Red Wing Housing and Redevelopment Authority
Red Wing, Minnesota

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

December 31, 2025

CohnReznick

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

Opinions

We have audited the financial statements of the business-type activities and each major fund of Red Wing Housing and Redevelopment Authority, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Red Wing Housing and Redevelopment Authority's basic financial statements as listed in the index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Red Wing Housing and Redevelopment Authority as of December 31, 2025 and the changes in financial position and its cash flows 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 Comptroller 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.

Other Matter

The financial statements of the Red Wing Housing and Redevelopment Authority for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on April 24, 2025.

Responsibilities of Management for the Financial Statements

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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.

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 and analysis as listed in the index 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Red Wing Housing and Redevelopment Authority's basic financial statements. The accompanying Financial Data Schedule required by the U.S. Department of Housing and Urban Development, 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, Cost Principles, 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 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 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2026 on our consideration of the Red Wing Housing and Redevelopment Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

CohnReznick LLP

Red Wing, Minnesota
August 5, 2026

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Red Wing Housing and Redevelopment Authority

Management's Discussion and Analysis
December 31, 2025

As management of the Red Wing Housing and Redevelopment Authority, (the “Organization”), 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, 2025.

Financial Highlights

- The assets of Red Wing HRA exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $4,582,222 (*net position)*. Of this amount, $2,589,296 (*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 $5,169,653 and total expenses are $5,819,719 for the current year.

- Red Wing HRA's total capital assets net of accumulated depreciation for the current year are $8,028,475.

- Red Wing HRA's total long-term debt for the current year is $8,793,841.

- At the end of the current fiscal year, unrestricted net position was $2,589,296 or 44 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.

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 and deferred inflows of resources 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 22 - 33 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 are 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.

Table 1
Net Position

	2025	2024	Increase (Decrease)
Current and other assets	$ 6,024,903	$ 6,491,942	$ (467,039)
Capital assets	8,028,475	8,914,532	(886,057)
Total assets	14,053,378	15,406,474	(1,353,096)
Current liabilities	614,426	1,112,922	(498,496)
Long-term liabilities	8,856,730	9,061,264	(204,534)
Total liabilities	9,471,156	10,174,186	(703,030)
Net investment in capital assets	(765,365)	(262,400)	(502,965)
Restricted	2,758,291	2,829,121	(70,830)
Unrestricted	2,589,296	2,665,567	(76,271)
Total net position	$ 4,582,222	$ 5,232,288	$ (650,066)

The Organization's total net position for the current fiscal year is $4,582,222 of which ($765,365) is invested in capital assets. The Red Wing Housing and Redevelopment Authority has $3,708,112 in cash and investments as of December 31, 2025 (including the tenant security deposit account).

The Red Wing Housing and Redevelopment Authority received $531,382 from tax levy with $125,000 of that allocated to the Affordable Housing Trust Fund (AHTF).

The AHTF approved six (6) new $50,000 commercial loans for the Downtown and Old West Main areas. Total disbursed with these loans was $203,500. Administrative and loan origination expenses of $26,592 were expended in 2025.

TIF #8-Keller-Baartman Properties has completed all four phases of this district. Tax increment paid on the TIF Notes was $421,651. The HRA received $105,413, with $84,000 going to the AHTF.

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

	2025	2024	Increase (Decrease)
Revenues:			
Federal grants	$ 2,230,687	$ 2,812,719	$ (582,032)
State and local revenues	546,440	394,452	151,988
Tenant revenue	1,425,972	1,447,118	(21,146)
Investment earnings	47,447	53,031	(5,584)
Other income	919,107	932,236	(13,129)
Total revenues	5,169,653	5,639,556	(469,903)
Expenses:			
Administration	1,698,547	1,506,588	191,959
Tenant services	115,272	92,453	22,819
Utilities	294,629	250,045	44,584
Maintenance and operations	720,523	652,905	67,618
Insurance	194,517	194,610	(93)
General expense	463,933	453,833	10,100
Housing assistance payments	1,189,409	1,210,650	(21,241)
Depreciation	1,018,250	1,058,535	(40,285)
Interest expense	124,639	124,922	(283)
Total expenses	5,819,719	5,544,541	275,178
Change in net position	(650,066)	95,015	(745,081)
Net position, beginning of year	5,232,288	5,137,273	95,015
Net position, end of year	$ 4,582,222	$ 5,232,288	$ (650,066)

Total revenues for the current year were $5,169,653 and total expenses were $5,819,719.

A grant from HAI Group (HRA insurance company) for $121,192 was mainly completed in 2024. These funds were used in our family scattered sites, Deer Run and Featherstone Townhomes, to replace concrete walkways, stoops and steps, and driveways/parking lot. This project was completed in 2025.

A Congressionally Directed Spending (CDS) grant was received for $100,000 for flooring and security doors in the Women's Center. Work began in 2024, and was completed in early 2025.

The Red Wing HRA was awarded a POHP grant in 2024 for $7,784,700. The grant is for work in Jordan Tower I for $6,275,000 and Family Scattered Sites for $1,507,700. The HRA has used $197,672 in reserves through 2025. Dwelling Rent revenue was decreased to leave vacant units for this extensive rehabilitation project.

Capital Assets

The Organization's investment in capital assets as of December 31, 2025, amounted to $8,028,475 (net of accumulated depreciation). The investment in capital assets includes land, buildings and improvements, and furniture and equipment. The total decrease in the Organization's reported investment in capital assets for the current fiscal year was $886,057.

Table 3
Capital Assets
(net of accumulated depreciation)

	2025	2024	Increase (Decrease)
Land	$ 802,961	$ 802,961	$ -
Construction in progress	233,828	887,661	(653,833)
Buildings and improvements	21,394,235	20,495,696	898,539
Furniture and equipment - dwellings	44,157	49,188	(5,031)
Furniture and equipment - administration	524,736	619,865	(95,129)
Less accumulated depreciation	(14,971,442)	(13,940,839)	(1,030,603)
Total	$ 8,028,475	$ 8,914,532	$ (886,057)

Additional information on the Organization's capital assets can be found in Note 5 of this report.

Long-Term Debt

At the end of the fiscal year, the Red Wing Housing and Redevelopment Authority had long-term debt of $8,793,841.

Table 4
Long-Term Debt

	2025	2024	Increase (Decrease)
Deferred Loans	$ 6,127,280	$ 6,150,494	$ (23,214)
MHFA PARIF Mortgage Note	2,666,561	2,744,420	(77,859)
MHFA MURL Promissory Notes	-	302,217	(302,217)
Total	$ 8,793,841	$ 9,197,131	$ (403,290)

The Organization’s total long-term debt payable decreased $403,290 during the current fiscal year. Additional information on the Organization's long-term debt can be found in the Notes to the Financial Statements on pages 30 - 32.

Economic Factors and Next Year's Budgets and Fees

In 2024, the Red Wing HRA was awarded a Congressionally Directed Spending grant for our Hill Street Triplex. The amount of the grant is for $175,000. Work is scheduled to begin in 2026.

The Red Wing HRA was awarded a POHP grant in 2024 for $7,784,700. The grant is for work in Jordan Tower I for plumbing, bathrooms, electrical panels, front entrance doors, and penthouse doors. This project totals $6,275,000. Family Scattered Sites work will consist of plumbing, windows, and storage doors. This project totals $1,507,700. Work on this project will begin in 2026.

The Red Wing HRA was awarded $150,000 in State matching funds for the AHTF in 2025, with payout coming in 2026.

Minnesota Housing awarded the Red Wing HRA $2,396,000 through the Naturally Occurring Affordable Housing Program (NOAH). This grant is for renovation work at Bluffview Townhomes. An LLC was created for this property, with the Red Wing HRA being the sole member of the LLC.

The Red Wing HRA was notified that another Congressionally Directed Spending grant was approved for $977,000 for the Haven of Hope Women's Shelter. Work on this project will likely begin in 2027.

Requests for Information

This financial report is designed to provide a general overview of the Red Wing HRA 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 Kulseth, Finance Director at (651) 388-7571, Red Wing Housing and Redevelopment Authority, 428 West Fifth Street, Red Wing, MN 55066.

Financial Statements

Red Wing Housing and Redevelopment Authority

Statement of Net Position
December 31, 2025

	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	$ 1,364,348	$ -	$ -	$ 160,304
Restriced cash and cash equivalents	359,182	-	316,415	50,659
Receivables	13,358	-	-	10,216
Lease receivables	267,169	-	-	-
Inventories	30,039	-	-	34,230
Prepaid expenses	16,485	-	-	19,262
Due from other funds	-	-	-	-
Capital assets:				
Nondepreciable	350,787	-	-	473,475
Depreciable, net	3,425,434	-	-	2,990,089
Notes and mortgages receivable	-	-	1,267,612	-
Total assets	$ 5,826,802	$ -	$ 1,584,027	$ 3,738,235
Liabilities, deferred inflows of resources, and net position				
Liabilities				
Accounts payable	$ 3,486	$ -	$ -	$ 18,217
Accrued liabilities	4,525	-	-	5,755
Compensated absences	48,577	-	-	48,372
Deposits payable	40,480	-	-	41,696
Unearned revenue	189	-	-	8,963
Due to other governments	42,267	-	-	47,228
Due to other funds	15,157	-	-	19,165
Noncurrent liabilities:				
Due in one year	119,780	-	-	-
Due in more than one year	6,203,016	-	-	1,981,545
Total liabilities	6,477,477	-	-	2,170,941
Deferred inflows of resources				
Deferred inflows from leases	267,169	-	-	-
Total deferred inflows of resources	267,169	-	-	-
Net position				
Net investment in capital assets	(2,546,575)	-	-	1,482,019
Restricted net position by regulators	-	-	1,584,027	-
Unrestricted net position	1,628,731	-	-	85,275
Total net position	(917,844)	-	1,584,027	1,567,294
Total liabilities, deferred inflows of resources and net position	$ 5,826,802	$ -	$ 1,584,027	$ 3,738,235

See Notes to the Financial Statements.

Housing Choice Vouchers	Public Housing Capital Fund Program	State/ Local	Bridges	TIF #8	AHTF	Elimination	Total
$ 1,596	$ -	$ 791,258	$ 12,875	$ 103,921	$ -	$ -	$ 2,434,302
31,017	-	98,144	-	-	418,393	-	1,273,810
897	-	3,810	-	-	-	-	28,281
-	-	-	-	-	-	-	267,169
-	-	5,589	-	-	-	-	69,858
-	-	26,610	-	-	-	-	62,357
3,920	-	47,283	-	-	103,340	(154,543)	-
-	-	212,527	-	-	-	-	1,036,789
-	-	576,163	-	-	-	-	6,991,686
-	-	-	-	-	621,514	-	1,889,126
$ 37,430	$ -	$ 1,761,384	$ 12,875	$ 103,921	$ 1,143,247	$ (154,543)	$ 14,053,378
$ 2,215	$ -	$ 10,021	$ -	$ -	$ -	$ -	$ 33,939
1,590	-	34,847	495	-	-	-	47,212
2,161	-	23,532	-	-	-	-	122,642
-	-	13,618	-	-	-	-	95,794
-	-	26	-	-	-	-	9,178
-	-	11,886	-	-	-	-	101,381
-	-	3,920	12,380	103,921	-	(154,543)	-
-	-	84,500	-	-	-	-	204,280
-	-	405,000	-	-	-	-	8,589,561
5,966	-	587,350	12,875	103,921	-	(154,543)	9,203,987
-	-	-	-	-	-	-	267,169
-	-	-	-	-	-	-	267,169
-	-	299,191	-	-	-	-	(765,365)
31,017	-	-	-	-	1,143,247	-	2,758,291
447	-	874,843	-	-	-	-	2,589,296
31,464	-	1,174,034	-	-	1,143,247	-	4,582,222
$ 37,430	$ -	$ 1,761,384	$ 12,875	$ 103,921	$ 1,143,247	$ (154,543)	$ 14,053,378

Red Wing Housing and Redevelopment Authority

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2025

	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	$ 541,820	$ -	$ -	$ 677,508
HUD PHA operating grants	652,412	108,124	-	141,365
Other governmental grants	-	-	-	-
Other revenue	70,022	-	175	12,500
Total Operating Revenues	1,264,254	108,124	175	831,373
Operating Expenses				
Administration	272,694	-	26,242	393,321
Tenant services	-	108,124	-	7,148
Utilities	105,251	-	-	156,058
Maintenance and operations	262,574	-	-	364,001
Insurance	76,355	-	-	88,037
General expense	45,448	-	145,522	61,014
Housing assistance payments	-	-	-	-
Depreciation	603,215	-	-	499,377
Total Operating Expenses	1,365,537	108,124	171,764	1,568,956
Operating Income (Loss)	(101,283)	-	(171,589)	(737,583)
Nonoperating Revenues (Expenses)				
Investment income	32,219	-	56	515
Gain (loss) on sale of assets	-	-	-	(27,345)
Interest expense	(121,762)	-	-	-
Casualty gain (loss)	-	-	-	(2,877)
Total Nonoperating Revenues (Expenses)	(89,543)	-	56	(29,707)
Income (Loss) Before Capital Grants and Transfers	(190,826)	-	(171,533)	(767,290)
Capital grants	-	-	-	-
Operating transfers in	-	-	-	166,359
Operating transfers out	-	-	-	-
Change in Net Position	(190,826)		(171,533)	(600,931)
Net Position - Beginning of Year	(727,018)	-	1,755,560	2,168,225
Net Position - End of Year	$ (917,844)	$ -	$ 1,584,027	$ 1,567,294

See Notes to the Financial Statements.

Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	TIF #8	AHTF	Elimination	Total
$ -	$ -	$ 206,644	$ -	$ -	$ -	$ -	$ 1,425,972
1,162,427	101,000	-	-	-	-	-	2,165,328
-	-	406,382	140,058	-	-	-	546,440
155	-	184,191	-	432,835	219,229	-	919,107
1,162,582	101,000	797,217	140,058	432,835	219,229	-	5,056,847
193,296	-	352,201	27,958	432,835	-	-	1,698,547
-	-	-	-	-	-	-	115,272
-	-	33,320	-	-	-	-	294,629
8,068	-	85,880	-	-	-	-	720,523
-	-	30,125	-	-	-	-	194,517
8,056	-	90,659	-	-	113,234	-	463,933
1,061,310	-	-	128,099	-	-	-	1,189,409
-	-	72,307	-	-	-	-	1,174,899
1,270,730	-	664,492	156,057	432,835	113,234	-	5,851,729
(108,148)	101,000	132,725	(15,999)	-	105,995	-	(794,882)
198	-	6,025	-	-	8,434	-	47,447
-	-	183,994	-	-	-	-	156,649
-	-	-	-	-	-	-	(121,762)
-	-	-	-	-	-	-	(2,877)
198	-	190,019	-	-	8,434	-	79,457
(107,950)	101,000	322,744	(15,999)	-	114,429	-	(715,425)
-	65,359	-	-	-	-	-	65,359
94,671	-	-	15,999	-	-	(277,029)	-
-	(166,359)	(110,670)	-	-	-	277,029	-
(13,279)	-	212,074	-	-	114,429	-	(650,066)
44,743	-	961,960	-	-	1,028,818	-	5,232,288
$ 31,464	$ -	$ 1,174,034	$ -	$ -	$1,143,247	$ -	$ 4,582,222

Red Wing Housing and Redevelopment Authority

Statement of Cash Flows
For the Year Ended December 31, 2025

	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	$ 541,473	$ -	$ -
Cash received from intergovernmental	646,022	108,124	-
Other cash received (paid)	70,022	-	(89,618)
Cash paid to employees	(269,460)	(54,823)	-
Cash paid to suppliers	(504,379)	(53,301)	(26,567)
Net cash provided by (used in) operating activities	483,678	-	(116,185)
Cash flows from investing activities			
Interest income received	32,219	-	56
Net cash provided by investing activities	32,219	-	56
Cash flows from capital and related financing activities			
Acquisition of capital assets	(6,251)	-	-
Proceeds from sale of assets	-	-	-
Proceeds from capital grants	-	-	-
Casualty loss costs	-	-	-
Interfund borrowings	15,157	-	-
Operating transfers	-	-	-
Interest paid on long-term debt	(121,762)	-	-
Proceeds from (principal paid) on long-term debt	(137,984)	-	-
Net cash provided by (used in) capital and related financing activities	(250,840)	-	-
Net increase (decrease) in cash and cash equivalents	265,057	-	(116,129)
Cash and cash equivalents - beginning of year	1,458,473	-	432,544
Cash and cash equivalents - end of year	$ 1,723,530	$ -	$ 316,415
Shown on the statememt of net position as:			
Cash and cash equivalents	$ 1,364,348	$ -	$ -
Resticted cash and cash equivalents	359,182	-	316,415
Total	$ 1,723,530	$ -	$ 316,415

See Notes to the Financial Statements.

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	TIF #8	AHTF	Total
$ 682,472	$ -	$ -	$ 206,668	$ -	$ -	$ -	$ 1,430,613
235,116	1,162,427	101,000	104,294	159,609	-	-	2,516,592
12,500	155	-	184,191	-	432,835	219,229	829,314
(409,479)	(113,369)	-	(190,785)	(19,152)	(432,835)	-	(1,489,903)
(763,356)	(1,154,342)	-	(385,461)	(136,410)	(184,075)	(69,999)	(3,277,890)
(242,747)	(105,129)	101,000	(81,093)	4,047	(184,075)	149,230	8,726
515	198	-	6,025	-	-	8,434	47,447
515	198	-	6,025	-	-	8,434	47,447
(264,227)	-	-	(45,709)	-	-	-	(316,187)
-	-	-	183,994	-	-	-	183,994
-	-	65,359	-	-	-	-	65,359
(2,877)	-	-	-	-	-	-	(2,877)
222	2,145	-	(7,425)	(10,036)	29,167	(29,230)	-
166,359	94,671	(166,359)	(110,670)	15,999	-	-	-
-	-	-	-	-	-	-	(121,762)
36,911	-	-	-	-	-	-	(101,073)
(63,612)	96,816	(101,000)	20,190	5,963	29,167	(29,230)	(292,546)
(305,844)	(8,115)	-	(54,878)	10,010	(154,908)	128,434	(236,373)
516,807	40,728	-	944,280	2,865	258,829	289,959	3,944,485
$ 210,963	$ 32,613	$ -	$ 889,402	$ 12,875	$103,921	$ 418,393	$ 3,708,112
$ 160,304	$ 1,596	$ -	$ 791,258	$ 12,875	$103,921	$ -	$ 2,434,302
50,659	31,017	-	98,144	-	-	418,393	1,273,810
$ 210,963	$ 32,613	$ -	$ 889,402	$ 12,875	$103,921	$ 418,393	$ 3,708,112

Red Wing Housing and Redevelopment Authority

Statement of Cash Flows
For the Year Ended December 31, 2025

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
Operating income (loss)	$ (101,283)	$ -	$ (171,589)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	603,215	-	-
Loans forgiven	-	-	145,522
Bad debts	228	-	-
(Increase) decrease In:			
Accounts receivable	(6,618)	-	-
Inventories	(1,249)	-	-
Prepaid expenses	(300)	-	-
Notes and mortgages receivable	-	-	(89,793)
Increase (decrease) In:			
Accounts payable	(5,111)	-	(325)
Other accrued liabilities	(6,344)	-	-
Compensated absences	1,487	-	-
Unearned revenue	(347)	-	-
Net cash provided by (used in) operating activities	$ 483,678	$ -	$ (116,185)

See Notes to the Financial Statements.

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	TIF #8	AHTF	Total
$ (737,583)	$(108,148)	$101,000	$ 132,725	$(15,999)	$ -	$ 105,995	$ (794,882)
499,377	-	-	72,307	-	-	-	1,174,899
-	-	-	(302,217)	-	-	113,234	(43,461)
10,870	-	-	8,104	-	-	-	19,202
82,881	-	-	(310,192)	19,551	-	-	(214,378)
(1,423)	-	-	(233)	-	-	-	(2,905)
(344)	-	-	1,795	-	-	-	1,151
-	-	-	302,217	-	-	(69,999)	142,425
(94,078)	1,172	-	4,501	-	(184,075)	-	(277,916)
(10,327)	1,590	-	9,240	495	-	-	(5,346)
2,916	257	-	636	-	-	-	5,296
4,964	-	-	24	-	-	-	4,641
$ (242,747)	$(105,129)	$101,000	$ (81,093)	$ 4,047	$(184,075)	$ 149,230	$ 8,726

Note 1 - Summary of significant accounting policies

Reporting entity

Red Wing Housing and Redevelopment Authority, Organization, 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, the Organization's financial statements include the primary government and the component units of the Red Wing HRA, defined as follows:

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

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

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 HRA is considered a governmental entity for financial reporting purposes because the Board of Commissioners 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.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it in the policy to use restricted resources first, then unrestricted resources as they are needed.

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.

The *Multifamily Housing Service Coordinators* fund accounts for services provided to residents of 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 *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.

Restricted net position
Net position is reported as restricted when constraints placed on net assets' use are either: externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, imposed by law through constitutional provisions or enabling legislation.

Net investment in capital assets
Net investment in capital assets is recorded in an amount equal to capital assets, net of accumulated depreciation and reduced by any debt attributable to the acquisition of those assets.

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, which include property, infrastructure assets, furniture and equipment for administration and dwelling units, and similar items, are reported in the applicable business-type activities columns, as well as in enterprise funds. Capital assets are defined by the Organization as assets with initial cost of more than $500 and an estimated useful life in excess of at least two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on the remaining capital assets is provided on the straight-line basis over the following estimated useful lives:

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

Impairment of long-lived assets
In accordance with GASB pronouncements, prominent events or changes in circumstances affecting capital assets are required to be evaluated to determine whether impairment of a capital asset has occurred. Impaired capital assets that will no longer be used should be reported at the lower of carrying value or fair value. Impairment of capital assets with physical damage generally should be measured using the restoration cost approach, which uses the estimated cost to restore the capital asset to identify the portion of the historical cost of the capital asset that should be written off. No such impairment loss was incurred during the year.

Inventories
Inventories are recorded at cost, cost being determined on the first-in, first-out basis.

Due to/from other programs
The Organization has numerous transactions between programs to finance operations and provide services. To the extent that the money to finance certain transactions among programs had not been paid or collected as of year-end, interprogram payables and receivables are recorded.

Interprogram receivables and payables have been eliminated in preparation of the Organization's basic financial statements. Interprogram management, bookkeeping and asset management fees have also been eliminated in preparation of the Organization's basic financial statements.

Accounts receivable
Accounts receivable consists of payments due from HUD, rent payments due from tenants, and other miscellaneous receivables arising from the normal course of operations. A reserve for uncollectible accounts is established based on management's estimates.

Compensated absences
It is the Organization's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick time which is paid to the employees upon separation. Vacation and sick time pay is accrued when incurred. Sick time is paid up to half the balance at termination if employee has been employed over three years. The Organization recognizes a liability for employees compensated absences if the leave is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash. The change in compensated absences is a net increase or decrease each year.

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.

The Organization recognizes net rent revenue in the period in which the rent is earned. In accordance with the HUD financial reporting requirements, potential rental income represents total possible rent revenue as if all units are 100% occupied during the year. Total rental income represents potential rental income less vacancies. Rents collected in advance are deferred until the rental income is earned.

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.

Insurance
The primary technique used for risk financing is the purchase of insurance policies from commercial insurers that include a large deductible amount. The use of a large deductible clause reduces the cost of insurance, but should losses occur, the portion of the uninsured loss is not expected to be significant with respect to the financial position of the Organization. At December 31, 2025, the Organization had required coverage in force.

Leases
For leases with a term exceeding 12 months, the Organization recognizes a lease liability and a right-to-use lease asset in the government-wide financial statements.

The right to use lease asset is calculated at the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus certain initial direct costs incurred, minus any lease incentives received. Subsequently, the right to use lease asset is amortized on a straight-line basis over its useful life. The Organization initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. Remeasurement of the right to use lease asset and lease liability occurs when certain changes occur that are likely to have a significant impact on the lease liability. Right to use lease assets are reported with capital assets and lease liabilities are reported with long-term debt on the statement of net position.

The Organization leases building space to external parties. Lease receivables and deferred inflows of resources are recorded based on the present value of expected receipts over the term of the respective leases. The expected payments and receipts are discounted using the interest rate charged on the lease, if available, and are otherwise discounted using the Organization's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. For leases featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate. The Organization does not have any leases subject to a residual value guarantee. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Deferred inflows and outflows of resources
In addition to assets and liabilities, the statement of net position will report separate sections for deferred outflows and inflows of resources. These separate financial statement elements represent a consumption or increase of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense or revenue) until then.

Prepaid items
Prepaid items consist of payments made to vendors for services that will benefit future periods.

Capital grant revenues
Capital grant revenues are grants awarded by HUD under various capital development and improvement programs. Grants under these programs are based on budgeted capital project costs. Interest incurred, if any, during the construction phase is expensed.

Elimination of fees
The Organization earns management fees, bookkeeping fees and asset management fees for services rendered in connection with the management of various Organization programs.

Note 2 - Cash and investments

Summary of cash and deposits

As of December 31, 2025, the Organization's cash and deposits consisted entirely of deposits held at a local financial institution.

Cash and Deposits	Maturities	Fair Value
Cash	None	$ 3,369,869
Non-negotiable certificates of deposit	April 2026	105,625
Non-negotiable certificates of deposit	June 2026	48,462
Non-negotiable certificates of deposit	July 2026	54,832
Non-negotiable certificates of deposit	November 2026	58,634
Non-negotiable certificates of deposit	December 2026	11,443
Non-negotiable certificates of deposit	February 2027	59,247
		$ 3,708,112

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.

Custodial credit risk

Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. The Organization's deposit policy for custodial credit risk follows Minnesota Statutes for deposits. The Organization's deposits are entirely covered by federal depository insurance or by collateral held by the Organization's custodial banks in the Organization's name.

Minnesota Statutes require that all Red Wing HRA deposits be insured, secured by surety bonds, or collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state or local government obligations and legal investments. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

Uninsured deposits	$ 3,579,564
Collateral held by pledging bank in the Organization's name	7,006,948
Pledged collateral over uninsured deposits	$ 3,427,384

As of December 31, 2025, the Organization had adequate collateral for its uninsured deposits held at the Organization's banking institutions. The Organization's pledged collateral for uninsured deposits greater than the $250,000 FDIC limit were held by a bank other than the Organization's banking institutions where its deposits are held. The Organization utilizes Collateralized Loan Obligation (CLO) and Federal Home Loan Mortgage Corporation (FHLMC) as collateral for its uninsured deposits.

Interest rate risk
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Organization's investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

Concentration credit risk
The investment policy of the Organization contains no limitation on the amount that can be invested in any one issuer. Investments in any one issuer that represent 5% or more of total investments are as follows:

Issuer	Fair Value
Merchant non-negotiable certificates of deposit	$ 105,625
MN First non-negotiable certificates of deposit	48,462
MN First non-negotiable certificates of deposit	54,832
MN First non-negotiable certificates of deposit	58,634
MN First non-negotiable certificates of deposit	59,247

Fair value measurements
Fair value measurements are determined utilizing the framework established by the GASB. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data. Inputs to the valuation methodology include:

  - Quoted prices for similar assets or liabilities in active markets

  - Quoted prices for identical assets or liabilities in inactive markets

  - Inputs other than quoted prices that are observable for the asset or liability

  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means

  If the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value Measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization's investments within the fair value hierarchy at December 31, 2025 were as follows:

Investment Type	Credit Risk Rating	Credit Risk Agency	Fair Value Measurement Using	Interest Rate Risk - Maturity Duration in Years: No Maturity Date	Less than 1	1 to 5	6 to 10	Total
Non-negotiable certificates of deposit	Not Rated	N/A	N/A	$ -	$ 278,996	$ 59,247	$ -	$ 338,243
Total investments				$ -	$ 278,996	$ 59,247	$ -	$ 338,243

Note 3 - Leases

In August 2005, the Organization entered into a lease with a telephone and internet provider. Under the lease, the provider pays the Red Wing HRA $645.33 per month for eight years including renewal options in exchange for the right to use real property located at 440 West 5th Street. The equipment placed in this location will provide internet services to the Red Wing HRA residents with antennas on top of one of the Red Wing HRA 's buildings. The lease receivable is measured as the present value of the future rent payments expected to be received during the lease term. The total amount of deferred inflows of leases recognized was $7,136 for the year ended December 31, 2025.

In April 2008, the Organization entered into a lease with a telephone and internet provider. Under the lease, the provider pays the Red Wing HRA $1,952.77 per month for 12 years including renewal options in exchange for the right to use real property located at 440 West 5th Street. The equipment placed in this location will provide internet services to the Red Wing HRA residents with antenna's on top of one of the Red Wing HRA 's buildings. The lease receivable is measured as the present value of the future rent payments expected to be received during the lease term. The total amount of deferred inflows of leases recognized was $20,693 for the year ended December 31, 2025.

Note 4 - Loans receivable

Following is a summary of the notes receivable outstanding at December 31, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance
Notes and mortgages receivable				
Community Development Block Grant / Small Cities Program	$1,323,341	$ 223,500	$ 279,229	$1,267,612
AHTF	664,749	908	44,143	621,514
Total	$1,988,090	$ 224,408	$ 323,372	$1,889,126

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, 2025 totaled $1,267,612.

The AHTF notes and mortgages receivable consist of Homebuyers Assistance loans with varying interest rates for qualified individuals. Receivables outstanding at December 31, 2025 totaled $621,514.

Note 5 - Capital assets

Capital assets activity for business-type activities for the year ended December 31, 2025 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated				
Land	$ 802,961	$ -	$ -	$ 802,961
Construction in progress	887,661	230,038	883,871	233,828
Total capital assets, not being depreciated	1,690,622	230,038	883,871	1,036,789
Capital assets, being depreciated				
Buildings and improvements	20,495,696	970,209	71,670	21,394,235
Furniture and equipment - dwelling units	49,188	-	5,031	44,157
Furniture and equipment - administration	619,865	-	95,129	524,736
Total capital assets, being depreciated	21,164,749	970,209	171,830	21,963,128
Less accumulated depreciation	13,940,839	1,174,899	144,296	14,971,442
Total capital assets, being depreciated, net	7,223,910	(204,690)	27,534	6,991,686
Business-type activities capital assets, net	$ 8,914,532	$ 25,348	$ 911,405	$ 8,028,475

Depreciation expense was charged to functions/programs as follows:

Business-type activities:	
N/C S/R Section 8 Programs	$ 603,215
Low Rent Public Housing	499,377
State / Local	72,307
Total depreciation expense - business-type activities	$ 1,174,899

Note 6 - 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 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 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 due after 20 years. The 2019 Loan proceeds were issued for $542,567. The entire balance with zero percent interest is forgiven after 20 years. The 2023 Loan proceeds were issued for $209,384, that can be drawn down upon until the loan reaches a balance of $522,700. In 2025 a draw of $36,911 occurred that resulted in an ending balance of $521,441. The entire balance with zero percent interest is forgiven after 20 years.

MHFA PARIF mortgage note
The Red Wing HRA borrowed funds in 2017 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 with deferred interest that was transferred to the principal payment on July 1, 2022 of $424,039 that matures in 2047. The outstanding balance totaled $2,666,561 as of December 31, 2025. 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 Red Wing HRA accepted funds in 1993 and 1994 from the Minnesota Rural and Urban Homesteading Program in order to make noninterest-bearing loans to qualified first time home buyers. The Red Wing HRA may retain collections on these loans received after June 1, 1996 in order to make future MURL qualified expenditures.

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.

A summary of interest rates, maturities and December 31, 2025 balances is as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2025
Deferred Loans:			
2001 Deferred Mortgage	0.00%	2026	$ 84,500
2006 MHFA Deferred Mortgage - Jordan II	0.00%	2037	656,235
2014 MHFA - Elevators	0.00%	2033	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
2023 MHFA - Electrical	0.00%	2043	521,441
MHFA PARIF Mortgage Note:			
2017 PARIF	4.50%	2047	2,666,561
Other:			
Compensated absences			122,642
Total			$ 8,916,483

The changes in the Long-Term Debt and compensated absences during the year ended December 31, 2025 are as follows:

	Beginning Balance	Additions	Reductions	Forgiven	Ending Balance	Amounts Due Within One Year
Business-type activities						
Deferred loans:						
2001 Deferred Mortgage	$ 84,500	$ -	$ -	$ -	$ 84,500	$ 84,500
2006 MHFA Deferred Mortgage - Jordan II	716,360	-	60,125	-	656,235	50,875
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	-
2023 MHFA - Electrical	484,530	36,911	-	-	521,441	-
MHFA PARIF Mortgage Note:						
2017 PARIF	2,744,420	-	77,859	-	2,666,561	68,905
MHFA MURL Promissory Notes:						
1993 Note	159,268	-	-	159,268	-	-
1994 Note	142,949	-	-	142,949	-	-
Other:						
Compensated absences	117,346	5,296	-	-	122,642	58,552
Business-type activities						
Long-term liabilities	$ 9,314,477	$ 42,207	$ 137,984	$ 302,217	$ 8,916,483	$ 262,832

Compensated absences are presented as the net change of increases and decreases to arrive at the presentation of the ending balance.

The annual requirements to amortize all long-term debt outstanding as of December 31, 2025 are summarized below:

	PARIF Loan		Other	
Years	Principal	Interest	Principal	Interest
2026	$ 68,905	$ 118,736	$ 135,375	$ -
2027	78,477	115,289	55,500	-
2028	82,082	111,684	55,500	-
2029	85,853	107,913	55,500	-
2030	89,797	103,969	55,500	-
2031 - 2035	514,786	454,043	682,500	-
2036 - 2040	644,407	324,422	5,087,405	-
2041 - 2045	806,665	162,163	-	-
2046 - 2047	295,589	11,209	-	-
	$2,666,561	$1,509,427	$6,127,280	$ -

Note 7 - Individual fund disclosures

Balances of inter-fund receivables and payables as of December 31, 2025 at the individual fund level for planned project interim borrowing and cash deficiency are as follows:

Funds	Interfund Receivable	Interfund Payable
State / Local	$ 47,283	$ 3,920
Low Rent Public Housing	-	19,165
N/C S/R Section 8 Programs	-	15,157
Housing Choice Vouchers	3,920	-
Bridges	-	12,380
TIF #8	-	103,921
AHTF	103,340	-
	$ 154,543	$ 154,543

Transfers during the year ended December 31, 2025 were as follows:

Funds	Transfers In	Transfers Out
Low Rent Public Housing	$ 166,359	$ -
Public Housing Capital Fund Program	-	166,359
Housing Choice Vouchers	94,671	-
Bridges	15,999	-
State / Local	-	110,670
	$ 277,029	$ 277,029

Note 8 - Commitments and contingencies

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

Note 9 - Deferred compensation plans

The Organization has an IRC Section 457 deferred compensation plan available to all employees of the Red Wing 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 $79,949 for the year ended December 31, 2025.

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Supplementary Data

Red Wing Housing and Redevelopment Authority

Financial Data Schedule
Statement of Net Position
December 31, 2025

		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	$ 1,364,348	$ -	$ -
113	Cash - other restricted	198,733	-	316,415
114	Cash - tenant security deposits	40,480	-	-
115	Cash - restricted - payment of current liability	119,969	-	-
100	Total cash	1,723,530	-	316,415
Receivables				
122	Accounts receivable - other HUD projects	11,577	-	-
125	Accounts receivable - miscellaneous	-	-	-
126	Accounts receivable - tenants - dwelling units	1,781	-	-
128	Lease receivable	267,169	-	-
120	Total receivables	280,527	-	-
142	Prepaid expenses and other assets	16,485	-	-
143	Inventories	30,039	-	-
144	Inter program due from	-	-	-
150	Total current assets	2,050,581	-	316,415
Noncurrent assets				
Fixed assets				
161	Land	350,787	-	-
162	Buildings	10,451,057	-	-
163	Furniture, equipment & machinery - dwelling units	-	-	-
164	Furniture, equipment & machinery - administration	224,924	-	-
166	Accumulated depreciation	(7,250,547)	-	-
167	Construction in progress	-	-	-
160	Total fixed assets	3,776,221	-	-
171	Notes, loans and mortgages receivable - noncurrent	-	-	1,267,612
180	Total noncurrent assets	3,776,221	-	1,267,612
190	Total assets	$ 5,826,802	$ -	$ 1,584,027

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/ Local	Bridges	TIF #8	AHTF	Total
$ 160,304	$ 1,596	$ -	$ 791,258	$ 12,875	$ 103,921	$ -	$ 2,434,302
-	31,017	-	-	-	-	418,393	964,558
41,696	-	-	13,618	-	-	-	95,794
8,963	-	-	84,526	-	-	-	213,458
210,963	32,613	-	889,402	12,875	103,921	418,393	3,708,112
-	-	-	-	-	-	-	11,577
-	897	-	3,031	-	-	-	3,928
10,216	-	-	779	-	-	-	12,776
-	-	-	-	-	-	-	267,169
10,216	897	-	3,810	-	-	-	295,450
19,262	-	-	26,610	-	-	-	62,357
34,230	-	-	5,589	-	-	-	69,858
-	3,920	-	47,283	-	-	103,340	154,543
274,671	37,430	-	972,694	12,875	103,921	521,733	4,290,320
270,157	-	-	182,017	-	-	-	802,961
8,821,954	-	-	2,121,220	-	-	-	21,394,231
11,149	-	-	33,008	-	-	-	44,157
91,510	16,734	-	191,572	-	-	-	524,740
(5,934,524)	(16,734)	-	(1,769,637)	-	-	-	(14,971,442)
203,318	-		30,510	-	-	-	233,828
3,463,564	-	-	788,690	-	-	-	8,028,475
-	-	-	-	-	-	621,514	1,889,126
3,463,564	-	-	788,690	-	-	621,514	9,917,601
$ 3,738,235	$ 37,430	$ -	$ 1,761,384	$ 12,875	$ 103,921	$ 1,143,247	$ 14,207,921

Red Wing Housing and Redevelopment Authority

Financial Data Schedule
Statement of Net Position
December 31, 2025

		N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
Liabilities				
Current liabilities				
312	Accounts payable <= 90 days	$ 3,486	$ -	$ -
321	Accrued wage / payroll tax payable	4,525	-	-
322	Accrued compensated absences - current portion	23,091	-	-
333	Accounts payable - other government	42,267	-	-
341	Tenant security deposit	40,480	-	-
342	Deferred revenues	189	-	-
343	Current portion of long-term debt	119,780	-	-
346	Accrued liabilities - other	-	-	-
347	Inter program due to	15,157	-	-
310	Total current liabilities	248,975	-	-
Noncurrent liabilities				
351	Long-term debt, net of current	6,203,016	-	-
354	Accrued compensated absences - noncurrent	25,486	-	-
350	Total noncurrent liabilities	6,228,502	-	-
300	Total liabilities	6,477,477	-	-
Deferred inflows of resources				
	Deferred inflows from leases	267,169	-	-
	Total deferred inflows of resources	267,169	-	-
Equity/net assets				
508.1	Net investment in capital assets	(2,546,575)	-	-
511.1	Restricted net assets	-	-	1,584,027
512.1	Unrestricted net assets	1,628,731	-	-
513	Total equity/net position	(917,844)	-	1,584,027
600	Total liabilities and equity/net position	$ 5,826,802	$ -	$ 1,584,027

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	TIF #8	AHTF	Total
$ 17,655	$ 1,445	$ -	$ 10,021	$ -	$ -	$ -	$ 32,607
5,755	1,590	-	34,847	495	-	-	47,212
22,886	1,634	-	10,941	-	-	-	58,552
47,228	770	-	11,886	-	-	-	102,151
41,696	-	-	13,618	-	-	-	95,794
8,963	-	-	26	-	-	-	9,178
-	-	-	84,500	-	-	-	204,280
562	-	-	-	-	-	-	562
19,165	-	-	3,920	12,380	103,921	-	154,543
163,910	5,439	-	169,759	12,875	103,921	-	704,879
1,981,545	-	-	405,000	-	-	-	8,589,561
25,486	527	-	12,591	-	-	-	64,090
2,007,031	527	-	417,591	-	-	-	8,653,651
2,170,941	5,966	-	587,350	12,875	103,921	-	9,358,530
-	-	-	-	-	-	-	267,169
-	-	-	-	-	-	-	267,169
1,482,019	-	-	299,191	-	-	-	(765,365)
-	31,017	-	-	-	-	1,143,247	2,758,291
85,275	447	-	874,843		-	-	2,589,296
1,567,294	31,464	-	1,174,034		-	1,143,247	4,582,222
$ 3,738,235	$ 37,430	$ -	$ 1,761,384	$ 12,875	$ 103,921	$ 1,143,247	$ 14,207,921

Red Wing Housing and Redevelopment Authority

Financial Data Schedule
Statements of Revenue, Expenses and Changes in Net Position
For the Year Ended December 31, 2025

		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	$ 535,970	$ -	$ -
70400	Tenant revenue - other	5,850	-	-
70500	Total tenant revenue	541,820	-	-
70600	HUD PHA operating grants	652,412	108,124	-
70610	Capital grants	-	-	-
Fee revenue				
70750	Other fees	-	-	-
70700	Total fee revenue	-	-	-
70800	Other government grants	-	-	-
71100	Investment income - unrestricted	32,219	-	56
71500	Other revenue	70,022	-	175
71600	Gain (loss) on sale of assets	-	-	-
70000	Total revenue	1,296,473	108,124	231

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	TIF #8	AHTF	Total
$ 642,429	$ -	$ -	$ 154,796	$ -	$ -	$ -	$ 1,333,195
35,079	-	-	51,848	-	-	-	92,777
677,508	-	-	206,644	-	-	-	1,425,972
141,365	1,162,427	101,000	-	-	-	-	2,165,328
-	-	65,359	-	-	-	-	65,359
-	-	-	-	-	432,835	-	432,835
-	-	-	-	-	432,835	-	432,835
-	-	-	406,382	140,058	-	-	546,440
515	198	-	6,025	-	-	8,434	47,447
12,500	155	-	184,191	-	-	219,229	486,272
(27,345)	-	-	183,994	-	-	-	156,649
804,543	1,162,780	166,359	987,236	140,058	432,835	227,663	5,326,302

Red Wing Housing and Redevelopment Authority

Financial Data Schedule
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2025

		N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
Expenses				
Administrative				
91100	Administrative salaries	161,575	-	-
91200	Auditing fee	4,625	-	-
91400	Advertising and marketing	5,247	-	-
91500	Employee benefit contribution	63,046	-	-
91600	Office expenses	16,189	-	-
91700	Legal expense	140	-	1,812
91800	Travel	746	-	-
91900	Other	21,126	-	24,430
91000	Total administrative	272,694	-	26,242
Tenant services				
92100	Salaries	-	54,823	-
92300	Employee benefit contributions	-	28,446	-
92400	Tenant services - other	-	24,855	-
92500	Total tenant services	-	108,124	-
Utilities				
93100	Water	20,268	-	-
93200	Electricity	36,779	-	-
93300	Gas	28,036	-	-
93600	Sewer	20,168	-	-
93000	Total utilities	105,251	-	-
Ordinary maintenance and operations				
94100	Labor	106,398	-	-
94200	Materials and other	17,101	-	-
94300	Contracts	95,938	-	-
94500	Employee benefit contributions	43,137	-	-
94000	Total ordinary maintenance and operations	262,574	-	-
Insurance				
96110	Property insurance	58,931	-	-
96120	Liability insurance	9,043	-	-
96130	Workers' compensation	8,381	-	-
96100	Total insurance	76,355	-	-

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	TIF #8	AHTF	Total
239,402	113,112	-	182,770	19,152	5,876	-	721,887
4,625	4,625	-	4,625	-	-	-	18,500
5,330	-	-	-	-	-	-	10,577
93,112	52,931	-	89,794	8,572	2,009	-	309,464
28,989	6,531	-	20,640	-	-	-	72,349
2,382	380	-	3,325	-	-	-	8,039
2,363	1,239	-	4,507	-	-	-	8,855
17,118	14,478	-	46,540	234	424,950	-	548,876
393,321	193,296	-	352,201	27,958	432,835	-	1,698,547
-	-	-	-	-	-	-	54,823
-	-	-	-	-	-	-	28,446
7,148	-	-	-	-	-	-	32,003
7,148	-	-	-	-	-	-	115,272
36,284	-	-	17,205	-	-	-	73,757
52,011	-	-	7,264	-	-	-	96,054
29,650	-	-	8,233	-	-	-	65,919
38,113	-	-	618	-	-	-	58,899
156,058	-	-	33,320	-	-	-	294,629
167,161	-	-	8,015	-	-	-	281,574
24,936	-	-	12,952	-	-	-	54,989
97,273	8,068	-	63,852	-	-	-	265,131
74,631	-	-	1,061	-	-	-	118,829
364,001	8,068	-	85,880	-	-	-	720,523
69,031	-	-	20,619	-	-	-	148,581
10,625	-	-	2,938	-	-	-	22,606
8,381	-	-	6,568	-	-	-	23,330
88,037	-	-	30,125	-	-	-	194,517

Red Wing Housing and Redevelopment Authority

Financial Data Schedule
Statements of Revenues, Expenses, and Changes in Net Position
For The Year Ended December 31, 2025

		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	283	-	145,522
96210	Compensated absences	1,487	-	-
96300	Payments in lieu of taxes	42,267	-	-
96400	Bad debt - tenant rents	228	-	-
96000	Total other general expenses	44,265	-	145,522
Interest expense and amortization cost				
96710	Interest on mortgage payable	121,762	-	-
96700	Total interest expense and amortization cost	121,762	-	-
96900	Total operating expenses	882,901	108,124	171,764
97000	Excess revenue over operating expenses	413,572	-	(171,533)
Other expenses				
97100	Extraordinary maintenance	1,183	-	-
97200	Casualty loss	-	-	-
97300	Housing assistance payments	-	-	-
97400	Depreciation expense	603,215	-	-
90000	Total expenses	1,487,299	108,124	171,764
Other financing sources (uses)				
10010	Operating transfers in	-	-	-
10020	Operating transfers out	-	-	-
10100	Total other financing sources (uses)	-	-	-
10000	Excess (deficiency) of total revenue over (under) total expenses	(190,826)	-	(171,533)

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	TIF #8	AHTF	Total
-	7,799	-	66,325	-	-	113,234	333,163
2,916	257	-	636	-	-	-	5,296
47,228	-	-	15,594	-	-	-	105,089
10,870	-	-	8,104	-	-	-	19,202
61,014	8,056	-	90,659	-	-	113,234	462,750
-	-	-	-	-	-	-	121,762
-	-	-	-	-			121,762
1,069,579	209,420	-	592,185	27,958	432,835	113,234	3,608,000
(265,036)	953,360	166,359	395,051	112,100	-	114,429	1,718,302
-	-	-	-	-	-	-	1,183
2,877	-	-	-	-	-	-	2,877
-	1,061,310	-	-	128,099			1,189,409
499,377	-	-	72,307	-	-	-	1,174,899
1,571,833	1,270,730	-	664,492	156,057	432,835	113,234	5,976,368
166,359	94,671	-	-	15,999	-	-	277,029
-	-	(166,359)	(110,670)	-	-	-	(277,029)
166,359	94,671	(166,359)	(110,670)	15,999	-	-	-
(600,931)	(13,279)	-	212,074	-	-	114,429	(650,066)

Red Wing Housing and Redevelopment Authority

Financial Data Schedule
Memo Account Information
For The Year Ended December 31, 2025

		N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
Memo account information				
11020	Required annual debt principal payments	$ 119,780	$ -	$ 58,552.00
11030	Beginning equity	(727,018)	-	1,755,560
11040	Prior period adjustment and equity transfers	-	-	-
11190	Unit months available	1,248	-	-
11210	Unit months leased	1,226	-	-
11620	Building purchases	-	6,250	-

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Bridges	State / Local	TIF #8	AHTF	Total
$ -	$ -	$ -	$ -	$ 84,500	$ -	$ -	$ 262,832
2,168,225	44,743	-	-	961,960	-	1,028,818	5,232,288
242,213	-	(242,213)	-	-	-	-	-
1,317	2,028	-	144	276	-	-	5,013
1,312	1,454	-	144	262	-	-	4,398
-	-	944,782	-	19,176	-	-	970,208

Red Wing Housing and Redevelopment Authority

Schedule of Capital Funds
December 31, 2025

	2025	2024	2023	Total
Total funds approved	$ 329,806	$303,130	$293,806	$ 926,742
Total funds received	101,000	157,307	293,806	552,113
Remaining funds due	$ 228,806	$145,823	$ -	$ 374,629
Total funds received	$ 101,000	$157,307	$293,806	$ 552,113
Total funds expended	101,000	157,307	293,806	552,113
Funds on hand	$ -	$ -	$ -	$ -
Received during current year	$ 101,000	$ 44,957	$ 20,402	$ 166,359
Current amount due	-	-	-	-
Prior amount due	-	-	-	-
Current revenue	$ 101,000	$ 44,957	$ 20,402	$ 166,359

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, *(Government Auditing Standards)*, the financial statements of the business-type activities and each major fund of Red Wing Housing and Redevelopment Authority as of and for the year ended December 31, 2025, 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 August 5, 2026.

Report on 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) as a basis for designing 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 were not 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Minnesota Legal Compliance

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 contracting-bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions,* promulgated by the State Auditor pursuant to Minn. Stat. Section 6.65, insofar as they relate to accounting matters. 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 Red Wing Housing and Redevelopment Authority's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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.

CohnReznick LLP

Red Wing, Minnesota
August 5, 2026

Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance 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, 2025. 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 on each of its major federal programs for the year ended December 31, 2025.

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 major 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.

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.

CohnReznick LLP

Red Wing, Minnesota
August 5, 2026

Red Wing Housing and Redevelopment Authority

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2025

Federal grantor/pass-through grantor/ program or cluster title	Federal assistance listing number	Pass-through entity indentifying number	Passed through to subrecipients	Federal expenditures
U.S. Department of Housing and Urban Development				
Pass-through from Minnesota Housing Finance Agency				
Section 8 Project-Based Cluster				
Project-Based Rental Assistance (PBRA)	14.195	Not available	$ -	$ 652,412 ***
Section 8 Project-Based Cluster total				652,412
Housing Voucher Cluster				
Section 8 Housing Choice Vouchers	14.871		-	1,162,427
Housing Voucher Cluster total				1,162,427
Public Housing Operating Fund	14.850		-	112,524
Multifamily Housing Service Coordinators	14.191		-	108,124
Resident Opportunity and Supportive Services - Service Coordinators	14.870		-	28,841
Public Housing Capital Fund	14.872		-	166,359
Total expenditures of federal awards				$ 2,230,687

***Major Program

See Notes to Schedule of Expenditures of Federal Awards.

Red Wing Housing and Redevelopment Authority

Notes to Schedule of Expenditures of Federal Awards
December 31, 2025

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Red Wing Housing and Redevelopment Authority under programs of the federal government for the year ended December 31, 2025. 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 Principles, 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 net position, or cash flows of the Red Wing Housing and Redevelopment Authority.

Note 2 - Summary of significant accounting principles

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 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 as allowed under the Uniform Guidance is not applicable.

Note 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, 2025.

Note 5 - Subrecipients

Red Wing Housing and Redevelopment Authority had no expenditures to subrecipients for the year ended December 31, 2025.

Red Wing Housing and Redevelopment Authority

Schedule of Findings and Questioned Costs
Year Ended December 31, 2025

SUMMARY OF AUDITOR'S RESULTS

Financial statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified opinion

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

1. Internal control over major federal programs:

   - Material weakness(es) identified? _____ Yes __X__ No

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

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

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	Section 8 Project-Based Cluster: Project-Based Rental Assistance (PBRA)

Dollar threshold used to distinguish between Type A and type B programs: $ 1,000,000

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

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