120 Liability Insurance	4,778		
96130 Workmen's Compensation	3,065		
96140 All Other Insurance	192		
96100 Total Insurance	\$ 23,062	\$	\$

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Shelter Plus Care	Total
\$ 55,647	\$ 42,958	\$ 11,341	\$ 160,241	\$ 15,160	375,532
			5,750		5,750
	5,359		10,134		22,070
2,856			100		6,048
36,693	25,701		53,651	8,477	158,082
31,161	9,559		14,562		78,504
245			5,024		5,269
13	268		4,454	258	5,088
24,454	3,851		44,336		103,848
151,069	87,696	11,341	298,252	23,895	760,191
					42,202
					18,858
7,731					24,378
7,731					85,438
17,418			10,528		39,980
45,207			6,680		85,741
36,129			8,647		88,291
20,715			734		34,530
119,469			26,589		248,542
64,659			12,881		159,464
59,320			9,360		103,302
48,946	1,771		64,869		182,055
22,959			4,052		56,214
195,884	1,771		91,162		501,035
22,711			23,072		60,810
5,477			1,860		12,115
3,065	3,065		3,065		12,260
520	103				815
\$ 31,773	\$ 3,168	\$	\$ 27,997	\$	\$ 86,000

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 For the Year Ended December 31, 2014

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
Expenses (Continued)			
Other General Expenses			
96200 Other General Expenses	\$ 2,339	\$	\$ 1,692
96210 Compensated Absences	2,969		
96300 Payments in Lieu of Taxes	24,175		
96400 Bad Debt - Tenant Rents	550		
96000 Total Other General Expenses	30,033		1,692
Interest Expense and Amortization Cost			
96710 Interest on Mortgage Payable	50,600		
96720 Interest on Notes Payable			
96730 Amortization of Bond Issue Costs			
96700 Total Interest Expense and Amortization Cost	50,600		
96900 Total Operating Expenses	593,245	74,111	18,378
97000 Excess Revenue Over Operating Expenses	183,580	13,930	38,192
Other Expenses			
97100 Extraordinary Maintenance	1,349		
97300 Housing Assistance Payments			
97400 Depreciation Expense	116,081		
90000 Total Expenses	710,675	74,111	18,378
Other Financing Sources (Uses)			
10010 Operating transfers in			
10020 Operating transfers out			
10100 Total Other Financing Sources (Uses)			
Excess (Deficiency) of Total Revenue Over 10000 (Under) Total Expenses	\$ 66,150	\$ 13,930	\$ 38,192

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Shelter Plus Care	Total
\$ 241	\$ 1,699	\$ 29,760	\$ 100,403	\$ 2,060	138,194
2,941	1,128		1,465		8,503
32,370			16,152		72,697
12,449			(676)		12,323
48,001	2,827	29,760	117,344	2,060	231,717
			5,595		56,195
					0
					0
			5,595		56,195
553,927	95,462	41,101	566,939	25,955	1,969,118
10,546	630,483	139,334	(39,073)	9,971	986,963
					1,349
	694,985			33,866	728,851
152,883	1,029		87,354		357,347
706,810	791,476	41,101	654,293	59,821	3,056,665
107,625	23,643			23,895	155,163
		(107,625)	(47,538)		(155,163)
107,625	23,643	(107,625)	(47,538)	23,895	
\$ (34,712)	\$ (41,888)	\$ 31,709	\$ (173,965)	\$	\$ (100,584)

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

**FINANCIAL DATA SCHEDULE
MEMO ACCOUNT INFORMATION
For the Year Ended December 31, 2014**

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
Memo Account Information			
11020	Required annual debt principal payments	\$	\$
11030	Beginning equity	410,761	907,392
11040	Prior period adjustment and equity transfers		99,000
11170	Administrative fee equity		
11180	Housing assistance payments equity		
11190	Unit months available	1,248	
11210	Unit months leased	1,241	
11270	Excess cash		
11610	Land purchases		
11620	Building purchases	81,575	
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	State / Local	Shelter Plus Care	Total
\$ 2,924,394 31,709	\$ 51,181	\$ (31,709)	\$ 1,108,301	\$	\$ 5,402,029 99,000
1,425 1,407 242,501	2,028 1,162		144 23		4,845 3,833 242,501
			27,708		109,283

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

SCHEDULE OF CAPITAL FUNDS

December 31, 2014

	<u>2014</u>	<u>2013</u>	<u>Total</u>
Total Funds Approved	\$ 130,257	\$ 113,408	\$ 243,665
Total Funds Received	<u>67,027</u>	<u>113,408</u>	<u>180,435</u>
Remaining Funds Due	<u>\$ 63,230</u>	<u>\$</u>	<u>\$ 63,230</u>
Total Funds Received	\$ 67,027	\$ 113,408	\$ 180,435
Total Funds Expended	<u>67,027</u>	<u>113,408</u>	<u>180,435</u>
Funds on Hand	<u>\$</u>	<u>\$</u>	<u>\$</u>
Status			
Received during Current Year	\$ 67,027	\$ 113,408	\$ 180,435
Current Amount Due			
Prior Amount Due			
Current Revenue	<u>\$ 67,027</u>	<u>\$ 113,408</u>	<u>\$ 180,435</u>



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING 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, 2014, 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 02, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

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

Purpose of this Report

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

Smith, Schafu and Associates, Ltd.



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 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, 2014. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit 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 City of Caledonia, Minnesota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Red Wing Housing and Redevelopment Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

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 OMB Circular A-133, 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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Red Wing Housing and Redevelopment Authority, as of and for the year ended December 31, 2014. We have issued our report thereon dated June 2, 2015, 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 OMB Circular A-133, 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Smith, Schafn and Associates, Ltd.

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

December 31, 2014

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Housing & Urban Development</u>		
N/C S/R Section 8 Programs	14.195	\$ 384,664
Multifamily Housing Service Coordinators	14.191	63,858
Low Rent Public Housing	14.856	77,772
Housing Choice Vouchers	14.871	725,879
Public Housing Capital Fund Program	14.872	180,435
Shelter Plus Care	14.238	<u>35,926</u>
Total Expenditures of Federal Awards		<u>\$ 1,468,534</u>

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2014**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Red Wing Housing and Redevelopment Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014**

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 OMB Circular A-133.
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>
N/C S/R Section 8 Programs	14.195
Public Housing Capital Programs	14.872

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Red Wing Housing and Redevelopment Authority qualifies as a low-risk auditee.