

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

**FINANCIAL STATEMENTS
DECEMBER 31, 2021**

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinion

We have audited the financial statements of the business-type activities and each major fund of the Red Wing Housing and Redevelopment Authority as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Red Wing Housing and Redevelopment Authority basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2021 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Red Wing Housing and Redevelopment Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Red Wing Housing and Redevelopment Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Red Wing Housing and Redevelopment Authority's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
Red Wing Housing and Redevelopment Authority
Red Wing, Minnesota
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Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, and Government Auditing Standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Red Wing Housing and Redevelopment Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Red Wing Housing and Redevelopment Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

To the Board of Directors
Red Wing Housing and Redevelopment Authority
Red Wing, Minnesota
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Supplementary 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, Schedule of Capital Funds and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principals, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and has been derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2022 on our consideration of Red Wing Housing and Redevelopment Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Red Wing Housing and Redevelopment Authority's internal control over financial reporting and compliance.

Smith, Schopf and Associates, Ltd.

Red Wing, Minnesota
May 20, 2022

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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, 2021.

FINANCIAL HIGHLIGHTS

- The assets of Red Wing Housing and Redevelopment Authority exceeded its liabilities at the close of the most recent fiscal year by \$6,418,120 (*net position*). Of this amount, \$1,912,099 (*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 \$3,938,215 and total expenses are \$3,997,375 for the current year.
- Red Wing Housing and Redevelopment Authority's total capital assets net of accumulated depreciation for the current year are \$10,500,901.
- Red Wing Housing and Redevelopment Authority's total long-term debt for the current year is \$9,080,371.
- At the end of the current fiscal year, unrestricted net position was \$1,912,099 or 48 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

| | 2021 | 2020 | Increase (Decrease) |
|----------------------------------|---------------------|---------------------|------------------------|
| Current and other assets | \$ 5,357,565 | \$ 5,135,658 | \$ 221,907 |
| Capital assets | 10,510,123 | 11,221,268 | (711,145) |
| Total assets | <u>15,867,688</u> | <u>16,356,926</u> | <u>(489,238)</u> |
| Current liabilities | 667,894 | 880,025 | (212,131) |
| Long-term liabilities | 8,772,452 | 8,999,621 | (227,169) |
| Total liabilities | <u>9,440,346</u> | <u>9,879,646</u> | <u>(439,300)</u> |
| Net investment in capital assets | 1,447,090 | 1,916,323 | (469,233) |
| Restricted | 3,068,153 | 2,570,261 | 497,892 |
| Unrestricted | 1,912,099 | 1,990,696 | (78,597) |
| Total net position | <u>\$ 6,427,342</u> | <u>\$ 6,477,280</u> | <u>\$ (49,938)</u> |

The Organization's total net position for the current fiscal year is \$6,418,120 of which \$1,437,868 is invested in capital assets. The Red Wing Housing and Redevelopment Authority has \$2,770,701 in cash and investments as of December 31, 2021 (including the tenant security deposit account).

The HRA lent \$94,328 in Small Cities Program Income loans to two commercial properties in the Downtown area.

The HRA received \$428,278 from the HRA Tax Levy with \$100,000 of that amount allocated to the Affordable Housing Trust Fund (AHTF).

The HRA approved two AHTF Homebuyers Assistance loans of \$9,000 each in 2021 and one Owner-Occupied rehab loan for \$22,504.75

The Keller Baartman Properties LLC's phase II was completed in 2021. Phase IV were started in 2021 with leasing occurring as units are completed.

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

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

| | <u>2021</u> | <u>2020</u> | Increase (Decrease) |
|---------------------------------|---------------------|---------------------|------------------------|
| Revenues: | | | |
| Federal grants | \$ 1,924,726 | \$ 1,880,049 | \$ 44,677 |
| State and local revenues | 515,958 | 807,283 | (291,325) |
| Tenant revenue | 1,192,887 | 1,137,970 | 54,917 |
| Investment earnings | 4,235 | 13,212 | (8,977) |
| Other income | 300,409 | 770,625 | (470,216) |
| Total revenues | <u>3,938,215</u> | <u>4,609,139</u> | <u>(670,924)</u> |
| Expenses: | | | |
| Administration | 843,105 | 897,855 | (54,750) |
| Tenant Services | 74,123 | 80,175 | (6,052) |
| Utilities | 243,881 | 212,455 | 31,426 |
| Maintenance and operations | 589,078 | 517,138 | 71,940 |
| Insurance | 148,909 | 130,777 | 18,132 |
| General expense | 200,041 | 695,831 | (495,790) |
| Housing assistance payments | 876,362 | 932,321 | (55,959) |
| Depreciation | 1,001,627 | 933,930 | 67,697 |
| Other expenses | 11,027 | 26,979 | (15,952) |
| Total expenses | <u>3,988,153</u> | <u>4,427,461</u> | <u>(439,308)</u> |
| Change in net position | (49,938) | 181,678 | (231,616) |
| Net position, beginning of year | <u>6,477,280</u> | <u>6,295,602</u> | <u>181,678</u> |
| Net position, end of year | <u>\$ 6,427,342</u> | <u>\$ 6,477,280</u> | <u>\$ (49,938)</u> |

Total revenues for the current year were \$3,938,215 and total expenses were \$3,997,375.

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

CAPITAL ASSETS

The Organization's investment in capital assets as of December 31, 2021, amounted to \$10,500,901 (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)

| | 2021 | 2020 | Increase (Decrease) |
|------------------------------------------|----------------------|----------------------|------------------------|
| Land | \$ 819,804 | \$ 819,804 | \$ |
| Construction in progress | 10,501 | 483,225 | (472,724) |
| Buildings and improvements | 19,928,818 | 19,213,281 | 715,537 |
| Furniture and equipment - dwellings | 49,188 | 49,188 | |
| Furniture and equipment - administration | 624,799 | 586,395 | 38,404 |
| Less accumulated depreciation | <u>(10,922,987)</u> | <u>(9,930,625)</u> | <u>(992,362)</u> |
| Total | <u>\$ 10,510,123</u> | <u>\$ 11,221,268</u> | <u>\$ (711,145)</u> |

Jordan Tower I installed a new boiler system to replace the one that was original to the building.

**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 \$9,080,371.

Table 4
Long-Term Debt

| | 2021 | 2020 | Increase (Decrease) |
|----------------------------------------------|---------------------|---------------------|------------------------|
| Deferred Loans | \$ 6,043,748 | \$ 6,043,748 | \$ |
| MHFA PARIF Mortgage Note | 2,481,000 | 2,481,000 | |
| MHFA MURL Promissory Notes | 302,217 | 302,217 | |
| General Obligation Housing Development Bonds | 225,000 | 445,000 | (220,000) |
| Other | 28,406 | 32,982 | (4,576) |
| Total | \$ 9,080,371 | \$ 9,304,947 | \$ (224,576) |

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

Tax Increment for the Keller-Baartman TIF began in 2021 due to the leasing of units in 2020. The total tax increment received was \$53,368, 80% or \$42,694 went to TIF note #1 for reimbursement to Keller-Baartman. The HRA received \$10,674 for administrative expenses.

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 Corrine Stockwell, Finance Manager 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, 2021**

| | 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 | \$ 1,217,712 | \$ | \$ 437,871 | \$ 231,459 |
| Receivables | 5,512 | | 803 | 8,423 |
| Inventories | 42,265 | | | 50,512 |
| Prepaid expenses | 13,328 | | | 15,234 |
| Due from other funds | | | | |
| Capital assets: | | | | |
| Nondepreciable | 352,066 | | | 279,379 |
| Depreciable, net | 5,683,470 | | | 3,352,194 |
| Notes and mortgages receivable | | | 1,981,957 | |
| Total Assets | <u>7,314,353</u> | | <u>2,420,631</u> | <u>3,937,201</u> |
| Liabilities and Net Position | | | | |
| Liabilities | | | | |
| Accounts payable | 9,481 | | | 12,817 |
| Accrued liabilities | 11,105 | | | 15,629 |
| Compensated absences | 32,450 | | | 32,280 |
| Accrued interest | 4,163 | | | |
| Deposits payable | 39,555 | | | 45,818 |
| Unearned revenue | 7 | | | 3,761 |
| Due to other governments | 37,480 | | | 38,012 |
| Due to other funds | | | | |
| Other liabilities | | | | |
| Noncurrent liabilities: | | | | |
| Due in one year | 252,093 | | | |
| Due in more than one year | 6,498,017 | | | 1,460,104 |
| Total Liabilities | <u>6,884,351</u> | | | <u>1,608,421</u> |
| Net Position | | | | |
| Net investment in capital assets | (714,574) | | | 2,188,807 |
| Restricted net position | | | 2,420,631 | |
| Unrestricted net position | 1,144,576 | | | 139,973 |
| Total Net Position | <u>430,002</u> | | <u>2,420,631</u> | <u>2,328,780</u> |
| Total Liabilities and Net Position | <u>\$ 7,314,353</u> | <u>\$</u> | <u>\$ 2,420,631</u> | <u>\$ 3,937,201</u> |

See Notes to the Financial Statements

| Housing Choice Vouchers | Public Housing Capital Fund Program | State / Local | Bridges | Continuum of Care | TIF #8 | AHTF | Elimination | Total |
|-------------------------|-------------------------------------|---------------------|----------------|-------------------|-----------------|-------------------|--------------------|----------------------|
| \$ 68,021 | \$ | \$ 481,757 | \$7,342 | \$ | \$ 500 | \$ 326,039 | \$ | \$ 2,770,701 |
| 4,673 | | 6,989 | | | 34,159 | | | 60,559 |
| | | 10,309 | | | | | | 103,086 |
| | | 4,567 | | | | | | 33,129 |
| | | 92,864 | | | | | (92,864) | |
| | | 198,860 | | | | | | 830,305 |
| 2,892 | | 641,262 | | | | | | 9,679,818 |
| | | 63,998 | | | | 344,135 | | 2,390,090 |
| <u>75,586</u> | | <u>1,500,606</u> | <u>7,342</u> | | <u>34,659</u> | <u>670,174</u> | <u>(92,864)</u> | <u>15,867,688</u> |
| 4,036 | | 3,670 | | | | | | 30,004 |
| 5,021 | | 17,951 | 706 | | | | | 50,412 |
| 3,499 | | 10,881 | | | | | | 79,110 |
| | | 784 | | | | | | 4,947 |
| | | 13,422 | | | | | | 98,795 |
| | | 96 | | | | | | 3,864 |
| | | 9,512 | | | | | | 85,004 |
| 2,069 | | | 6,636 | | 34,659 | 49,500 | (92,864) | 7,839 |
| 7,839 | | | | | | | | |
| | | 55,826 | | | | | | 307,919 |
| | | 814,331 | | | | | | 8,772,452 |
| <u>22,464</u> | | <u>926,473</u> | <u>7,342</u> | | <u>34,659</u> | <u>49,500</u> | <u>(92,864)</u> | <u>9,440,346</u> |
| 2,892 | | (30,035) | | | | | | 1,447,090 |
| 47,894 | | 63,998 | | | | 535,630 | | 3,068,153 |
| 2,336 | | 540,170 | | | | 85,044 | | 1,912,099 |
| <u>53,122</u> | | <u>574,133</u> | | | | <u>620,674</u> | | <u>6,427,342</u> |
| <u>\$ 75,586</u> | <u>\$</u> | <u>\$ 1,500,606</u> | <u>\$7,342</u> | <u>\$</u> | <u>\$34,659</u> | <u>\$ 670,174</u> | <u>\$ (92,864)</u> | <u>\$ 15,867,688</u> |

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2021

| | 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 | \$ 476,707 | \$ | \$ | \$ 546,829 |
| HUD PHA operating grants | 567,565 | 67,212 | | 175,674 |
| Other governmental grants | | | | 165,235 |
| Other revenue | 45,190 | | 46 | 35,278 |
| Total Operating Revenues | <u>1,089,462</u> | <u>67,212</u> | <u>46</u> | <u>923,016</u> |
| Operating Expenses | | | | |
| Administration | 216,726 | | 7,470 | 229,020 |
| Tenant services | | 67,212 | | 6,911 |
| Utilities | 85,633 | | | 131,011 |
| Maintenance and operations | 228,015 | | | 277,212 |
| Insurance | 57,898 | | | 66,117 |
| General expense | 37,098 | | 8,984 | 47,232 |
| Housing assistance payments | | | | |
| Depreciation | 592,723 | | | 344,362 |
| Total Operating Expenses | <u>1,218,093</u> | <u>67,212</u> | <u>16,454</u> | <u>1,101,865</u> |
| Operating Income (Loss) | (128,631) | | (16,408) | (178,849) |
| Nonoperating Revenues (Expenses) | | | | |
| Investment income | 1,633 | | 2,297 | (67) |
| Gain (loss) on sale of assets | | | | |
| Interest expense | (8,325) | | | |
| Casualty gain (loss) | | | | (1,000) |
| Total Nonoperating Revenue (Expenses) | <u>(6,692)</u> | | <u>2,297</u> | <u>(1,067)</u> |
| Income (Loss) Before Capital Grants or Transfers | (135,323) | | (14,111) | (179,916) |
| Capital grants | | | | |
| Operating transfers in | | | | 166,033 |
| Operating transfers out | | | | |
| Change in Net Position | <u>(135,323)</u> | | <u>(14,111)</u> | <u>(13,883)</u> |
| Net Position - Beginning of Year | <u>565,325</u> | | <u>2,434,742</u> | <u>2,342,663</u> |
| Net Position - End of Year | <u>\$ 430,002</u> | <u>\$</u> | <u>\$ 2,420,631</u> | <u>\$ 2,328,780</u> |

See Notes to the Financial Statements

| Housing Choice Vouchers | Public Housing Capital Fund Program | State / Local | Bridges | Continuum of Care | TIF #8 | AHTF | Elimination | Total |
|-------------------------|-------------------------------------|-------------------|---------------|-------------------|--------------|-------------------|-----------------|---------------------|
| \$ 946,432 | \$ 77,890 | \$ 190,661 | \$ | \$ 1,810 | \$ | \$ | \$ (21,310) | \$ 1,192,887 |
| | | 303,465 | 47,258 | | | | | 1,836,583 |
| | | 116,206 | | | 3,689 | 100,000 | | 515,958 |
| <u>946,432</u> | <u>77,890</u> | <u>610,332</u> | <u>47,258</u> | <u>1,810</u> | <u>3,689</u> | <u>100,000</u> | <u>(21,310)</u> | <u>3,845,837</u> |
| 163,012 | | 220,540 | 20,905 | 3,053 | 3,689 | | (21,310) | 843,105 |
| | | 27,237 | | | | | | 74,123 |
| 4,348 | | 79,503 | | | | | | 243,881 |
| | | 24,894 | | | | | | 589,078 |
| (5,917) | | 96,859 | | 505 | | 15,280 | | 148,909 |
| 832,735 | | | 42,317 | 1,310 | | | | 200,041 |
| 1,078 | | 63,464 | | | | | | 876,362 |
| <u>995,256</u> | <u></u> | <u>512,497</u> | <u>63,222</u> | <u>4,868</u> | <u>3,689</u> | <u>15,280</u> | <u>(21,310)</u> | <u>1,001,627</u> |
| (48,824) | 77,890 | 97,835 | (15,964) | (3,058) | | 84,720 | | 3,977,126 |
| | | | | | | | | (131,289) |
| 3 | | 45 | | | | 324 | | 4,235 |
| | | (1,675) | | | | | | (1,675) |
| | | (27) | | | | | | (8,352) |
| | | | | | | | | (1,000) |
| <u>3</u> | <u></u> | <u>(1,657)</u> | <u></u> | <u></u> | <u></u> | <u>324</u> | <u></u> | <u>(6,792)</u> |
| (48,821) | 77,890 | 96,178 | (15,964) | (3,058) | | 85,044 | | (138,081) |
| | 88,143 | | | | | | | 88,143 |
| 75,355 | | | 15,964 | 3,058 | | | (260,410) | |
| | (166,033) | (94,377) | | | | | 260,410 | |
| <u>26,534</u> | <u></u> | <u>1,801</u> | <u></u> | <u></u> | <u></u> | <u>85,044</u> | <u></u> | <u>(49,938)</u> |
| <u>26,588</u> | <u></u> | <u>572,332</u> | <u></u> | <u></u> | <u></u> | <u>535,630</u> | <u></u> | <u>6,477,280</u> |
| <u>\$ 53,122</u> | <u>\$</u> | <u>\$ 574,133</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$ 620,674</u> | <u>\$</u> | <u>\$ 6,427,342</u> |

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021

| | 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 | \$ 475,636 | \$ | \$ |
| Cash received from intergovernmental | 818,622 | 67,212 | 25,072 |
| Other cash received | 45,190 | | 237,203 |
| Cash paid to employees | (208,551) | (46,936) | |
| Cash paid to suppliers | (642,916) | (20,276) | (16,454) |
| Net Cash Provided By (Used In) Operating Activities | <u>487,981</u> | | <u>245,821</u> |
| Cash Flows From Investing Activities | | | |
| Interest income received | <u>1,633</u> | | <u>2,297</u> |
| Cash Flows From Capital and Related Financing Activities | | | |
| Acquisition of capital assets | (13,504) | | |
| Proceeds from capital grants | | | |
| Casualty loss costs | | | |
| Interfund borrowings | | | |
| Operating transfers | | | |
| Other long-term liabilities | | | |
| Interest paid on long-term debt | (8,325) | | |
| Proceeds from (principal paid) on long-term debt | <u>(220,000)</u> | | |
| Net Cash Provided By (Used In) Capital and Related Financing Activities | <u>(241,829)</u> | | |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>247,785</u> | | <u>248,118</u> |
| Cash and Cash Equivalents - Beginning of Year | <u>969,927</u> | | <u>189,753</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 1,217,712</u> | <u>\$</u> | <u>\$ 437,871</u> |

See Notes to the Financial Statements

| Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | State / Local | Bridges | Continuum of Care | TIF #8 | AHTF | Total |
|-------------------------------|-------------------------------|-------------------------------------------------|-------------------|-----------------|----------------------|-----------------|-------------------|---------------------|
| \$ 547,768 | \$ | \$ | \$ 185,321 | \$ | \$ | \$ | \$ | \$ 1,208,725 |
| 344,085 | 946,652 | 77,890 | 303,465 | 47,258 | 1,810 | | | 2,632,066 |
| 35,278 | | | 161,106 | | | 37,357 | 100,000 | 616,134 |
| (251,291) | (88,332) | | (118,549) | (13,688) | (2,062) | (3,689) | | (733,098) |
| (528,499) | (910,519) | | (340,013) | (49,472) | (3,235) | | (90,827) | (2,602,211) |
| <u>147,341</u> | <u>(52,199)</u> | <u>77,890</u> | <u>191,330</u> | <u>(15,902)</u> | <u>(3,487)</u> | <u>33,668</u> | <u>9,173</u> | <u>1,121,616</u> |
| <u>(67)</u> | <u>3</u> | | <u>45</u> | | | | <u>324</u> | <u>4,235</u> |
| (252,753) | | | (25,901) | | | | | (292,158) |
| (1,000) | | 88,143 | | | | | | 88,143 |
| (47) | 10,166 | | (28,310) | 1,430 | 429 | (33,168) | 49,500 | (1,000) |
| 166,033 | 75,355 | (166,033) | (94,377) | 15,964 | 3,058 | | | (694) |
| | (694) | | (27) | | | | | (8,352) |
| | | | (4,576) | | | | | (224,576) |
| <u>(87,767)</u> | <u>84,827</u> | <u>(77,890)</u> | <u>(153,191)</u> | <u>17,394</u> | <u>3,487</u> | <u>(33,168)</u> | <u>49,500</u> | <u>(438,637)</u> |
| 59,507 | 32,631 | | 38,184 | 1,492 | | 500 | 58,997 | 687,214 |
| 171,953 | 35,389 | | 443,573 | 5,850 | | | 267,042 | 2,083,487 |
| <u>\$ 231,460</u> | <u>\$ 68,020</u> | <u>\$</u> | <u>\$ 481,757</u> | <u>\$ 7,342</u> | <u>\$</u> | <u>\$ 500</u> | <u>\$ 326,039</u> | <u>\$ 2,770,701</u> |

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021

RECONCILIATION OF OPERATING

| | N/C S/R Section 8 Programs | Multifamily Housing Service Coordinators | Community Development Block Grants / Small Cities Program |
|-------------------------------------------------------------------------------------------------------------|----------------------------------|---------------------------------------------------|-----------------------------------------------------------------------|
| Operating Income (Loss) | \$(128,631) | \$ | \$ (16,408) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Depreciation | 592,723 | | |
| Loans Forgiven | | | |
| (Increase) Decrease In: | | | |
| Accounts receivable | 251,057 | | 25,072 |
| Inventories | (18,082) | | |
| Prepaid expenses | (1,534) | | |
| Notes and mortgages receivable | | | 237,157 |
| Increase (Decrease) In: | | | |
| Accounts payable | (204,286) | | |
| Other accrued liabilities | (1,169) | | |
| Compensated absences | (1,026) | | |
| Unearned revenue | (1,071) | | |
| Net Cash Provided By (Used In) Operating Activities | <u>\$ 487,981</u> | <u>\$</u> | <u>\$ 245,821</u> |

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 | Continuum of Care | TIF #8 | AHTF | Total |
|-------------------------------|-------------------------------|-------------------------------------------------|-------------------|--------------------|----------------------|------------------|-----------------|---------------------|
| \$ (178,849) | \$ (48,824) | \$ 77,890 | \$ 97,835 | \$ (15,964) | \$ (3,058) | \$ | \$ 84,720 | \$ (131,289) |
| 344,362 | 1,078 | | 63,464 | | | | | 1,001,627 |
| | | | 28,000 | | | | 15,280 | 43,280 |
| 3,176 | 220 | | (3,379) | | | 33,668 | | 309,814 |
| (22,955) | | | (5,810) | | | | | (46,847) |
| (2,231) | | | (405) | | | | | (4,170) |
| | | | 16,900 | | | | (90,827) | 163,230 |
| 2,293 | 2,457 | | 1,668 | | | | | (197,868) |
| 1,139 | 323 | | 5,074 | 62 | (429) | | | 5,000 |
| (533) | (7,453) | | (10,056) | | | | | (19,068) |
| 939 | | | (1,961) | | | | | (2,093) |
| <u>\$ 147,341</u> | <u>\$ (52,199)</u> | <u>\$ 77,890</u> | <u>\$ 191,330</u> | <u>\$ (15,902)</u> | <u>\$ (3,487)</u> | <u>\$ 33,668</u> | <u>\$ 9,173</u> | <u>\$ 1,121,616</u> |

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity

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

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

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

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

Basis of Presentation

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

Measurement Focus, Basis of accounting and Financial Statement Presentation

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

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

Fund accounting

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

The Organization reports the following major proprietary funds:

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

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

Fund accounting (continued)

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

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

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

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

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

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

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

The *Continuum of Care* fund accounts for shelter aid for the homeless.

The *TIF #8* fund accounts for the Keller-Baartman Properties LLC tax increment funding (TIF) project for which the HRA may receive up to 20% to be applied to administrative expenses and payments into the Affordable Housing Trust Fund.

The Affordable Housing Trust Fund (*AHTF*) accounts for homebuyer assistance loans, owner/occupied rehab, and new small site affordable housing units funded by tax levy funds.

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 |

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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.

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 unearned 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.

2. Cash and Cash Equivalents

Summary of Cash and Deposits

As of December 31, 2021 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 | \$ 2,449,812 |
| Certificates of deposit | November 2022 | <u>320,889</u> |
| | | <u>\$ 2,770,701</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.

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

2. Cash and Cash Equivalents

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.

3. Loans Receivable

Following is a summary of the notes receivable outstanding at December 31, 2021:

| | <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 | \$2,219,114 | \$ 172,778 | \$ 409,935 | \$1,981,957 |
| AHTF | 268,588 | 84,259 | 8,712 | 344,135 |
| State / Local | 108,898 | 10,600 | 55,500 | 63,998 |
| Total | <u>\$2,596,600</u> | <u>\$ 267,637</u> | <u>\$ 474,147</u> | <u>\$2,390,090</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, 2021 totaled \$1,981,957.

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, 2021 totaled \$63,998.

The AHTF notes and mortgages receivable consist of Homebuyers Assistance loans with varying interest rates for qualified individuals. Receivables outstanding at December 31, 2021 totaled \$344,135.

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

4. Capital Assets

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|----------------------------------------------|------------------------------|---------------------|---------------------|---------------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 819,804 | \$ | \$ | \$ 819,804 |
| Construction in progress | 483,225 | 10,501 | (483,225) | 10,501 |
| Total capital assets | <u>1,303,029</u> | <u>10,501</u> | <u>(483,225)</u> | <u>830,305</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 19,213,281 | 715,962 | (425) | 19,928,818 |
| Furniture and equipment - dwelling units | 49,188 | | | 49,188 |
| Furniture and equipment - administration | 586,395 | 48,911 | (10,507) | 624,799 |
| Total capital assets | <u>19,848,864</u> | <u>764,873</u> | <u>(10,932)</u> | <u>20,602,805</u> |
| Less accumulated depreciation | <u>9,930,625</u> | <u>1,001,627</u> | <u>(9,265)</u> | <u>10,922,987</u> |
| Total capital assets, being depreciated, net | <u>9,918,239</u> | <u>(236,754)</u> | <u>(1,667)</u> | <u>9,679,818</u> |
| Governmental activities capital assets, net | <u>\$ 11,221,268</u> | <u>\$ (226,253)</u> | <u>\$ (484,892)</u> | <u>\$ 10,510,123</u> |

Depreciation expense was charged to functions/programs as follows:

Business-Type Activities:

| | |
|-------------------------------------------------------|---------------------|
| N/C S/R Section 8 Programs | \$ 592,723 |
| Low Rent Public Housing | 344,362 |
| Housing Choice Vouchers | 1,078 |
| State / Local | <u>63,464</u> |
| Total depreciation expense - business-type activities | <u>\$ 1,001,627</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 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. The 2016 Loan proceeds were issued for \$917,537. The entire balance with zero percent interest is forgiven after 20 years. The 2017 Loan proceeds were issued for \$3,000,000. The entire balance with zero percent interest is forgiven after 20 years. The 2019 Loan proceeds were issued for \$406,001. The entire balance with zero percent interest is forgiven after 20 years.

MHFA PARIF Mortgage Note:

The HRA borrowed funds in 2017 and 2018 from the Preservation Affordable Rental Investment Program for the rehabilitation of a multifamily rental housing development for persons of low and moderate income. The total amount that can be drawn on the mortgage note is \$2,481,000 and matures in 2047. The outstanding balance totaled \$2,481,000 as of December 31, 2019. Interest on the principal amount outstanding is computed at 4.50%. The principal amount including the accumulated interest and accrued interest is payable commencing on the first day of August, 2022, and the first day of each succeeding month until the entire indebtedness has been paid in full.

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, 2021 balances is as follows:

| | Range of Interest Rates | Final Maturity | Balance December 31, 2021 |
|----------------------------------------------|----------------------------|----------------|---------------------------------|
| Deferred Loans: | | | |
| 2001 MHFA | 0.00% | 2026 | \$ 34 |
| 2001 Deferred Mortgage | 0.00% | 2026 | 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 - Elevators | 0.00% | 2034 | 405,000 |
| 2016 MHFA - Windows J1 | 0.00% | 2036 | 917,537 |
| 2017 MHFA - Home | 0.00% | 2037 | 3,000,000 |
| 2019 MHFA - Boilers J1 | 0.00% | 2039 | 542,567 |
| MHFA PARIF Mortgage Note: | | | |
| 2017 PARIF | 4.50% | 2047 | 2,481,000 |
| 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 | 225,000 |
| Other: | | | |
| Small Cities PI Loan | 4.00% | 2026 | 28,406 |
| Total | | | <u>\$ 9,080,371</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, 2021 are as follows:

| | Beginning Balance | Additions | Debt Reductions | Forgiven | Ending Balance | Amounts Due Within One Year |
|----------------------------------------------|----------------------|-----------|--------------------|-----------|---------------------|-----------------------------------|
| BUSINESS-TYPE ACTIVITIES | | | | | | |
| Deferred Loans: | | | | | | |
| 2001 MHFA | \$ 34 | \$ | \$ | \$ | \$ 34 | \$ |
| 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 | 50,000 |
| 2014 MHFA - Elevators | 405,000 | | | | 405,000 | |
| 2016 MHFA - Windows J1 | 917,537 | | | | 917,537 | |
| 2017 MHFA - Home | 3,000,000 | | | | 3,000,000 | |
| 2019 MHFA - Boilers J1 | 542,567 | | | | 542,567 | |
| MHFA PARIF Mortgage Note: | | | | | | |
| 2017 PARIF | 2,481,000 | | | | 2,481,000 | 27,093 |
| MHFA MURL Promissory Notes: | | | | | | |
| 1993 Note | 159,268 | | | | 159,268 | |
| 1994 Note | 142,949 | | | | 142,949 | |
| General Obligation Housing Development Bond: | | | | | | |
| Series 2009 Refunding | 445,000 | | 220,000 | | 225,000 | 225,000 |
| Other: | | | | | | |
| Small Cities PI Loan (30 yr.) | 32,982 | | 4,576 | | 28,406 | 5,826 |
| Business-type Activities | | | | | | |
| Long-term Liabilities | <u>\$ 9,304,947</u> | <u>\$</u> | <u>\$ 224,576</u> | <u>\$</u> | <u>\$ 9,080,371</u> | <u>\$ 307,919</u> |

The annual requirements to amortize all long-term debt outstanding as of December 31, 2021 are summarized below:

| Years | General Obligation | | PARIF Loan | | Other | |
|-------------|--------------------|-----------------|---------------------|---------------------|---------------------|-----------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2022 | \$ 225,000 | \$ 4,162 | \$ 27,093 | \$ 120,688 | \$ 55,826 | \$ 1,231 |
| 2023 | | | 67,130 | 131,242 | 302,217 | 2,365 |
| 2024 | | | 70,214 | 128,158 | 1,044,110 | |
| 2025 | | | 73,440 | 124,933 | | |
| 2026 | | | 76,814 | 131,531 | 107,114 | |
| 2027 - 2031 | | | 440,356 | 551,505 | | |
| 2032 - 2036 | | | 551,236 | 440,626 | 1,322,537 | |
| 2037 - 2041 | | | 690,035 | 301,826 | 3,542,567 | |
| 2042 - 2046 | | | 370,683 | 128,078 | | |
| 2047 - 2050 | | | 113,999 | 1,716 | | |
| | <u>\$ 225,000</u> | <u>\$ 4,162</u> | <u>\$ 2,481,000</u> | <u>\$ 2,060,303</u> | <u>\$ 6,374,371</u> | <u>\$ 3,596</u> |

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Individual Fund Disclosures

Balances of inter-fund receivables and payables as of December 31, 2021 at the individual fund level for planned project interim borrowing and cash deficiency are as follows:

| Funds | Interfund Receivable | Interfund Payable |
|-------------------------|-------------------------|----------------------|
| State / Local | \$ 92,864 | \$ |
| Housing Choice Vouchers | | 2,069 |
| Bridges | | 6,636 |
| TIF #8 | | 34,659 |
| AHTF | | 49,500 |
| | \$ 92,864 | \$ 92,864 |

Transfers during the year ended December 31, 2021 were as follows:

| Funds | Transfers In | Transfers Out |
|-------------------------------------|-----------------|------------------|
| Low Rent Public Housing | \$ 166,033 | \$ |
| Public Housing Capital Fund Program | | 166,033 |
| Housing Choice Vouchers | 75,355 | |
| Continuum of Care | 3,058 | |
| Bridges | 15,964 | |
| State / Local | | 94,377 |
| | \$ 260,410 | \$ 260,410 |

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. 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.

8. 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 \$56,125 for the year ended December 31, 2021.

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SUPPORTING DATA

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE
STATEMENT OF NET POSITION
December 31, 2021

| | 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 | \$ 744,781 | \$ | \$ |
| 113 Cash - other restricted | 181,276 | | 437,871 |
| 114 Cash - tenant security deposits | 39,555 | | |
| 115 Cash - restricted - payment of current liability | 252,100 | | |
| 100 Total Cash | 1,217,712 | | 437,871 |
| Receivables | | | |
| 122 Accounts receivable - other HUD projects | 5,450 | | |
| 125 Accounts receivable - miscellaneous | | | |
| 126 Accounts receivable -tenants - dwelling units | 62 | | |
| 129 Accrued interest receivable | | | 803 |
| 120 Total Receivables | 5,512 | | 803 |
| 142 Prepaid expenses and other assets | 13,328 | | |
| 143 Inventories | 42,265 | | |
| 144 Inter program due from | | | |
| 150 Total Current Assets | 1,278,817 | | 438,674 |
| Noncurrent Assets | | | |
| Fixed Assets | | | |
| 161 Land | 350,787 | | |
| 162 Buildings | 10,321,075 | | |
| 163 Furniture, equipment & machinery - dwelling units | | | |
| 164 Furniture, equipment & machinery - administration | 226,867 | | |
| 166 Accumulated depreciation | (4,864,472) | | |
| 167 Construction in progress | 1,279 | | |
| 160 Total Fixed Assets | 6,035,536 | | |
| 171 Notes, loans and mortgages receivable - noncurrent | | | 1,981,957 |
| 180 Total Noncurrent Assets | 6,035,536 | | 1,981,957 |
| 190 Total Assets | \$ 7,314,353 | \$ | \$ 2,420,631 |

| Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | State / Local | Bridges | Continuum of Care | TIF #8 | AHTF | Total |
|-------------------------------|-------------------------------|-------------------------------------------------|---------------------|-----------------|----------------------|------------------|-------------------|----------------------|
| \$ 181,880 | \$ 12,288 | \$ | \$ 412,413 | \$ 7,342 | \$ | \$ 500 | \$ | \$ 1,359,204 |
| | 55,733 | | | | | | 326,039 | 1,000,919 |
| 45,818 | | | 13,422 | | | | | 98,795 |
| 3,761 | | | 55,922 | | | | | 311,783 |
| 231,459 | 68,021 | | 481,757 | 7,342 | | 500 | 326,039 | 2,770,701 |
| | | | 9 | | | | | 5,459 |
| | 4,673 | | 2,390 | | | 34,159 | | 41,222 |
| 8,423 | | | 4,590 | | | | | 13,075 |
| | | | | | | | | 803 |
| 8,423 | 4,673 | | 6,989 | | | 34,159 | | 60,559 |
| 15,234 | | | 4,567 | | | | | 33,129 |
| 50,512 | | | 10,309 | | | | | 103,086 |
| | | | 92,864 | | | | | 92,864 |
| 305,628 | 72,694 | | 596,486 | 7,342 | | 34,659 | 326,039 | 3,060,339 |
| 270,157 | | | 198,860 | | | | | 819,804 |
| 7,611,026 | | | 2,008,245 | | | | | 19,940,346 |
| 15,464 | | | 63,244 | | | | | 78,708 |
| 117,584 | 16,734 | | 222,566 | | | | | 583,751 |
| (4,391,880) | (13,842) | | (1,652,793) | | | | | (10,922,987) |
| 9,222 | | | | | | | | 10,501 |
| 3,631,573 | 2,892 | | 840,122 | | | | | 10,510,123 |
| | | | 63,998 | | | | 344,135 | 2,390,090 |
| 3,631,573 | 2,892 | | 904,120 | | | | 344,135 | 12,900,213 |
| \$ 3,937,201 | \$ 75,586 | \$ | \$ 1,500,606 | \$ 7,342 | \$ | \$ 34,659 | \$ 670,174 | \$ 15,960,552 |

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE
STATEMENT OF NET POSITION
December 31, 2021

| | 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 | 9,481 | | |
| 321 Accrued wage / payroll tax payable | 11,105 | | |
| 322 Accrued compensated absences - current portion | 20,545 | | |
| 325 Accrued interest payable | 4,163 | | |
| 333 Accounts payable - other government | 37,480 | | |
| 341 Tenant security deposit | 39,555 | | |
| 342 Deferred revenues | 7 | | |
| 343 Current portion of long-term debt | 252,093 | | |
| 345 Other current liabilities | | | |
| 347 Inter program due to | | | |
| 310 Total Current Liabilities | <u>374,429</u> | | |
| Noncurrent Liabilities | | | |
| 351 Long-term debt, net of current | 6,498,017 | | |
| 353 Noncurrent liabilities - other | | | |
| 354 Accrued compensated absences - noncurrent | 11,905 | | |
| 350 Total Noncurrent Liabilities | <u>6,509,922</u> | | |
| 300 Total Liabilities | <u>6,884,351</u> | | |
| Equity/Net Assets | | | |
| 508.1 Net investment in capital assets | (714,574) | | |
| 511.1 Restricted net assets | | | 2,420,631 |
| 512.1 Unrestricted net assets | 1,144,576 | | |
| 513 Total Equity/Net Assets | <u>430,002</u> | | <u>2,420,631</u> |
| 600 Total Liabilities and Equity/Net Assets | <u>\$ 7,314,353</u> | <u>\$</u> | <u>\$ 2,420,631</u> |

| Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | State / Local | Bridges | Continuum of Care | TIF #8 | AHTF | Total |
|-------------------------------|-------------------------------|-------------------------------------------------|---------------------|-----------------|----------------------|------------------|-------------------|----------------------|
| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 2,365 | 592 | | 3,670 | | | | | 16,108 |
| 15,629 | 5,021 | | 14,476 | 706 | | | | 46,937 |
| 20,375 | 2,585 | | 7,966 | | | | | 51,471 |
| | | | 784 | | | | | 4,947 |
| 38,012 | 3,444 | | 9,512 | | | | | 88,448 |
| 45,818 | | | 13,422 | | | | | 98,795 |
| 3,761 | | | 96 | | | | | 3,864 |
| | | | 55,826 | | | | | 307,919 |
| | | | 3,475 | | | | | 3,475 |
| | 2,069 | | | 6,636 | | 34,659 | 49,500 | 92,864 |
| 136,412 | 13,711 | | 109,227 | 7,342 | | 34,659 | 49,500 | 725,280 |
| 1,460,104 | | | 814,331 | | | | | 8,772,452 |
| | 7,839 | | | | | | | 7,839 |
| 11,905 | 914 | | 2,915 | | | | | 27,639 |
| 1,472,009 | 8,753 | | 817,246 | | | | | 8,807,930 |
| 1,608,421 | 22,464 | | 926,473 | 7,342 | | 34,659 | 49,500 | 9,533,210 |
| 2,188,807 | 2,892 | | (30,035) | | | | | 1,447,090 |
| | 47,894 | | 63,998 | | | | 535,630 | 3,068,153 |
| 139,973 | 2,336 | | 540,170 | | | | 85,044 | 1,912,099 |
| 2,328,780 | 53,122 | | 574,133 | | | | 620,674 | 6,427,342 |
| \$ 3,937,201 | \$ 75,586 | \$ | \$ 1,500,606 | \$ 7,342 | \$ | \$ 34,659 | \$ 670,174 | \$ 15,960,552 |

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 For the Year Ended December 31, 2021

| | N/C S/R Section 8 Programs | Multifamily Housing Service Coordinators | Community Development Block Grants / Small Cities Program |
|----------------------------------------|----------------------------------|---------------------------------------------------|-----------------------------------------------------------------------|
| Revenues | | | |
| Tenant Revenue | | | |
| 70300 Net tenant rental revenue | \$ 467,665 | \$ | \$ |
| 70400 Tenant revenue - other | 9,042 | | |
| 70500 Total Tenant Revenue | 476,707 | | |
| 70600 HUD PHA operating grants | 567,565 | 67,212 | |
| 70610 Capital grants | | | |
| Fee Revenue | | | |
| 70750 Other fees | | | |
| 70700 Total Fee Revenue | | | |
| 70800 Other government grants | | | |
| 71100 Investment income - unrestricted | 1,633 | | 2,297 |
| 71500 Other revenue | 45,190 | | 46 |
| 71600 Gain (loss) on sale of assets | | | |
| 70000 Total Revenue | \$ 1,091,095 | \$ 67,212 | \$ 2,343 |

| Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | State / Local | Bridges | Continuum of Care | TIF #8 | AHTF | Total |
|-------------------------------|-------------------------------|-------------------------------------------------|-------------------|------------------|----------------------|-----------------|-------------------|---------------------|
| \$ 521,366 | \$ | \$ | \$136,743 | \$ | \$ | \$ | \$ | \$ 1,125,774 |
| 25,463 | | | 53,918 | | | | | 88,423 |
| 546,829 | | | 190,661 | | | | | 1,214,197 |
| 175,674 | 946,432 | 77,890 88,143 | | | 1,810 | | | 1,836,583 88,143 |
| | | | | | | 3,689 | | 3,689 |
| | | | | | | 3,689 | | 3,689 |
| 165,235 | | | 303,465 | 47,258 | | | | 515,958 |
| (67) | 3 | | 45 | | | | 324 | 4,235 |
| 35,278 | | | 116,206 | | | | 100,000 | 296,720 |
| | | | (1,675) | | | | | (1,675) |
| \$ 922,949 | \$ 946,435 | \$ 166,033 | \$ 608,702 | \$ 47,258 | \$ 1,810 | \$ 3,689 | \$ 100,324 | \$ 3,957,850 |

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 For the Year Ended December 31, 2021

| | N/C S/R Section 8 Programs | Multifamily Housing Service Coordinators | Community Development Block Grants / Small Cities Program |
|--------------------------------------------------------|----------------------------------|---------------------------------------------------|-----------------------------------------------------------------------|
| Expenses | | | |
| Administrative | | | |
| 91100 Administrative Salaries | \$ 118,320 | \$ | \$ |
| 91200 Auditing Fee | 4,125 | | |
| 91400 Advertising and Marketing | 4,581 | | |
| 91500 Employee Benefit Contribution | 41,921 | | |
| 91600 Office Expenses | 24,156 | | |
| 91800 Travel | 1,212 | | |
| 91900 Other | 22,411 | | 7,470 |
| 91000 Total Administrative | 216,726 | | 7,470 |
| Tenant Services | | | |
| 92100 Salaries | | 46,936 | |
| 92300 Employee Benefit Contributions | | 12,725 | |
| 92400 Tenant Services - Other | | 7,551 | |
| 92500 Total Tenant Services | | 67,212 | |
| Utilities | | | |
| 93100 Water | 14,000 | | |
| 93200 Electricity | 33,357 | | |
| 93300 Gas | 19,712 | | |
| 93600 Sewer | 18,564 | | |
| 93000 Total Utilities | 85,633 | | |
| Ordinary Maintenance and Operations | | | |
| 94100 Labor | 91,257 | | |
| 94200 Materials and Other | 8,428 | | |
| 94300 Contracts | 93,093 | | |
| 94500 Employee Benefit Contributions | 35,237 | | |
| 94000 Total Ordinary Maintenance and Operations | 228,015 | | |
| Insurance | | | |
| 96110 Property Insurance | 41,741 | | |
| 96120 Liability Insurance | 7,397 | | |
| 96130 Workmen's Compensation | 7,380 | | |
| 96140 All Other Insurance | 1,380 | | |
| 96100 Total Insurance | \$ 57,898 | \$ | \$ |

| Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | State / Local | Bridges | Continuum of Care | TIF #8 | AHTF | Total |
|-------------------------------|-------------------------------|-------------------------------------------------|------------------|---------------|----------------------|--------------|-----------|-------------------|
| \$ 130,229 | \$ 95,784 | \$ | \$ 105,072 | \$ 13,688 | \$ 2,062 | \$ 461 | \$ | \$ 465,616 |
| 4,125 | 4,125 | | 4,125 | | | | | 16,500 |
| 4,299 | | | 90 | | | | | 8,970 |
| 48,760 | 42,406 | | 37,844 | 6,586 | 991 | 53 | | 178,561 |
| 24,352 | 6,314 | | 13,352 | | | | | 68,174 |
| 1,214 | 887 | | 1,700 | | | | | 5,013 |
| 16,041 | 13,496 | | 58,357 | 631 | | 3,175 | | 121,581 |
| 229,020 | 163,012 | | 220,540 | 20,905 | 3,053 | 3,689 | | 864,415 |
| | | | | | | | | 46,936 |
| | | | | | | | | 12,725 |
| 6,911 | | | | | | | | 14,462 |
| 6,911 | | | | | | | | 74,123 |
| | | | | | | | | |
| 19,334 | | | 13,639 | | | | | 46,973 |
| 57,642 | | | 5,786 | | | | | 96,785 |
| 27,232 | | | 6,603 | | | | | 53,547 |
| 26,803 | | | 1,209 | | | | | 46,576 |
| 131,011 | | | 27,237 | | | | | 243,881 |
| | | | | | | | | |
| 121,595 | | | 13,479 | | | | | 226,331 |
| 17,758 | | | 3,779 | | | | | 29,965 |
| 87,680 | 4,348 | | 57,670 | | | | | 242,791 |
| 50,179 | | | 4,575 | | | | | 89,991 |
| 277,212 | 4,348 | | 79,503 | | | | | 589,078 |
| | | | | | | | | |
| 48,183 | | | 14,994 | | | | | 104,918 |
| 8,704 | | | 2,520 | | | | | 18,621 |
| 7,380 | | | 7,380 | | | | | 22,140 |
| 1,850 | | | | | | | | 3,230 |
| \$ 66,117 | \$ | \$ | \$ 24,894 | \$ | \$ | \$ | \$ | \$ 148,909 |

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 For the Year Ended December 31, 2021

| | 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 | \$ 929 | \$ | \$ 8,984 |
| 96210 Compensated Absences | (1,026) | | |
| 96300 Payments in Lieu of Taxes | 37,480 | | |
| 96400 Bad Debt - Tenant Rents | (285) | | |
| 96000 Total Other General Expenses | 37,098 | | 8,984 |
| Interest Expense and Amortization Cost | | | |
| 96710 Interest on Mortgage Payable | 8,325 | | |
| 96700 Total Interest Expense and Amortization Cost | 8,325 | | |
| 96900 Total Operating Expenses | 633,695 | 67,212 | 16,454 |
| 97000 Excess Revenue Over Operating Expenses | 457,400 | | (14,111) |
| Other Expenses | | | |
| 97200 Casualty loss | | | |
| 97300 Housing Assistance Payments | | | |
| 97400 Depreciation Expense | 592,723 | | |
| 90000 Total Expenses | 1,226,418 | 67,212 | 16,454 |
| 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 | \$ (135,323) | \$ | \$ (14,111) |

| Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | State / Local | Bridges | Continuum of Care | TIF #8 | AHTF | Total |
|-------------------------------|-------------------------------|-------------------------------------------------|------------------|---------------|----------------------|--------------|------------------|--------------------|
| \$ | \$ 1,535 | | \$ 91,707 | \$ | \$ 505 | \$ | \$ 15,280 | \$ 118,940 |
| (533) | (7,452) | | (10,058) | | | | | (19,069) |
| 38,012 | | | 15,210 | | | | | 90,702 |
| 9,753 | | | | | | | | 9,468 |
| 47,232 | (5,917) | | 96,859 | | 505 | | 15,280 | 200,041 |
| | | | | | | | | |
| | | | 27 | | | | | 8,352 |
| | | | 27 | | | | | 8,352 |
| 757,503 | 161,443 | | 449,060 | 20,905 | 3,558 | 3,689 | 15,280 | 2,128,799 |
| 165,446 | 784,992 | 166,033 | 159,642 | 26,353 | (1,748) | | 85,044 | 1,829,051 |
| | | | | | | | | |
| 1,000 | | | | | | | | 1,000 |
| | 832,735 | | | 42,317 | 1,310 | | | 876,362 |
| 344,362 | 1,078 | | 63,464 | | | | | 1,001,627 |
| 1,102,865 | 995,256 | | 512,524 | 63,222 | 4,868 | 3,689 | 15,280 | 4,007,788 |
| | | | | | | | | |
| 166,033 | 75,355 | | | 15,964 | 3,058 | | | 260,410 |
| | | (166,033) | (94,377) | | | | | (260,410) |
| 166,033 | 75,355 | (166,033) | (94,377) | 15,964 | 3,058 | | | |
| | | | | | | | | |
| \$ (13,883) | \$ 26,534 | \$ | \$ 1,801 | \$ | \$ | \$ | \$ 85,044 | \$ (49,938) |

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

**FINANCIAL DATA SCHEDULE
MEMO ACCOUNT INFORMATION
For the Year Ended December 31, 2021**

| | <u>N/C S/R Section 8 Programs</u> | <u>Multifamily Housing Service Coordinators</u> | <u>Community Development Block Grants / Small Cities Program</u> |
|----------------------------------------------------|-------------------------------------------|-------------------------------------------------------------|----------------------------------------------------------------------------------|
| Memo Account Information | | | |
| 11020 Required annual debt principal payments | \$ 252,093 | \$ | \$ 55,826 |
| 11030 Beginning equity | 565,325 | | 2,434,742 |
| 11040 Prior period adjustment and equity transfers | | | |
| 11190 Unit months available | 1,248 | | |
| 11210 Unit months leased | 1,241 | | |
| 11620 Building purchases | | | |

| <u>Low Rent Public Housing</u> | <u>Housing Choice Vouchers</u> | <u>Public Housing Capital Fund Program</u> | <u>Bridges</u> | <u>State / Local</u> | <u>Continuum of Care</u> | <u>TIF #8</u> | <u>AHTF</u> | <u>Total</u> |
|----------------------------------------|----------------------------------------|------------------------------------------------------------|----------------|--------------------------|------------------------------|---------------|-------------|--------------|
| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ 307,919 |
| 2,342,663 | 26,588 | | | 572,332 | | | 535,630 | 6,477,280 |
| 97,333 | | (97,333) | | | | | | |
| 1,428 | 2,028 | | | | | | | 4,704 |
| 1,417 | 1,563 | | | | | | | 4,221 |
| | | 97,333 | | | | | | 97,333 |

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

**SCHEDULE OF CAPITAL FUNDS
December 31, 2021**

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>Total</u> |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
| Total Funds Approved | \$ 238,345 | \$ 225,388 | \$ 201,500 | \$ 665,233 |
| Total Funds Received | <u>86,679</u> | <u>89,876</u> | <u>93,399</u> | <u>269,954</u> |
| Remaining Funds Due | <u>\$ 151,666</u> | <u>\$ 135,512</u> | <u>\$ 108,101</u> | <u>\$ 395,279</u> |
| Total Funds Received | \$ 86,679 | \$ 89,876 | \$ 93,399 | \$ 269,954 |
| Total Funds Expended | <u>86,679</u> | <u>89,876</u> | <u>93,399</u> | <u>269,954</u> |
| Funds on Hand | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| Received during Current Year | \$ 86,679 | \$ 89,876 | \$ 93,399 | \$ 269,954 |
| Current Amount Due | | | | |
| Prior Amount Due | | | | |
| Current Revenue | <u>\$ 86,679</u> | <u>\$ 89,876</u> | <u>\$ 93,399</u> | <u>\$ 269,954</u> |

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**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, 2021, and the related notes to the financial statements, which collectively comprise Red Wing Housing and Redevelopment Authority's basic financial statements and have issued our report thereon dated May 20, 2022.

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. 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 or significant deficiencies may exist that have not been identified.

Report on 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 opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Commissioners
Red Wing Housing and Redevelopment Authority
Page Two

Report on Compliance and Other Matters (Continued)

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.

Red Wing, Minnesota
May 20, 2022

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

Opinion on Each Major Federal Program

We have audited the Red Wing Housing and Redevelopment Authority's compliance with the types of compliance requirements identified as subject to audit 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, 2021. 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.

In our opinion, Red Wing Housing and Redevelopment Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Red Wing Housing and Redevelopment Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Red Wing Housing and Redevelopment Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Red Wing Housing and Redevelopment Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Red Wing Housing and Redevelopment Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Red Wing Housing and Redevelopment Authority's compliance with the requirements of each major federal program as a whole.

Auditor's Responsibilities for the Audit of Compliance (Continued)

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Red Wing Housing and Redevelopment Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Red Wing Housing and Redevelopment Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Red Wing Housing and Redevelopment Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

To the Board of Commissioners
Red Wing Housing and Redevelopment Authority
Page Three

Report on Internal Control Over Compliance (Continued)

We have audited the financial statements of the Red Wing Housing and Redevelopment Authority, as of and for the year ended December 31, 2021. We have issued our report thereon dated May 20, 2022, which contained unmodified 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, Schaffner and Associates, Ltd.

Red Wing, Minnesota
May 20, 2022

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
December 31, 2021

| <u>Federal Grantor/Pass-through Grantor/ Program Title</u> | <u>Assistance Listing Number</u> | <u>Federal Expenditures</u> |
|----------------------------------------------------------------|------------------------------------------|---------------------------------|
| <u>U.S. Department of Housing & Urban Development</u> | | |
| N/C S/R Section 8 Programs | 14.195 | \$ 567,565 |
| Multifamily Housing Service Coordinators | 14.191 | 67,212 |
| Low Rent Public Housing | 14.850 | 175,674 |
| Housing Choice Vouchers | 14.871 | 946,432 |
| Public Housing Capital Fund Program | 14.872 | 166,033 |
| Shelter Plus Care | 14.238 | <u>1,810</u> |
| Total Expenditures of Federal Awards | | <u>\$ 1,924,726</u> |

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

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, 2021. 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.

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.

3. Indirect Cost Rate

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.

Red Wing Housing and Redevelopment Authority had no expenditures to subrecipients for the year ended December 31, 2021.

4. Findings – Financial Statement Audit

No findings were noted during the Red Wing Housing and Redevelopment Authority financial statement audit for the year ended December 31, 2021.

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- 1. Type of auditor's report issued: Unmodified

- 2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ Yes X No
 - Significant deficiency(ies) identified? _____ Yes X None reported

- 3. Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

- Significant deficiency(ies) identified? _____ Yes X None reported

- 2. Type of auditor's report issued on compliance for major federal programs: Unmodified

- 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Programs Tested as a Major Program

| Assistance Listing Number(s) | Name of Federal Program or Cluster |
|-------------------------------------|-------------------------------------------|
| 14.195 | N/C S/R Section 8 Programs |

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No