



**OLMSTED COUNTY HOUSING AND  
REDEVELOPMENT AUTHORITY  
Rochester, Minnesota**

**ANNUAL FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS'  
REPORT**

**DECEMBER 31, 2022**

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# **Olmsted County Housing and Redevelopment Authority**

## **Financial Statements**

**For the Year Ended December 31, 2022**

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## **INTRODUCTORY SECTION**

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TO: OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY

FROM: Stephanie Reese, Financial Reporting Manager  
Olmsted County Finance Department

David Dunn, Housing Director  
Olmsted County Housing and Redevelopment Authority

RE: Annual Financial Report

DATE: June 5, 2023

The Annual Financial Report of the Olmsted County Housing and Redevelopment Authority is herewith submitted for the fiscal year ended December 31, 2022. The Olmsted County Finance Department prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the administration of the Olmsted County Finance Department and the Olmsted County Housing and Redevelopment Authority.

We believe that the data contained in the report is accurate in all material respects and sets forth factually the financial position and results of operations at the Olmsted County Housing and Redevelopment Authority, and the financial affairs of the Olmsted County Housing and Redevelopment Authority.

The Department of Housing and Urban Development requires an audit of the books of account, financial records and transactions of the Housing Authority by an independent auditor. This requirement has been complied with, and the Auditor's opinion has been included in this report. Hawkins Ash CPAs will issue a management and compliance letter covering the review made as part of Olmsted County Housing and Redevelopment Authority's system of operations. The management and compliance letter will not modify or affect in any way, this report on the financial statements.

DocuSigned by:

*Stephanie Reese*

Stephanie Reese, Assistant Controller  
Olmsted County Finance Department

DocuSigned by:

*David Dunn*

David Dunn, Housing Director  
Olmsted County Housing and Redevelopment Authority

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# OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY

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OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY

**LIST OF PRINCIPAL OFFICIALS**

**Commissioner One -**

Jim Bier

Term expires

December 31, 2024

**Commissioner Two**

Matt Flynn

Term expires

December 31, 2022

**Commissioner Three**

Stephanie Podulke

Term expires

December 31, 2024

**Commissioner Four**

Gregg Wright

Term expires

December 31, 2024

**Commissioner Five**

Sheila Kiscaden

Term expires

December 31, 2022

**Commissioner Six**

Kenneth Brown

Term expires

December 31, 2022

**Commissioner Seven**

Mark Thein (1)

Term expires

December 31, 2024

**Commissioner Eight**

Tania Rhiger

Term expires

February 15, 2024

(1) 2022 Chair

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## **FINANCIAL SECTION**



## **INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
Olmsted County Housing and Redevelopment Authority  
Rochester, Minnesota

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the financial statements of the Olmsted County HRA ("Authority"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's 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 Authority, as of December 31, 2022, 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 Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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**

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 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.

## **Auditors' 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 auditors' 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 the 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 the 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 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 the Authority's basic financial statements. The combining financial statements, schedule of intergovernmental revenue, schedule and certification of actual capital fund grant costs 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 combining financial statements, schedule of intergovernmental revenue, schedule and certification of actual capital fund grant costs and schedule of expenditures of federal awards 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 [date of report] on our consideration of the 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 the Authority's 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 the Authority's internal control over financial reporting and compliance.

*Hawkins Ash CPAs, LLP*

La Crosse, Wisconsin  
June 5, 2023



**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

The Olmsted County Housing and Redevelopment Authority's (the Authority) management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and identify individual issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Authority's assets and deferred outflows exceeded its liabilities at the close of the most recent fiscal year by \$14,787,495 (net position). The net position is comprised of the following components:
  - \$3,954,828 (net investment in capital assets) represents the Authority's investments in capital assets less any capital related debt and is not available for future spending.
  - \$835,959 (restricted) is restricted as to use by grant agreements, contracts, laws, and regulations, and can only be used for specific purposes.
  - \$9,996,708 (unrestricted) may be used to meet the Authority's ongoing obligations.
- The Authority's net position increased by \$2,506,690 (or 20%) during 2022 and was \$14,787,495 and \$12,280,805 for 2022 and 2021 respectively.
- The operating revenue increased by \$2,845,383 (or 33%) during 2022 and was \$11,370,528 and \$8,525,145 for 2022 and 2021 respectively.
- The total operating expenses of all Authority programs increased by \$1,069,230 (or 9%) during 2022. Total operating expenses were \$12,811,539 and \$11,742,309 for 2022 and 2021 respectively.
- The operating income (loss) increased by \$1,776,153 (or 123%) during 2022 and was (\$1,441,011) and (\$3,217,164) for 2022 and 2021 respectively.

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2022

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. The Authority consists of exclusively enterprise funds, which use full accrual basis of accounting. All the Authority's activities are reported as a single enterprise fund. This method of accounting is similar to accounting utilized by the private sector accounting.

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets and deferred inflows, minus liabilities, equal "Net Position", formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position is reported in three broad categories:

Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of Net Position that do not meet the definition of "Net Investment in Capital Assets", or "Restricted Net Position".

The financial statements also include a Statement of Revenues, Expenses and Changes in Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income and operating grants, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as capital grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Finally, Statement of Cash Flows is included, which discloses net cash provided by or used for operating activities, non-capital financing activities, from capital and related financing activities, and investing activities.

Many of the programs maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**BASIC FINANCIAL STATEMENTS**

**Statement of Net Position**

The following table reflects the condensed Statement of Net Position as of December 31, 2022, and 2021.

**TABLE 1**  
**STATEMENT OF NET POSITION**

	2022	2021	Dollar Change	Percent Change
Current and Other Assets	\$ 10,742,616	\$10,306,993	\$ 435,623	4.23%
Noncurrent Assets	17,556,719	15,680,364	1,876,355	11.97%
Total Assets	<u>\$ 28,299,335</u>	<u>\$ 25,987,357</u>	<u>\$ 2,311,978</u>	8.90%
Deferred Outflows of Resources	\$ 22,955	\$ 29,674	\$ (6,719)	-22.64%
Total Assets and Deferred Outflows of Resources	<u>\$ 28,322,290</u>	<u>\$ 26,017,031</u>	<u>\$ 2,305,259</u>	8.86%
Current Liabilities	657,652	774,214	(116,562)	-15.06%
Noncurrent Liabilities	12,877,143	12,962,012	(84,869)	-0.65%
Total Liabilities	<u>\$ 13,534,795</u>	<u>\$ 13,736,226</u>	<u>\$ (201,431)</u>	-1.47%
Net Position:				
Net Investment in Capital Assets	\$ 3,954,828	\$ 2,130,429	\$ 1,824,399	85.64%
Restricted	835,959	\$ 847,648	(11,689)	-1.38%
Unrestricted	9,996,708	\$ 9,302,728	693,980	7.46%
Total Net Position	<u>\$ 14,787,495</u>	<u>\$ 12,280,805</u>	<u>\$ 2,506,690</u>	20.41%
Total Liabilities and Net Position	<u>\$ 28,322,290</u>	<u>\$ 26,017,031</u>	<u>\$ 2,305,259</u>	8.86%

For more detailed information see the Statement of Net Position.

**Major Factors Affecting the Statement of Net Position**

Current assets increased by \$435,623 and current liabilities decreased by \$116,562. There are sufficient current assets (primarily cash and investments) to extinguish the current liabilities.

The capital assets increased by \$1,651,428. This was caused by the Authority's purchase of the 105 N Broadway land and building, along with changes in the current year capital assets and the current year depreciation of all assets. For more detail see "Capital Assets and Debt Administration" below.

Noncurrent notes, loans, and mortgages receivable increased by \$227,427 due to the Rehabilitation Levy program. This program provides 30-year mortgages to eligible recipients to complete construction projects on individual properties. The mortgages include a 2% interest charge for the first 15 years of the loan, payable at the end of the 30-year mortgage.

Noncurrent liabilities decreased by \$84,869, which is attributable to netting the payment of annual principal on bonds and mortgages payable, issuance of new debt, increase in accrued interest, and amortization of bond premiums.

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**Statement of Revenue, Expenses and Changes in Net Position**

The following table reflects the Changes in Net Position for the year ended December 31, 2022, and 2021.

	2022	2021	Dollar Change	Percent Change
Revenues				
Charges for services	\$ 2,554,932	\$ 2,610,661	\$ (55,729)	-2.13%
Operating grants	8,815,596	5,914,484	2,901,112	49.05%
Total operating revenue	<u>\$ 11,370,528</u>	<u>\$ 8,525,145</u>	<u>\$ 2,845,383</u>	33.38%
Expenses				
Administrative	\$ 3,008,302	\$ 2,807,707	\$ 200,595	7.14%
Tenant services	682,703	\$ 1,043,193	(360,490)	-34.56%
Utilities	250,118	\$ 236,555	13,563	5.73%
Maintenance	998,922	\$ 900,305	98,617	10.95%
Insurance	131,034	\$ 109,840	21,194	19.30%
General	237,696	\$ 414,764	(177,068)	-42.69%
Housing assistance payments & port in	6,956,072	\$ 5,786,411	1,169,661	20.21%
Depreciation	546,692	\$ 443,534	103,158	23.26%
Total operating expenses	<u>\$ 12,811,539</u>	<u>\$11,742,309</u>	<u>\$ 1,069,230</u>	9.11%
Operating income (loss)	<u>\$ (1,441,011)</u>	<u>\$ (3,217,164)</u>	<u>\$ 1,776,153</u>	-55.21%
Nonoperating revenue (expenses)				
Property taxes	\$ 3,916,278	\$ 3,751,768	\$ 164,510	4.38%
Interest income	24,370	11,299	13,071	115.68%
Gain or loss on disposal of property	-	204,314	(204,314)	-100.00%
Interest expense	(59,681)	(63,623)	3,942	-6.20%
Net nonoperating revenue (expenses)	<u>\$ 3,880,967</u>	<u>\$ 3,903,758</u>	<u>\$ (22,791)</u>	-0.58%
Change in net position before extraordinary item	\$ 2,439,956	\$ 686,594	\$ 1,753,362	255.37%
Extraordinary loss due to fire	66,734	\$ -	66,734	-
Change in net position after extraordinary item	<u>\$ 2,506,690</u>	<u>\$ 686,594</u>	<u>\$ 1,820,096</u>	265.09%
Net position January 1 (restated)	<u>12,280,805</u>	<u>11,594,211</u>	<u>686,594</u>	5.92%
Net position December 31	<u><u>\$ 14,787,495</u></u>	<u><u>\$12,280,805</u></u>	<u><u>\$ 2,506,690</u></u>	20.41%

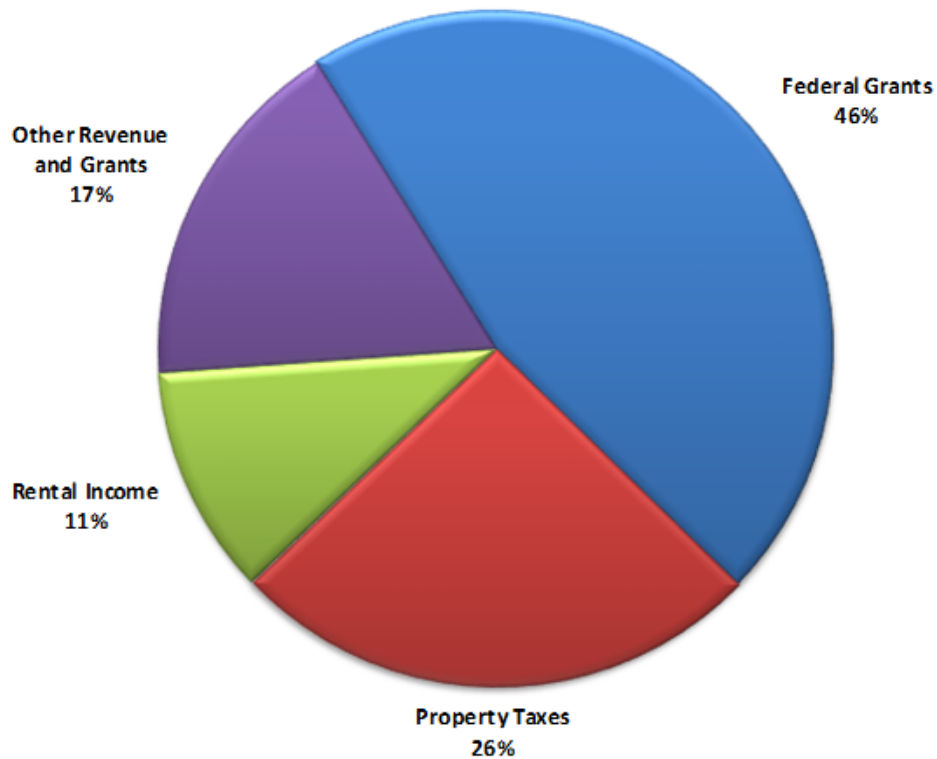
**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2022

***Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Position***

**Revenue**

The primary source of revenue for the Authority is Federal grants followed by property taxes, State grants, and rental income. The \$2,901,112 (or 49%) increase in operating grants was attributed to an increase in HCV funding and participants, as well as a contribution from Olmsted County to purchase the 105 N Broadway building.

**2022 Sources of Funds**



**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2022

Expenses

The Authority experienced an increase in total operating expenses for the current year of \$1,069,230.

**Administrative** – Administrative costs are costs that do not fit in any other category and include items such as administrative staffing, legal, finance fees, auditing, training, general office expenses, etc. During the year, the Authority administrative costs increased \$200,595 (or 7%) primarily due to staffing increases in 2022.

**Tenant services** – Tenant services is primarily made up of costs related to providing services such as shelter, food, and hygiene costs for the homeless at properties leased by the Authority, totaling \$682,703.

**Utilities** – Utilities expense covers all utilities not paid directly by tenants.

**Maintenance** – Maintenance costs are all typically costs to maintain Authority-owned housing units. These expenses include maintenance staffing, supplies and maintenance contracts. Maintenance costs increased by \$98,617 in 2022.

**Insurance premiums** – All insurance costs for property, auto, liability, public official's liability, etc. Insurance costs increased by \$21,194 (or 19%) in 2022 due to premium increases across all properties.

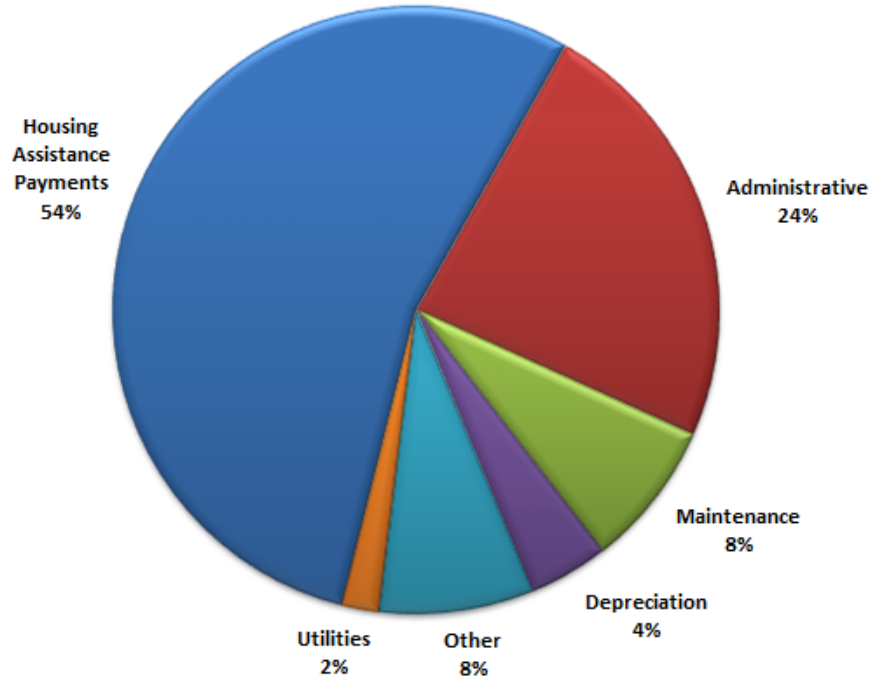
**General** – The two primary expenses classified as general are payments in lieu of taxes (PILOT) and administrative expenses for clients who have transferred their rental subsidy to an address outside the jurisdiction of Olmsted County HRA. These general costs decreased by 177,068 (or 43%) in 2022 primarily due to the Authority no longer paying rent at the 105 N Broadway building after its purchase in April of this year.

**Housing Assistance Payments** – Housing assistance payments (HAP) consist of rental payments to owners of private property on behalf of low-income households for which the Authority has an agreement with both the private landlord and the low-income resident. These payments are administered through several different programs. The increase of \$1,169,661 (or 20%) for current year HAP was driven by spending on regular housing choice vouchers (up \$715,914) and Mainstream program vouchers (up \$321,203). Both programs saw an increase in units leased, as well as an increase in contribution per unit.

**Depreciation** – The capitalization of costs spread over an asset's useful life. The current year expense is recorded as depreciation.

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2022

**2022 Uses of Funds**



**Capital Assets and Debt Administration**

***Capital Assets***

As of year-end, the Authority had \$15,681,551 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase of \$1,651,428 from the end of last year. This was caused by several acquisitions throughout the year, and the calculation of depreciation at year-end. There were no disposals for the Authority during 2022. The biggest contribution was the Authority's land and building purchase at 105 N Broadway totaling \$2,044,148. The Authority also completed house rehabilitation and garage construction at 1104 5<sup>th</sup> Ave NW, and a natural lighting project at the Francis building due to the construction of a neighboring building on the zero lot line adjacent to the Francis. Depreciation for the year was \$544,192.

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**TABLE 3**  
**CAPITAL ASSETS AT YEAR END**

	Business-type Activities	
	2022	2021
Nondepreciable Assets		
Land and land rights	\$ 3,107,863	\$ 2,050,834
Construction in Progress	\$ 43,256	1,801,477
Depreciable Assets		
Buildings	\$ 23,031,411	20,176,239
Other Improvements	\$ 553,109	547,119
Equipment	\$ 506,198	470,548
Less Accumulated Depreciation	\$ (11,560,286)	(11,016,094)
Net Capital Assets	<u>\$ 15,681,551</u>	<u>\$ 14,030,123</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in the notes.

**TABLE 4**  
**CHANGE IN CAPITAL ASSETS**

	Business Type Activities
Balance 1/1/2022	\$ 14,030,123
Increases	3,997,097
Transfers, Net	-
Decreases	(1,801,477)
Depreciation	<u>(544,192)</u>
Balance 12/31/2022	<u>\$ 15,681,551</u>



**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2022

***Debt Outstanding***

As of year-end, the Authority had \$12,597,747 in debt (bonds, notes, etc.) outstanding. This amount includes the bonds the Authority issued with a remaining balance of \$430,000 for the construction of the River's Edge moderate-income housing. The bonds are backed by the full faith and credit of Olmsted County in event that the revenues of the apartment complex cannot pay the debt service. In addition to the bonds, the Authority issued several zero-interest rate deferred repayment mortgages for \$3,348,547, mortgages bearing 5.75% interest with a remaining balance of \$489,762 for Rolling Heights low-income senior housing and deferred forgivable mortgages of \$8,329,438 which will be forgiven once the time and program requirements are satisfied.

**TABLE 5**  
**OUTSTANDING DEBT, AT YEAR END**

	Totals	
	2022	2021
G.O. Revenue Bonds	\$ 430,000	\$ 530,000
Mortgages at 5.75%	489,762	500,331
Deferred Repayment Mortgages	3,348,547	3,348,547
Deferred Mortgages Forgivable	8,329,438	8,277,788
Total	<u>\$ 12,597,747</u>	<u>\$ 12,656,666</u>

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local inflationary and employment trends, which affect resident incomes and rental assistance eligibility
- Inflationary pressure on utility rates, supplies and other costs

**FINANCIAL CONTACT**

The individual to be contacted regarding this report is Stephanie Reese, Assistant Controller at Olmsted County Finance Department, at (507) 328-7081. Specific requests may be submitted to Stephanie Reese, Olmsted County Finance Department, 2117 Campus Drive SE, Suite 300, Rochester, MN 55904-4744 or by email at [stephanie.reese@olmstedcounty.gov](mailto:stephanie.reese@olmstedcounty.gov).

## **BASIC FINANCIAL STATEMENTS**

Statement of Net Position

Statement of Revenue, Expenses, and Changes in Net Position

Statement of Cash Flows

Notes to Financial Statements

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**

**Rochester, Minnesota**

**STATEMENT OF NET POSITION**

**DECEMBER 31, 2022**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 8,840,512
Cash and cash equivalents operating reserve	370,430
Receivables	
Tenants	23,676
Current notes, loans, and mortgages receivable	29,410
Other	73,835
Due from other governments	296,249
Prepaid expenses	13,194
Cash and cash equivalents - restricted	
Security deposits and escrows	135,961
Replacement reserve fund	359,262
Debt service reserve account	119,255
Debt service account	113,108
Project account	124,552
Grant restricted	243,147
Residual receipts reserve	25
<b>TOTAL CURRENT ASSETS</b>	<b>10,742,616</b>

**NONCURRENT ASSETS**

Capital assets	
Land	3,107,863
Construction in progress	43,256
Buildings and improvements	23,584,520
Equipment	506,198
Less accumulated depreciation	(11,560,286)
Intangible right-to-use capital asset	120,000
Noncurrent notes, loans, and mortgages receivable	1,674,927
Accrued interest receivable	80,241
<b>TOTAL NONCURRENT ASSETS</b>	<b>17,556,719</b>
<b>TOTAL ASSETS</b>	<b>28,299,335</b>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charges on bonds	22,955
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**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**\$ 28,322,290**

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts payable	\$ 284,306
Current portion of accrued interest	638
Unearned revenue	30,761
Due to other governments	91,714
Current portion of notes payable	111,193
Current liabilities payable from restricted assets	
Interest payable	7,645
Tenants' security deposits	131,395
<b>TOTAL CURRENT LIABILITIES</b>	<b>657,652</b>

**NONCURRENT LIABILITIES**

Tenant FSS escrow	3,404
Notes payable	12,489,187
Accrued interest	260,000
Rehabilitation Liability	124,552
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>12,877,143</b>
<b>TOTAL LIABILITIES</b>	<b>13,534,795</b>

**NET POSITION**

Net investment in capital assets	3,954,828
Restricted	835,959
Unrestricted	9,996,708
<b>TOTAL NET POSITION</b>	<b>14,787,495</b>

**TOTAL LIABILITIES AND NET POSITION**

**\$ 28,322,290**

The accompanying notes are an integral<sup>23</sup> part of these financial statements.

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
**Rochester, Minnesota**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

<b>OPERATING REVENUES</b>	
Charges for services	
Dwelling rental	\$ 1,686,554
Other fees and operating revenue	868,378
Total charges for services	<u>2,554,932</u>
Intergovernmental revenue	
Federal	7,068,539
State	747,057
Local	<u>1,000,000</u>
Total intergovernmental revenue	<u>8,815,596</u>
<b>TOTAL OPERATING REVENUE</b>	<u><b>11,370,528</b></u>
<b>OPERATING EXPENSES</b>	
Administrative	\$ 3,008,302
Tenant services	682,703
Utilities	250,118
Maintenance and operations	998,922
Insurance	131,034
General expenses	237,696
Housing assistance payments	6,273,991
Housing assistance payments - port-in	682,081
Depreciation	<u>546,692</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><b>\$ 12,811,539</b></u>
<b>OPERATING INCOME (LOSS)</b>	<u><b>\$ (1,441,011)</b></u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Property taxes	\$ 3,916,278
Interest income	24,370
Interest expense	<u>(59,681)</u>
<b>NET NONOPERATING REVENUE (EXPENSES)</b>	<u><b>3,880,967</b></u>
<b>CHANGE IN NET POSTION BEFORE EXTRAORDINARY ITEM</b>	<u><b>2,439,956</b></u>
Extraordinary item - gain (loss) caused by fire	<u>66,734</u>
<b>CHANGE IN NET POSITION</b>	<u><b>2,506,690</b></u>
NET POSITION AT BEGINNING OF YEAR	<u>12,280,805</u>
NET POSITION AT END OF YEAR	<u><u><b>\$ 14,787,495</b></u></u>

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**

**Rochester, Minnesota**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from services and charges	\$ 2,397,744
Receipts from intergovernmental revenue	9,217,146
Payments for contracted personal services	(1,585,906)
Payments to suppliers	(3,848,055)
Payments to landlords	(6,956,072)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ (775,143)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(2,195,620)
Proceeds from sale of capital assets	-
Proceeds (Payment) of capital debt	(58,919)
Interest payments	(45,459)
<b>NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(2,233,264)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Receipts from property taxes	4,020,286
Payments on/for notes, loans, and mortgages receivable	(40,843)
<b>NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES</b>	<b>3,979,443</b>
<b>Cash Flows from Investing Activities</b>	
Investment income	24,370
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>995,406</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>9,310,846</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 10,306,252</b>
<b>NON-CASH INVESTING ITEMS</b>	
Interest expense includes amounts for:	
Amortization of bond premiums	771
Amortization of deferred loss on bonds	(6,718)
<b><u>RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</u></b>	
Cash and cash equivalents	8,840,512
Cash and cash equivalents - operating reserve	370,430
Cash and cash equivalents - restricted	1,095,310
<b>CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION</b>	<b>\$ 10,306,252</b>
<b><u>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (1,441,011)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation expense	546,692
Changes in assets and liabilities	
(Increase) decrease in assets	
Accounts receivable	35,615
Due from other governments	401,550
Notes, mortgages, repayment receivable	(209,349)
Prepaid expenses	18,610
(Decrease) increase in liabilities	
Accounts payable	(118,511)
Unearned revenue	14,561
Tenant FSS escrow	(11,790)
Tenant security deposits	13,775
Due to other governments	(25,285)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ (775,143)</b>

## OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

#### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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##### FINANCIAL REPORTING ENTITY

The Olmsted County Housing and Redevelopment Authority (the Authority) was created by 1994 Minnesota Law Chapter 493 on January 1, 1995. The Authority's primary operations are the development and management of housing units, which are rented to low-income residents, and the administration of housing assistance programs for low-income residents. The US Department of Housing and Urban Development (HUD) finances these programs. Other activities include rehabilitation of commercial and residential property, which is financed by city, state and federal resources.

An eight-member Board (Board) governs the Authority, and the Olmsted County Board appoints all eight members of the Board. The Board is organized with a chair and vice chair elected at its annual meeting in January of each year. The Housing Director serves as the clerk of the Board but has no vote. The Board has contracted with the County (County) to provide staff to administer its programs. It has been determined that the Authority is a blended component unit of the County due to the County appointing all the members of the Board and the County having operation responsibility for the Authority.

The financial report provides information about the financial activities of the Authority in accordance with generally accepted accounting principles (GAAP).

##### Discretely Presented Component Unit

The Authority does not have any component units that require a discrete presentation.

##### Blended Component Unit

The Authority has one blended component unit, the Rochester New Hope Corporation (the Organization). Rochester New Hope Corporation was organized as a non-profit corporation in 1993 to own and operate Northgate Community Housing, a 12-unit apartment complex location in Rochester, Minnesota. The Organization provides handicapped persons with housing facilities and services especially designed to meet their physical, social, and psychological needs. The complex is managed by a management agent under Section 811 of the National Housing Act.

In December of 2017, the eight-member Authority board acted to become the board of the Organization. The Organization is included as a blended component unit of the Authority since the significance of the relationship between the Organization and the Authority is such that exclusion would cause the Authority's financial statements to be incomplete. The Organization's financial data includes 12 months of operations that end on September 30, 2022, and it issues a separate audited financial statement.

##### BASIS OF PRESENTATION

**Proprietary Fund Type** is accounted for with a flow of economic resources measurement focus. All assets, liabilities and deferred inflows/outflows of resources (whether current or non-current) associated with their activity are included on their statement of net position. Proprietary Fund measurement is focused upon determination of net income, financial position, and cash flows. The following is the Authority's Proprietary Fund Type:

**Enterprise Fund** is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

##### BASIS OF ACCOUNTING

Basis of accounting refers to the time at which revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. All applicable Governmental Accounting Standards Board (GASB) pronouncements have been applied to proprietary funds.

## **OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2022

#### **BASIS OF ACCOUNTING (continued)**

Prepaid items are expensed using the allocation method. The prepaid expense is determined as of the date of the payment and subsequently amortized over the accounting periods that are expected to benefit from the initial payment.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing activities. The principal operating revenues of the Authority's enterprise funds is rental income and other charges and fees for services. In addition, grants that are not restricted for capital purposes are considered operating revenue. Operating expenses for the enterprise funds include cost of providing and maintaining rental assistance and rehabilitation programs, administrative expenses, and depreciation expense. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### **GENERAL BUDGET POLICIES**

A budget is prepared for administrative purposes only.

#### **CASH AND CASH EQUIVALENTS**

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the Business-Type Activities include all cash and cash equivalent asset balances regardless of any restrictions or designations on the accounts.

#### **RECEIVABLES**

##### **Tenants**

Tenants accounts receivable consists of amounts charged to tenants, but which have not yet been paid to the HRA. These receivables have been shown net of the allowances for doubtful accounts for rental programs. The allowance is based on directly identified accounts that are unlikely to be collected. All allowance accounts are \$-0- as of December 31, 2022.

##### **Notes, loans, and mortgages receivable Current and Noncurrent**

The notes, loans, and mortgages receivable balances are made up of amounts owed on two types of transactions. The first type of transaction is amounts owed by clients who have signed a repayment agreement for amounts either past due or amounts they owe due to an increase in their earned income. The second type of transaction is amounts owed by individuals who have signed a mortgage agreement with the Authority for rehabilitation work completed on the individual's residence and paid for by the Authority. Receivables are considered current if the amount owed is due within 12 months and noncurrent if the amount owed is due in more than 12 months.

##### **Other**

Other receivables are categorized in this group if they do not meet any of the criteria of the other two receivable categories.

#### **DUE FROM/DUE TO OTHER FUNDS**

During the course of operations, numerous transactions occur between individual programs for goods provided or services rendered. These receivables and payables are classified as "due from/due to other funds" on the combining statement of net position and have been eliminated in the basic financial statements.

#### **DUE FROM OTHER GOVERNMENTS**

Due from other governments is grant money receivable from state, federal, and local governments.

#### **PREPAID ITEMS**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**RESTRICTED ASSETS**

Certain resources are set aside for repayment and are classified as restricted assets on the Statement of Net Position because their use is limited by bond covenants or escrow and security deposit agreements. It is the Authority's policy to first use restricted assets when both current and restricted assets are available to finance expenses.

**CAPITAL ASSETS**

Purchased capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date donated.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Depreciation of all exhaustible capital assets used by Proprietary Funds is charged as an expense against operations. Capital assets are reported net of accumulated depreciation. Depreciation has been provided over the assets estimated useful lives using the straight-line method. The capitalization threshold is \$5,000 for all capital assets. The estimated useful lives are:

Buildings	25 to 50 years
Improvements	4 to 25 years
Equipment	2 to 20 years

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. The Authority has only one type of item that qualifies for reporting in this category. It is the deferred loss on refunding of bonds. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. No deferred inflows of resources affect the financial statements this year.

**LIABILITIES**

Proprietary Fund Types record both long and short-term liabilities of the fund.

**NET POSITION**

The net position section is divided into sections:

**Net investment in capital assets** is the total capital assets net of accumulated depreciation and any debt related to those capital assets.

**Restricted** indicates a portion of net position that has been legally segregated for a specific purpose.

**Unrestricted** indicates the portion of net position which is available for budgeting and expending in future periods.

**CONDUIT DEBT OBLIGATIONS**

Occasionally, the Authority has agreed to be a conduit for the issuance of debt for other governments or non-profit organizations to provide financial assistance for the acquisition or construction of equipment and facilities. The bonds are secured by the property financed and are payable solely by the other governments or non-profit organizations. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, neither the assets financed, nor the bond issues are reported in the accompanying financial statements.



**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**CHANGES IN ACCOUNTING PRINCIPLE**

The Authority has implemented GASB Statement No. 87, Leases, in 2022. At the beginning of the period, where the Authority was the lessee, leases recorded as operating leases under previous guidance were recorded in the statement of net position as prepaid expenses in the amount of \$122,500. The change resulted in no adjustments to fund balance or net position.

**B. CASH, DEPOSITS AND INVESTMENTS**

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**Deposits and Investments**

The following is a reconciliation of the Authority's total cash and investments as shown on the Statement of Net Position.

Cash and cash equivalents	\$	8,840,512
Operating reserve		370,430
Restricted cash, cash equivalents, and investments		
Security deposits and escrows		135,961
Replacement reserve fund		359,262
Debt service reserve account		119,255
Debt service account		113,108
Projects		124,552
Grant restricted		243,147
Residual receipts reserve		25
Total cash and investments	\$	<u>10,306,252</u>
Investments	\$	546,431
Deposits		<u>9,759,821</u>
	\$	<u>10,306,252</u>

**Deposits**

Minnesota Statutes Chapter 118A.03 requires all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills; notes and bonds issues of U.S. government agencies general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

On December 31, 2022, none of the Authority's deposits were subject to custodial credit risk. The Authority-held deposits are insured or collateralized by third-party institutions and are therefore not subject to custodial credit risk.

**Investments**

Minnesota Statutes Section 118A.04 and .05 generally authorize the following types of investments available to the Authority:

- securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high-risk" by Minnesota Statute 118A.04, subd. 6
- mutual funds through shares of registered investment companies provided the mutual fund received certain ratings depending on its investments
- general and revenue obligations of any state or local government with taxing powers and obligations of the Minnesota finance housing agency provided such obligations have certain specified bond ratings by a national bond rating service
- time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers' acceptances of U.S. banks
- commercial paper issued by U.S. corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

- with certain restrictions:
  - repurchase agreements
  - securities lending agreements
  - joint powers investment trusts
  - guaranteed investment contracts (GIC)
  - temporary general obligation bonds

*Interest rate risk* – Interest rate risk is the risk that changes in interest rates of debt investments could adversely affect the fair value of an investment. The Authority does not have a formal investment policy that addresses interest rate risk.

*Credit Risk* – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments to those listed above. The Authority does not have a formal investment policy that further limits the ratings of their investments.

*Custodial Credit Risk* – For investments in securities, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form and therefore are not subject to custodial credit risk disclosures. On December 31, 2022, none of the Authority's investments were subject to custodial credit risk.

The following Table represents the Authority's investment balances on December 31, 2022, and information relating to potential investment risks.

Instrument Type	Credit Risk		Concentration	Interest	Carrying (Fair) Value
	Credit Ratings	Rating Agency	Over 5 Percent of Portfolio	Rate Risk Maturity Date	
Investment pools/mutual funds					
Allsprings Government Money Market Fund	Aaa-mf	Moody's	N/A	N/A	\$ 546,431

N/A - Not Applicable

The authority has some funds on deposit with Olmsted County – Additional disclosures required by GASB Statement No. 40, "Deposit and Investment Risk Disclosures," are disclosed on an entity-wide basis in the Olmsted County Financial Report for the year ended December 31, 2022.

### C. RECEIVABLES

Receivable balances on December 31, 2022, consisted of the following:

<b>Accounts Receivable</b>	\$ 126,921
Allowance for Doubtful Accounts	-
Net Accounts Receivable	<u>\$ 126,921</u>

<b>Due from Other Governments</b>	
Federal	\$ 89,385
State	69,824
Local	<u>137,040</u>
Total	<u>\$ 296,249</u>

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**D. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2022, was as follows:

<b>Business-type activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:					
Land	2,050,834	1,057,029	-	-	3,107,863
Construction in progress	1,801,477	43,256	(1,801,477)	-	43,256
Total capital assets not being depreciated	3,852,311	1,100,285	(1,801,477)	-	3,151,119
Capital assets, being depreciated:					
Building	20,176,239	2,855,172	-	-	23,031,411
Improvements other than building	547,119	5,990	-	-	553,109
Equipment	470,548	35,650	-	-	506,198
Total capital assets being depreciated	21,193,906	2,896,812	-	-	24,090,718
Total assets	25,046,217	3,997,097	(1,801,477)	-	27,241,837
Less accumulated depreciation for:					
Building	(10,473,319)	(479,437)	-	-	(10,952,756)
Improvements other than building	(278,977)	(20,608)	-	-	(299,585)
Equipment	(263,798)	(44,147)	-	-	(307,945)
Total accumulated depreciation	(11,016,094)	(544,192)	-	-	(11,560,286)
Total capital assets, being depreciated, net	10,177,812	2,352,620	-	-	12,530,432
Capital assets, net	14,030,123	3,452,905	(1,801,477)	-	15,681,551

**E. UNEARNED REVENUE**

The unearned revenue for the Authority as of December 31, 2022, represents receipt of payment from prepaid rent.

**F. ESCROW PAYABLE AND SECURITY DEPOSITS**

The Family Self-Sufficiency program requires the Authority to place a portion of the rent from qualified tenants in an escrow account. Upon successful completion of the program, the qualified tenant is entitled to the amount in the escrow plus accrued interest. If the tenant does not complete the program the Authority removes the amount from escrow and records it as income. Security deposits are held for tenants in rental units.

Escrow Payable	\$ 3,404
Security Deposits	131,395
Net Escrow Payable and Security Deposits	<u>\$ 134,799</u>

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**G. RIGHT-OF-USE ASSET**

Since the 14<sup>th</sup> of May, 2010, the Authority has been leasing 1.5 acres of land from Olmsted County on which the Silver Creek Corner residence was constructed. The original 60-year term lease was for \$150,000 due and paid at the beginning of the lease. At the end of 2022, the right-of-use Asset balance net of accumulated amortization was \$120,000 as shown below:

Right-of-Use Asset and Accumulated Depreciation	Olmsted County HRA Leased Assets					12/31/2022
	1/1/2022	ADDITIONS	RETIREMENTS	TRANSFER	ADJUSTMENTS	
Leased Assets						
Right-to-Use Asset	\$ 122,500	\$ -	\$ -	\$ -	\$ -	\$ 122,500
Total Leased Assets	\$ 122,500	\$ -	\$ -	\$ -	\$ -	\$ 122,500
TOTAL ACCUMULATED Amortization	\$ -	\$ 2,500	\$ -	\$ -	\$ -	\$ 2,500
Total Leased Asset less accumulated amortization	\$ 122,500	\$ (2,500)	\$ -	\$ -	\$ -	\$ 120,000

**H. LONG TERM DEBT**

Long term debt activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within 12 months	Long Term
Bonds Payable	\$ 530,000	\$ -	\$ (100,000)	\$ 430,000	\$ 100,000	\$ 330,000
Mortgages Payable	500,331	-	(10,569)	489,762	11,193	\$ 478,569
Deferred Repayment Mortgages	3,348,547	-	-	3,348,547	-	\$ 3,348,547
Deferred Forgivable Mortgages	8,277,788	51,650	-	8,329,438	-	\$ 8,329,438
Premium on Bonds	3,404	-	(771)	2,633	-	\$ 2,633
Total Long Term Debt	\$ 12,660,070	\$ 51,650	\$ (111,340)	\$ 12,600,380	\$ 111,193	\$ 12,489,187

**General Obligation Governmental Housing Refunding Bonds**

The Authority issued general obligation governmental housing refunding bonds to refund general obligation housing bonds to reduce future debt service payments.

The general obligation government housing refunding bonds outstanding are as follows:

**BONDS PAYABLE**

	Date Issued	Interest Rates	Original Issue	Final Maturity	Balance	Authority Program
General Obligation Governmental Housing Refunding Bonds, 2010A	6/10/2010	2.00 - 3.70%	\$ 1,475,000	1/1/2026	\$ 430,000	River's Edge

**Mortgages Payable**

The Authority entered into mortgage agreements with these mortgagors. The payments are due in monthly installments. The mortgages payable outstanding are as follows:

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

**Mortgages Payable (continued)**

	<u>Date Issued</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Balance</u>	<u>Authority Program</u>
U.S. Department of Agriculture - Rural Development	3/22/2005	5.75%	\$ 197,498	3/1/2045	\$ 158,431	Rolling Heights
U.S. Department of Agriculture - Rural Development	3/22/2005	5.75%	412,502	3/1/2045	331,331	Rolling Heights
Total Mortgages Payable					<u>\$ 489,762</u>	

**Deferred Repayment Mortgages**

The Authority entered into deferred repayment mortgage agreements with these mortgagors. If there is no default or transfer of the property, the full amount is due upon the earliest of the satisfaction of the properties first mortgage or the final maturity.

The deferred repayment mortgages outstanding are as follows:

	<u>Date Issued</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Balance</u>	<u>Authority Program</u>
First Homes Properties	5/16/2002	0.00%	\$ 585,000	5/16/2032	\$ 225,000	River's Edge
Greater Minnesota Housing Fund	5/16/2002	0.00%	221,450	5/16/2032	221,450	River's Edge
Minnesota Housing Finance Agency - Economic Development and Housing Challenge Program	5/16/2002	0.00%	635,000	5/16/2032	635,000	River's Edge
Minnesota Housing Finance Agency - Preservation Affordable Rental Investment Fund Program	3/22/2005	0.00%	200,000	3/22/2035	200,000	Rolling Heights
Minnesota Housing Finance Agency - HOME Rental Rehabilitation Program	8/25/2006	0.00%	196,000	3/22/2035	196,000	Rolling Heights
Olmsted County	9/15/2006	0.00%	123,900	9/15/2026	123,900	The Francis
Minnesota Housing Finance Agency - Ending Long-Term Homelessness Initiative Fund Program	9/15/2006	0.00%	170,197	9/15/2026	170,197	The Francis
Greater Minnesota Housing Fund	9/15/2006	0.00%	255,000	9/15/2036	255,000	The Francis
Minnesota Housing Finance Agency - HOME Rental Rehabilitation Program	9/15/2006	0.00%	252,000	9/15/2026	252,000	The Francis
Minnesota Housing Finance Agency - Rental Rehabilitation Deferred Loan Pilot Program	7/29/2015	0.00%	35,000	7/29/2025	35,000	Rental Property
Minnesota Housing Finance Agency - Rental Rehabilitation Deferred Loan Pilot Program	8/26/2015	0.00%	35,000	8/26/2025	35,000	Rental Property
Minnesota Housing Finance Agency - Home Targeted Program	5/3/1996	1.00%	229,201	5/3/2026	229,201	Bandel Hills
Minnesota Housing Finance Agency - Affordable Rental Investment Fund	5/3/1996	1.00%	770,799	5/3/2026	770,799	Bandel Hills
Total Mortgages Payable					<u>\$ 3,348,547</u>	

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**Deferred Forgivable Mortgages**

The Authority entered into deferred forgivable mortgage agreements with these mortgagors. If there is no default or transfer of the property and all program requirements are met, the debt will be forgiven on the final maturity date.

The deferred forgivable mortgages outstanding are as follows:

	Date Issued	Interest Rates	Original Issue	Final Maturity	Balance	Authority Program
Minnesota Housing Finance Agency - Publicly Owned Permanent Supportive Housing Program	9/15/2006	0.00%	1,469,805	9/15/2026	\$ 1,469,805	The Francis
Minnesota Housing Finance Agency - Publicly Owned Housing Program	6/27/2013	0.00%	52,000	6/27/2033	\$ 45,275	Rental Property
Minnesota Housing Finance Agency - Housing Trust Fund Long-Term Homelessness Initiative Fund Program	12/9/2010	0.00%	888,945	12/9/2040	\$ 888,945	Silver Creek Corner
Minnesota Housing Finance Agency - Publicly Owned Housing Program	12/9/2010	0.00%	4,703,305	12/10/2030	\$ 4,703,305	Silver Creek Corner
Minnesota Housing Finance Agency - POHP Loan	11/7/2019	0.00%	1,222,108	12/9/2040	\$ 1,222,108	Public Housing
Total Mortgages Payable					<u>\$ 8,329,438</u>	

Annual debt service requirements to maturity for general obligation bonds and mortgages are as follows:

Year Ending	Bonds Payable		Mortgage Payable		Deferred Repayment Mortgages	Deferred Forgivable Mortgages
12/31	Principal	Interest	Principal	Interest	Principal	Principal
2023	\$ 100,000	\$ 20,265	\$ 11,193	\$ 27,869	\$ -	\$ -
2024	100,000	16,965	11,854	27,209	-	-
2025	105,000	13,590	12,553	26,509	70,000	-
2026	110,000	10,053	13,295	25,767	1,801,097	1,469,805
2027	15,000	8,363	14,080	24,983	-	-
2028 - 2032	-	-	83,891	111,419	1,081,450	4,703,305
2033 - 2037	-	-	111,757	83,552	396,000	45,275
2038 - 2042	-	-	148,880	46,429	-	2,111,053
2043 - 2047	-	-	82,259	5,632	-	-
Total	<u>\$ 430,000</u>	<u>\$ 69,235</u>	<u>\$ 489,762</u>	<u>\$ 379,369</u>	<u>\$ 3,348,547</u>	<u>\$ 8,329,438</u>

**Conduit Debt**

The Authority has approved the issuance of Public Facilities Lease Revenue Refunding Bonds, Series 2010B were issued to crossover refund the Public Facilities Lease Revenue Bonds, Series 2002G that was originally used acquire and build the Olmsted County Work Release Center for Olmsted County. The Public Facilities Lease Revenue Bonds are secured by the Olmsted County tax levy to make the required debt service payments, and do not constitute indebtedness of the Authority. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of Public Facilities Lease Revenue Bonds outstanding at the end of the year is \$640,000.

The Authority has approved the issuance of Lease Revenue Refunding Bonds, Series 2021A to acquire, construct, repair, maintain and/or operate buildings, equipment and/or other facilities necessary to provide mental health services for the citizens of Olmsted County. The Lease Revenue Refunding Bonds are secured by the lease to make debt service payments and the facility

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**Conduit Debt (continued)**

is pledged as collateral, and do not constitute indebtedness of the Authority. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of Lease Revenue Refunding Bonds outstanding at the end of the year is \$4,025,000.

**I. SEGMENT INFORMATION**

The Authority has two segments to report. The first is Rolling Heights project for which mortgages were issued to finance the purchase of a 16-unit senior housing project for low-income residents. The second is River's Edge for which general obligation government housing bonds were issued to finance the construction of a 39-unit apartment complex for moderate to low-income residents.

**Condensed Statement of Net Position**

	Rolling Heights	River's Edge
Assets		
Current assets	\$ 264,379	\$ 1,185,493
Capital assets	626,141	2,050,853
Total assets	<u>\$ 890,520</u>	<u>\$ 3,236,346</u>
Deferred outflow of resources	\$ -	\$ 22,955
Total assets and deferred outflow of resources	<u>\$ 890,520</u>	<u>\$ 3,259,301</u>
Liabilities		
Current liabilities	\$ 26,394	\$ 138,552
Current liabilities payable from restricted assets	7,008	28,395
Noncurrent liabilities	874,569	1,414,083
Total liabilities	<u>\$ 907,971</u>	<u>\$ 1,581,030</u>
Net position		
Net investment in capital assets	\$ (259,621)	\$ 559,725
Restricted	-	333,746
Unrestricted	242,170	784,800
Total net position	<u>\$ (17,451)</u>	<u>\$ 1,678,271</u>
Total liabilities and net position	<u>\$ 890,520</u>	<u>\$ 3,259,301</u>

**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

	Rolling Heights	River's Edge
Charges for services	\$ 56,835	\$ 402,716
Operating grants	55,445	-
Depreciation expenses	(15,612)	(61,445)
Other operating expense	(75,893)	(247,758)
Operating income	\$ 20,775	\$ 93,513
Nonoperating revenues (expenses)		
Investment income	-	4,633
Interest expense	(28,443)	(21,238)
Changes in net position	\$ (7,668)	\$ 76,908
Beginning net position	(9,783)	1,601,363
Ending net position	<u>\$ (17,451)</u>	<u>\$ 1,678,271</u>

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2022****Condensed Statement of Cash Flows**

	Rolling Heights	River's Edge
Net cash flows from:		
Operating activities	\$ 33,678	\$ 158,578
Capital and related financing activities	(39,063)	(116,965)
Non-capital financial activities	7,275	-
Investing activities	-	4,633
Net increases (decreases)	1,890	46,246
Cash and cash equivalents	262,489	1,132,496
Ending cash and cash equivalents	<u>\$ 264,379</u>	<u>\$ 1,178,742</u>

**J. RESTRICTED NET POSITION**

Net Restricted Position balances at December 31, 2022 consisted of the following:

Program	Reason	Amount
Public Housing	Authority held funds from the disposition of a public housing unit as required by HUD	\$ 233,530
Housing Choice Voucher	Unspent housing assistance payment revenue from HUD	\$ 9,617
The Francis	MHFA held replacement reserve held for future nonroutine maintenance	42,112
New Hope Corporation	Authority held funds for replacement reserve and residual receipts, both held as required by HUD	38,554
River's Edge	Held by the trustee for any replacement reserve and debt service requirements set by the debt	333,746
Silver Creek Corner	MHFA held replacement reserve held for future nonroutine maintenance	178,400
		<u>\$ 835,959</u>

**K. EMPLOYEE BENEFITS**

The Authority contracts with Olmsted County for all staff needs.

**L. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority continues to carry commercial insurance to cover all related risks. The Authority continues to reassess their insurance coverage on their buildings and property every year. The Authority has not incurred claims in excess of their insurance coverage for the last three years.

**M. SUBSEQUENT EVENTS**

In the last half of 2017 the Authority created a Tax Forfeited Property Rehabilitation Program, where the Authority purchases houses that are being forfeited from Olmsted County. They are then sold to local partners to be rehabbed and used for affordable housing. In January of 2023, the Authority acquired one property for \$17,843. The property will be sold in 2023 to a local partner.

In a closed session in March of 2023 the Authority approved purchasing the 1621 10<sup>th</sup> Street SE, Rochester property to be used as a family shelter which is scheduled to close in late April of 2023. The Authority also approved moving forward with starting negotiations to purchase the property located at 2206 11<sup>th</sup> Avenue SE, Rochester.



## SUPPLEMENTARY SCHEDULES

The Authority's programs are described as follows:

**Public Housing** is Authority-owned rental units is used to account for financial activities relating to families that need financial assistance for housing.

**Housing Choice Vouchers** are housing assistance payments and are used to account for financial activities relating to families that are hard to house and that need financial assistance for housing.

**State and Local** is used to account for financial activities relating to families that need financial assistance for housing and rehab work.

**The Francis** is Authority-owned rental units and is used to account for financial activities relating to permanent supportive housing for the homeless.

**Rolling Heights** is Authority-owned rental units is used to account for financial activities relating to affordable housing for low income elderly and disabled.

**New Hope Corportaion** owns the Northgate Apartments, and is a blended component unit of the Authority. Rochester New Hope Corporation operates a 12 unit apartment complex which provides handicapped persons with housing facilities and services specially designed to meet their physical, social, and psychological needs.

**Rental Property** is Authority-owned rental units and is used to account for financial activities relating to families that need low to moderate income housing.

**River's Edge** is Authority-owned rental units and is used to account for financial activities relating to families that need low to moderate housing.

**Bandel Hills** is Authority owned rental units used to account for financial activities relating to affordable housing for low income housing.

**Silver Creek Corner** is Authority-owned rental units and is used to account for financial activities relating to individuals that need inebriate permanent supportive housing.

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
**Rochester, Minnesota**  
COMBINING STATEMENT OF NET POSITION  
DECEMBER 31, 2022

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>Public Housing</u>	<u>Housing Choice Voucher</u>	<u>State and Local</u>	<u>The Francis</u>	<u>Rolling Heights</u>	<u>New Hope Corporation</u>
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 216,938	\$ 83,805	\$ 5,892,875	\$ 23,793	\$ 257,371	\$ 11,945
Cash and cash equivalents operating reserve	-	-	-	180,254	-	-
Receivables						
Tenants	4,500	-	-	4,242	-	1,542
Current notes, loans, and mortgages receivable	8,892	15,602	2,310	-	-	-
Other	-	25,203	13,171	-	-	-
Due from other governments	43,782	41,978	130,399	-	-	1,065
Due from other programs	-	-	75,000	-	-	-
Prepaid expenses	-	-	674	-	-	2,661
Cash and cash equivalents - restricted						
Security deposits and escrows	53,169	3,404	10,348	2,458	7,008	3,350
Replacement reserve fund	-	-	-	40,963	-	38,516
Debt service reserve account	-	-	-	-	-	-
Debt service account	-	-	-	-	-	-
Project account	-	-	124,552	-	-	-
Grant restricted	233,530	9,617	-	-	-	-
Residual receipts reserve	-	-	-	-	-	25
<b>TOTAL CURRENT ASSETS</b>	<b>560,811</b>	<b>179,609</b>	<b>6,249,329</b>	<b>251,710</b>	<b>264,379</b>	<b>59,104</b>
<b>NONCURRENT ASSETS</b>						
Capital assets						
Land	1,008,654	-	-	80,853	132,500	24,700
Construction in progress	-	-	43,256	-	-	-
Buildings and improvements	6,711,072	-	-	2,350,688	775,591	623,698
Equipment	255,685	-	120,765	-	-	12,229
Less accumulated depreciation	(4,535,266)	-	(120,765)	(729,770)	(281,950)	(441,340)
Intangible right-to-use capital asset	-	-	-	-	-	-
Noncurrent notes, loans, and mortgages receivable	2,074	5,469	1,667,384	-	-	-
Accrued interest receivable	-	-	80,241	-	-	-
<b>TOTAL NONCURRENT ASSETS</b>	<b>3,442,219</b>	<b>5,469</b>	<b>1,790,881</b>	<b>1,701,771</b>	<b>626,141</b>	<b>219,287</b>
<b>TOTAL ASSETS</b>	<b>4,003,030</b>	<b>185,078</b>	<b>8,040,210</b>	<b>1,953,481</b>	<b>890,520</b>	<b>278,391</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred charges on bonds	-	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 4,003,030</b>	<b>\$ 185,078</b>	<b>\$ 8,040,210</b>	<b>\$ 1,953,481</b>	<b>\$ 890,520</b>	<b>\$ 278,391</b>

(Continued)

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
**Rochester, Minnesota**  
COMBINING STATEMENT OF NET POSITION  
DECEMBER 31, 2022

	BUSINESS ACTIVITIES				Eliminating Entry	Total
	Rental Property	River's Edge	Bandel Hills	Silver Creek Corner		
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 897,654	\$ 824,246	\$ 585,900	\$ 45,985	\$ -	\$ 8,840,512
Cash and cash equivalents operating reserve	-	-	-	190,176	-	370,430
Receivables						
Tenants	3,812	6,605	2,975	-	-	23,676
Current notes, loans, and mortgages receivable	2,606	-	-	-	-	29,410
Other	32,271	-	-	3,190	-	73,835
Due from other governments	-	-	-	79,025	-	296,249
Due from other programs	33,939	-	-	-	(108,939)	-
Prepaid expenses	-	146	-	9,713	-	13,194
Cash and cash equivalents - restricted						
Security deposits and escrows	20,328	20,750	15,146	-	-	135,961
Replacement reserve fund	-	101,383	-	178,400	-	359,262
Debt service reserve account	-	119,255	-	-	-	119,255
Debt service account	-	113,108	-	-	-	113,108
Project account	-	-	-	-	-	124,552
Grant restricted	-	-	-	-	-	243,147
Residual receipts reserve	-	-	-	-	-	25
<b>TOTAL CURRENT ASSETS</b>	<b>990,610</b>	<b>1,185,493</b>	<b>604,021</b>	<b>506,489</b>	<b>(108,939)</b>	<b>10,742,616</b>
<b>NONCURRENT ASSETS</b>						
Capital assets						
Land	1,396,337	255,000	209,819	-	-	3,107,863
Construction in progress	-	-	-	-	-	43,256
Buildings and improvements	2,877,393	3,211,242	2,058,013	4,976,823	-	23,584,520
Equipment	35,650	11,900	62,129	7,840	-	506,198
Less accumulated depreciation	(919,578)	(1,427,289)	(2,006,683)	(1,097,645)	-	(11,560,286)
Intangible right-to-use capital asset	-	-	-	120,000	-	120,000
Noncurrent notes, loans, and mortgages receivable	-	-	-	-	-	1,674,927
Accrued interest receivable	-	-	-	-	-	80,241
<b>TOTAL NONCURRENT ASSETS</b>	<b>3,389,802</b>	<b>2,050,853</b>	<b>323,278</b>	<b>4,007,018</b>	<b>-</b>	<b>17,556,719</b>
<b>TOTAL ASSETS</b>	<b>4,380,412</b>	<b>3,236,346</b>	<b>927,299</b>	<b>4,513,507</b>	<b>(108,939)</b>	<b>28,299,335</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred charges on bonds	-	22,955	-	-	-	22,955
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 4,380,412</b>	<b>\$ 3,259,301</b>	<b>\$ 927,299</b>	<b>\$ 4,513,507</b>	<b>\$ (108,939)</b>	<b>\$ 28,322,290</b>

(Continued)

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
**Rochester, Minnesota**  
COMBINING STATEMENT OF NET POSITION  
DECEMBER 31, 2022

<u>LIABILITIES AND NET POSITION</u>	<u>Public Housing</u>	<u>Housing Choice Voucher</u>	<u>State and Local</u>	<u>The Francis</u>	<u>Rolling Heights</u>	<u>New Hope Corporation</u>
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 10,693	\$ 17,932	\$ 70,830	\$ 59,869	\$ 3,391	\$ 4,837
Current portion of accrued interest	-	-	-	-	638	-
Unearned revenue	5,672	-	-	85	-	2,775
Due to other programs	-	-	-	75,000	7,275	-
Due to other governments	22,797	10,102	5,437	3,923	3,897	-
Current portion of notes payable	-	-	-	-	11,193	-
Current liabilities payable from restricted assets						
Interest payable	-	-	-	-	-	-
Tenants' security deposits	53,169	-	10,348	1,309	7,008	3,337
<b>TOTAL CURRENT LIABILITIES</b>	<b>92,331</b>	<b>28,034</b>	<b>86,615</b>	<b>140,186</b>	<b>33,402</b>	<b>10,949</b>
<b>NONCURRENT LIABILITIES</b>						
Tenant FSS escrow	-	3,404	-	-	-	-
Notes payable	1,222,108	-	-	2,270,902	874,569	-
Accrued interest	-	-	-	-	-	-
Rehabilitation Liability	-	-	124,552	-	-	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,222,108</b>	<b>3,404</b>	<b>124,552</b>	<b>2,270,902</b>	<b>874,569</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>1,314,439</b>	<b>31,438</b>	<b>211,167</b>	<b>2,411,088</b>	<b>907,971</b>	<b>10,949</b>
<b>NET POSITION</b>						
Net investment in capital assets	2,218,037	-	43,256	(569,131)	(259,621)	219,287
Restricted	233,530	9,617	-	42,112	-	38,554
Unrestricted	237,024	144,023	7,785,787	69,412	242,170	9,601
<b>TOTAL NET POSITION</b>	<b>2,688,591</b>	<b>153,640</b>	<b>7,829,043</b>	<b>(457,607)</b>	<b>(17,451)</b>	<b>267,442</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 4,003,030</b>	<b>\$ 185,078</b>	<b>\$ 8,040,210</b>	<b>\$ 1,953,481</b>	<b>\$ 890,520</b>	<b>\$ 278,391</b>

(Continued)

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
**Rochester, Minnesota**  
COMBINING STATEMENT OF NET POSITION  
DECEMBER 31, 2022

	BUSINESS ACTIVITIES				Eliminating	
	Rental Property	River's Edge	Bandel Hills	Silver Creek Corner	Entry	Total
<b>LIABILITIES AND NET POSITION</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 36,588	\$ 15,176	\$ 23,110	\$ 41,880	\$ -	\$ 284,306
Current portion of accrued interest	-	-	-	-	-	638
Unearned revenue	8,378	4,366	9,485	-	-	30,761
Due to other programs	2,151	-	-	24,513	(108,939)	-
Due to other governments	15,500	19,010	-	11,048	-	91,714
Current portion of notes payable	-	100,000	-	-	-	111,193
Current liabilities payable from restricted assets						
Interest payable	-	7,645	-	-	-	7,645
Tenants' security deposits	20,328	20,750	15,146	-	-	131,395
<b>TOTAL CURRENT LIABILITIES</b>	<b>82,945</b>	<b>166,947</b>	<b>47,741</b>	<b>77,441</b>	<b>(108,939)</b>	<b>657,652</b>
<b>NONCURRENT LIABILITIES</b>						
Tenant FSS escrow	-	-	-	-	-	3,404
Notes payable	115,275	1,414,083	1,000,000	5,592,250	-	12,489,187
Accrued interest	-	-	260,000	-	-	260,000
Rehabilitation Liability	-	-	-	-	-	124,552
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>115,275</b>	<b>1,414,083</b>	<b>1,260,000</b>	<b>5,592,250</b>	<b>-</b>	<b>12,877,143</b>
<b>TOTAL LIABILITIES</b>	<b>198,220</b>	<b>1,581,030</b>	<b>1,307,741</b>	<b>5,669,691</b>	<b>(108,939)</b>	<b>13,534,795</b>
<b>NET POSITION</b>						
Net investment in capital assets	3,389,802	559,725	(676,722)	(969,805)	-	3,954,828
Restricted	-	333,746	-	178,400	-	835,959
Unrestricted	792,390	784,800	296,280	(364,779)	-	9,996,708
<b>TOTAL NET POSITION</b>	<b>4,182,192</b>	<b>1,678,271</b>	<b>(380,442)</b>	<b>(1,156,184)</b>	<b>-</b>	<b>14,787,495</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 4,380,412</b>	<b>\$ 3,259,301</b>	<b>\$ 927,299</b>	<b>\$ 4,513,507</b>	<b>\$ (108,939)</b>	<b>\$ 28,322,290</b>

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
**Rochester, Minnesota**  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Public Housing	Housing Choice Voucher	State and Local	The Francis	Rolling Heights	New Hope Corporation
<b>OPERATING REVENUES</b>						
Charges for services						
Dwelling rental	\$ 358,286	\$ -	\$ -	\$ 15,431	\$ 54,608	\$ 40,318
Other fees and operating revenue	24,460	742,104	86,930	473	2,227	1,011
Total charges for services	<u>382,746</u>	<u>742,104</u>	<u>86,930</u>	<u>15,904</u>	<u>56,835</u>	<u>41,329</u>
Intergovernmental revenue						
Federal	460,566	5,850,631	470,694	88,316	55,445	22,082
State	-	-	661,872	21,413	-	-
Local	-	-	-	-	-	-
Total intergovernmental revenue	<u>460,566</u>	<u>5,850,631</u>	<u>1,132,566</u>	<u>109,729</u>	<u>55,445</u>	<u>22,082</u>
<b>TOTAL OPERATING REVENUE</b>	<u>843,312</u>	<u>6,592,735</u>	<u>1,219,496</u>	<u>125,633</u>	<u>112,280</u>	<u>63,411</u>
<b>OPERATING EXPENSES</b>						
Administrative	282,165	861,155	1,344,141	37,663	19,880	25,253
Tenant services	377	1,143	339,657	38,450	-	-
Utilities	35,014	-	914	23,999	10,352	12,396
Maintenance and operations	414,030	1,051	12,106	67,908	37,009	18,406
Insurance	54,418	777	1,866	4,989	4,549	5,806
General expenses	14,849	4,888	70,381	3,923	4,103	6,802
Housing assistance payments	-	5,266,152	1,007,839	-	-	-
Housing assistance payments - port-in	-	682,081	-	-	-	-
Depreciation	171,763	-	-	43,576	15,612	15,722
<b>TOTAL OPERATING EXPENSES</b>	<u>972,616</u>	<u>6,817,247</u>	<u>2,776,904</u>	<u>220,508</u>	<u>91,505</u>	<u>84,385</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(129,304)</u>	<u>(224,512)</u>	<u>(1,557,408)</u>	<u>(94,875)</u>	<u>20,775</u>	<u>(20,974)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Property taxes	-	-	3,916,278	-	-	-
Interest income	-	-	9,978	4,425	-	12
Operating transfers in	-	265,000	-	-	-	-
Operating transfers out	-	-	(1,784,148)	-	-	-
Interest expense	-	-	-	-	(28,443)	-
<b>NET NONOPERATING REVENUE (EXPENSES)</b>	<u>-</u>	<u>265,000</u>	<u>2,142,108</u>	<u>4,425</u>	<u>(28,443)</u>	<u>12</u>
CHANGE IN NET POSTION BEFORE EXTRAORDINARY ITEM	<u>(129,304)</u>	<u>40,488</u>	<u>584,700</u>	<u>(90,450)</u>	<u>(7,668)</u>	<u>(20,962)</u>
Extraordinary item - gain (loss) caused by fire	-	-	-	-	-	-
<b>CHANGE IN NET POSITION</b>	<u>(129,304)</u>	<u>40,488</u>	<u>584,700</u>	<u>(90,450)</u>	<u>(7,668)</u>	<u>(20,962)</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>2,817,895</u>	<u>113,152</u>	<u>7,244,343</u>	<u>(367,157)</u>	<u>(9,783)</u>	<u>288,404</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 2,688,591</u></u>	<u><u>\$ 153,640</u></u>	<u><u>\$ 7,829,043</u></u>	<u><u>\$ (457,607)</u></u>	<u><u>\$ (17,451)</u></u>	<u><u>\$ 267,442</u></u>

(Continued)

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
**Rochester, Minnesota**  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2022

	BUSINESS ACTIVITIES				Eliminating	
	Rental Property	River's Edge	Bandel Hills	Silver Creek Corner	Entry	Total
<b>OPERATING REVENUES</b>						
Charges for services						
Dwelling rental	\$ 288,636	\$ 401,207	\$ 210,532	\$ 317,536	\$ -	\$ 1,686,554
Other fees and operating revenue	8,237	1,509	1,427	-	-	868,378
Total charges for services	<u>296,873</u>	<u>402,716</u>	<u>211,959</u>	<u>317,536</u>	<u>-</u>	<u>2,554,932</u>
Intergovernmental revenue						
Federal	58,147	-	-	62,658	-	7,068,539
State	14,265	-	-	49,507	-	747,057
Local	1,000,000	-	-	-	-	1,000,000
Total intergovernmental revenue	<u>1,072,412</u>	<u>-</u>	<u>-</u>	<u>112,165</u>	<u>-</u>	<u>8,815,596</u>
<b>TOTAL OPERATING REVENUE</b>	<u>1,369,285</u>	<u>402,716</u>	<u>211,959</u>	<u>429,701</u>	<u>-</u>	<u>11,370,528</u>
<b>OPERATING EXPENSES</b>						
Administrative	114,086	77,055	44,077	202,827	-	3,008,302
Tenant services	303,040	36	-	-	-	682,703
Utilities	40,315	29,070	17,717	80,341	-	250,118
Maintenance and operations	153,737	106,534	85,293	102,848	-	998,922
Insurance	15,690	16,025	12,728	14,186	-	131,034
General expenses	75,582	19,038	27,082	11,048	-	237,696
Housing assistance payments	-	-	-	-	-	6,273,991
Housing assistance payments - port-in	-	-	-	-	-	682,081
Depreciation	64,396	61,445	71,358	102,820	-	546,692
<b>TOTAL OPERATING EXPENSES</b>	<u>766,846</u>	<u>309,203</u>	<u>258,255</u>	<u>514,070</u>	<u>-</u>	<u>12,811,539</u>
<b>OPERATING INCOME (LOSS)</b>	<u>602,439</u>	<u>93,513</u>	<u>(46,296)</u>	<u>(84,369)</u>	<u>-</u>	<u>(1,441,011)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Property taxes	-	-	-	-	-	3,916,278
Interest income	-	4,633	43	5,279	-	24,370
Operating transfers in	1,519,148	-	-	-	(1,784,148)	-
Operating transfers out	-	-	-	-	1,784,148	-
Interest expense	-	(21,238)	(10,000)	-	-	(59,681)
<b>NET NONOPERATING REVENUE (EXPENSES)</b>	<u>1,519,148</u>	<u>(16,605)</u>	<u>(9,957)</u>	<u>5,279</u>	<u>-</u>	<u>3,880,967</u>
CHANGE IN NET POSTION BEFORE EXTRAORDINARY ITEM	2,121,587	76,908	(56,253)	(79,090)	-	2,439,956
Extraordinary item - gain (loss) caused by fire	66,734	-	-	-	-	66,734
<b>CHANGE IN NET POSITION</b>	<u>2,188,321</u>	<u>76,908</u>	<u>(56,253)</u>	<u>(79,090)</u>	<u>-</u>	<u>2,506,690</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>1,993,871</u>	<u>1,601,363</u>	<u>(324,189)</u>	<u>(1,077,094)</u>	<u>-</u>	<u>12,280,805</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 4,182,192</u></u>	<u><u>\$ 1,678,271</u></u>	<u><u>\$ (380,442)</u></u>	<u><u>\$ (1,156,184)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,787,495</u></u>

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**

**Rochester, Minnesota**

COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Public Housing	Housing Choice Voucher	State and Local	The Francis	Rolling Heights	New Hope Corporation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from services and charges	\$ 424,722	\$ 719,765	\$ (118,107)	\$ 18,348	\$ 57,459	\$ 43,610
Receipts from intergovernmental revenue	419,306	5,844,632	1,548,237	120,281	55,445	21,424
Payments for contracted personal services	(276,005)	(455,152)	(840,016)	-	-	-
Payments to suppliers	(590,402)	(393,613)	(994,151)	(186,012)	(79,226)	(76,133)
Payments to landlords	-	(5,948,233)	(1,007,839)	-	-	-
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(22,379)</b>	<b>(232,601)</b>	<b>(1,411,876)</b>	<b>(47,383)</b>	<b>33,678</b>	<b>(11,099)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Disposition (Acquisition) of capital assets	-	-	(43,256)	(25,189)	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-
Proceeds (Payment) of capital debt	51,650	-	-	-	(10,569)	-
Interest payments	-	-	-	-	(28,494)	-
<b>NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>51,650</b>	<b>-</b>	<b>(43,256)</b>	<b>(25,189)</b>	<b>(39,063)</b>	<b>-</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Receipts from property taxes	-	-	4,020,286	-	-	-
Transfers in (out)	-	265,000	(1,784,148)	-	7,275	-
Payments on/for notes, loans, and mortgages receivable	-	-	(40,843)	-	-	-
<b>NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES</b>	<b>-</b>	<b>265,000</b>	<b>2,195,295</b>	<b>-</b>	<b>7,275</b>	<b>-</b>
<b>Cash Flows from Investing Activities</b>						
Investment income	-	-	9,978	4,425	-	12
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>29,271</b>	<b>32,399</b>	<b>750,141</b>	<b>(68,147)</b>	<b>1,890</b>	<b>(11,087)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>474,366</b>	<b>64,427</b>	<b>5,277,634</b>	<b>315,615</b>	<b>262,489</b>	<b>64,923</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 503,637</b>	<b>\$ 96,826</b>	<b>\$ 6,027,775</b>	<b>\$ 247,468</b>	<b>\$ 264,379</b>	<b>\$ 53,836</b>
<b>NON-CASH INVESTING ITEMS</b>						
Interest expense includes amounts for:						
Amortization of bond premiums	-	-	-	-	-	-
Amortization of deferred loss on bonds	-	-	-	-	-	-

(Continued)



**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**

**Rochester, Minnesota**

**COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Public Housing</u>	<u>Housing Choice Voucher</u>	<u>State and Local</u>	<u>The Francis</u>	<u>Rolling Heights</u>	<u>New Hope Corporation</u>
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</u>						
Cash and cash equivalents	216,938	83,805	5,892,875	23,793	257,371	11,945
Cash and cash equivalents - operating reserve	-	-	-	180,254	-	-
Cash and cash equivalents - restricted	286,699	13,021	134,900	43,421	7,008	41,891
<b>CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION</b>	<b><u>\$ 503,637</u></b>	<b><u>\$ 96,826</u></b>	<b><u>\$ 6,027,775</u></b>	<b><u>\$ 247,468</u></b>	<b><u>\$ 264,379</u></b>	<b><u>\$ 53,836</u></b>
<u>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>						
CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ (129,304)	\$ (224,512)	\$ (1,557,408)	\$ (94,875)	\$ 20,775	\$ (20,974)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation expense	\$ 171,763	\$ -	\$ -	\$ 43,576	\$ 15,612	\$ 15,722
Changes in assets and liabilities						
(Increase) decrease in assets						
Accounts receivable	36,379	(9,657)	4,801	2,083	-	518
Due from other governments	(41,260)	(5,999)	415,671	10,552	-	(658)
Notes, mortgages, repayment receivable	(332)	(892)	(208,125)	-	-	-
Prepaid expenses	-	-	21,326	-	-	(2,661)
(Decrease) increase in liabilities						
Accounts payable	(73,936)	10,147	(44,846)	(9,262)	(3,347)	(3,274)
Unearned revenue	1,871	-	(1,761)	85	-	1,787
Tenant FSS escrow	-	(11,790)	-	-	-	-
Tenant security deposits	4,058	-	48	276	624	(24)
Due to other governments	8,382	10,102	(41,582)	182	14	(1,535)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b><u>\$ (22,379)</u></b>	<b><u>\$ (232,601)</u></b>	<b><u>\$ (1,411,876)</u></b>	<b><u>\$ (47,383)</u></b>	<b><u>\$ 33,678</u></b>	<b><u>\$ (11,099)</u></b>

(continued)

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**

**Rochester, Minnesota**

COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Rental Property	River's Edge	Bandel Hills	Silver Creek Corner	Eliminating Entry	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from services and charges	\$ 306,989	\$ 409,745	\$ 217,677	\$ 317,536	\$ -	\$ 2,397,744
Receipts from intergovernmental revenue	1,072,412	-	-	135,409	-	9,217,146
Payments for contracted personal services	(14,424)	(309)	-	-	-	(1,585,906)
Payments to suppliers	(655,025)	(250,858)	(173,684)	(448,951)	-	(3,848,055)
Payments to landlords	-	-	-	-	-	(6,956,072)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>709,952</b>	<b>158,578</b>	<b>43,993</b>	<b>3,994</b>	<b>-</b>	<b>(775,143)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition and construction of capital assets	(2,127,175)	-	-	-	-	(2,195,620)
Proceeds from sale of capital assets	-	-	-	-	-	-
Proceeds (Payment) of capital debt	-	(100,000)	-	-	-	(58,919)
Interest payments	-	(16,965)	-	-	-	(45,459)
<b>NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(2,060,441)</b>	<b>(116,965)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,233,264)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Receipts from property taxes	-	-	-	-	-	4,020,286
Transfers in (out)	1,499,600	-	-	12,273	-	-
Payments on/for notes, loans, and mortgages receivable	-	-	-	-	-	(40,843)
<b>NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES</b>	<b>1,499,600</b>	<b>-</b>	<b>-</b>	<b>12,273</b>	<b>-</b>	<b>3,979,443</b>
<b>Cash Flows from Investing Activities</b>						
Investment income	-	4,633	43	5,279	-	24,370
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>149,111</b>	<b>46,246</b>	<b>44,036</b>	<b>21,546</b>	<b>-</b>	<b>995,406</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>768,871</b>	<b>1,132,496</b>	<b>557,010</b>	<b>393,015</b>	<b>-</b>	<b>9,310,846</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 917,982</b>	<b>\$ 1,178,742</b>	<b>\$ 601,046</b>	<b>\$ 414,561</b>	<b>\$ -</b>	<b>\$ 10,306,252</b>
<b>NON-CASH INVESTING ITEMS</b>						
Interest expense includes amounts for:						
Amortization of bond premiums	-	771	-	-	-	771
Amortization of deferred loss on bonds	-	(6,718)	-	-	-	(6,718)

(Continued)

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**

**Rochester, Minnesota**

COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Rental Property</u>	<u>River's Edge</u>	<u>Bandel Hills</u>	<u>Silver Creek Corner</u>	<u>Eliminating Entry</u>	<u>Total</u>
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</u>						
Cash and cash equivalents	897,654	824,246	585,900	45,985	-	8,840,512
Cash and cash equivalents - operating reserve	-	-	-	190,176	-	370,430
Cash and cash equivalents - restricted	20,328	354,496	15,146	178,400	-	1,095,310
<b>CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION</b>	<b><u>\$ 917,982</u></b>	<b><u>\$ 1,178,742</u></b>	<b><u>\$ 601,046</u></b>	<b><u>\$ 414,561</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 10,306,252</u></b>
<u>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>						
CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ 602,439	\$ 93,513	\$ (46,296)	\$ (84,369)	\$ -	\$ (1,441,011)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation expense	\$ 64,396	\$ 61,445	\$ 71,358	\$ 102,820	\$ -	\$ 546,692
Changes in assets and liabilities						
(Increase) decrease in assets						
Accounts receivable	(176)	3,426	(1,759)	-	-	35,615
Due from other governments	-	-	-	23,244	-	401,550
Notes, mortgages, repayment receivable	-	-	-	-	-	(209,349)
Prepaid expenses	-	-	-	(55)	-	18,610
(Decrease) increase in liabilities						
Accounts payable	34,812	(4,313)	13,213	(37,705)	-	(118,511)
Unearned revenue	6,293	853	5,433	-	-	14,561
Tenant FSS escrow	-	-	-	-	-	(11,790)
Tenant security deposits	3,999	2,750	2,044	-	-	13,775
Due to other governments	(1,811)	904	-	59	-	(25,285)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b><u>\$ 709,952</u></b>	<b><u>\$ 158,578</u></b>	<b><u>\$ 43,993</u></b>	<b><u>\$ 3,994</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (775,143)</u></b>

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
**SCHEDULE OF INTERGOVERNMENTAL REVENUE**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

		BUSINESS ACTIVITIES										Total
GRANTS		Public Housing	Housing Choice Voucher	State and Local	The Francis	Rolling Heights	New Hope Corporation	Rental Property	River's Edge	Bandel Hills	Silver Creek Corner	
Local												
County of Olmsted		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
State												
Minnesota Housing		\$ -	\$ -	\$ 271,312	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,507	\$ 320,819
Department of Human Services												
Housing Support for Adults with Serious Mental Illness		-	-	14,265	21,413	-	-	14,265	-	-	-	49,943
Cost Neutral Transfer - Housing Supports		-	-	363,567	-	-	-	-	-	-	-	363,567
State Aids and Credits		-	-	12,728	-	-	-	-	-	-	-	12,728
Total State Grants		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 661,872</u>	<u>\$ 21,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,507</u>	<u>\$ 747,057</u>
Assistance												
Federal	Listing #											
Low Income Public Housing Operating Subsidy	14.850	\$339,222	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 339,222
Section 8 Voucher Housing Assistance Payments	14.871	-	5,221,649	-	-	-	-	-	-	-	-	5,221,649
Mainstream Voucher Program	14.879	-	628,982	-	-	-	-	-	-	-	-	628,982
Public Housing Capital Fund Program	14.872	121,344	-	-	-	-	-	-	-	-	-	121,344
Rural Rental Housing Loans	10.415	-	-	-	-	20,290	-	-	-	-	-	20,290
Rural Rental Housing Assistance	10.427	-	-	-	-	35,155	-	-	-	-	-	35,155
Continuum of Care Program	14.267	-	-	117,361	88,316	-	-	58,147	-	-	62,658	326,482
Rent Supplements for Low Income Families	14.149	-	-	-	-	-	22,082	-	-	-	-	22,082
Emergency Solutions Grant	14.231	-	-	353,333	-	-	-	-	-	-	-	353,333
Total Federal Grants		<u>\$460,566</u>	<u>\$ 5,850,631</u>	<u>\$ 470,694</u>	<u>\$ 88,316</u>	<u>\$ 55,445</u>	<u>\$ 22,082</u>	<u>\$ 58,147</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,658</u>	<u>\$ 7,068,539</u>
Total Intergovernmental Revenue		<u>\$460,566</u>	<u>\$ 5,850,631</u>	<u>\$ 1,132,566</u>	<u>\$109,729</u>	<u>\$ 55,445</u>	<u>\$ 22,082</u>	<u>\$ 1,072,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$112,165</u>	<u>\$ 8,815,596</u>

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Thru Grant Identification Number</b>	<b>Subrecipient Amount</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>				
Direct				
Rural Rental Housing Loans	10.415	N/A	-	\$ 20,290
Rural Rental Housing Rental Assistance	10.427	N/A	-	35,155
<b>Total U.S. Department of Agriculture</b>				<u>55,445</u>
<b>U.S. Department of Housing and Urban Development</b>				
Direct				
Continuum of Care	14.267	MN0193L5K022011	-	59,578
		MN0193L5K022112	-	28,738
		MN0246L5K022005	-	17,779
		MN0246L5K022106	-	40,368
		MN0064L5K022114	-	73,138
Passed Through Olmsted County		MN0064L5K022013	-	44,223
Passed Through Center City Housing Corp		MN0358L5K022009	-	10,489
		MN0358L5K022110	-	52,169
<b>Total Continuum of Care</b>				<u>326,482</u>
Public and Indian Housing	14.850	MN151-00000120D	-	339,222
Public Housing Capital Fund	14.872	MN46P15150119	-	30,274
		MN46P15150120	-	22,430
		MN46P15150121	-	68,640
<b>Total Public Housing Capital Fund</b>				<u>121,344</u>
Section 8 Housing Voucher Cluster				
Housing Choice Vouchers	14.871	N/A	-	5,221,649
Other Public Housing Authorities		Unknown	-	716,204
Mainstream Voucher Program	14.879	NA	-	628,982
<b>Total Section 8 Housing Voucher Cluster</b>				<u>6,566,835</u>
Rent Supplements for Low Income Families	14.149	NA	-	22,082
Supportive Housing for Persons with Disabilities	14.181	NA	-	647,200
Passed Through MN Department of Human Services and Olmsted County				
Emergency Solutions Grants	14.231	189494		353,333
<b>Total U.S. Department of Housing and Urban Development</b>				<u>8,376,498</u>
<b>Total Federal Awards</b>				<u>\$ 8,431,943</u>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**1. REPORTING ENTITY**

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The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Olmsted County Housing and Redevelopment Authority. The Authority's reporting entity is defined in Note A to the financial statements.

**2. BASIS OF PRESENTATION**

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The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Olmsted County Housing and Redevelopment Authority under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the financial statements. Because the schedule presents only a selected portion of the operations of Olmsted County Housing and Redevelopment Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Olmsted County Housing and Redevelopment Authority.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Olmsted County Housing and Redevelopment Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**4. DISCLOSURE OF OTHER FORMS OF ASSISTANCE**

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The Olmsted County Housing and Redevelopment Authority had non-cash assistance in the form of interest subsidy in the amount of \$20,290 from Rural Rental Housing loans during the year ending December 31, 2022.

**5. RECONCILIATION TO SCHEDULE OF INTERGOVERNMENTAL REVENUE**

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Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 7,068,539
Per HUD include in SEFA	
Other public housing authorities, port in income	716,204
Supportive housing for persons with disabilities, temporarily restricted capital advance	647,200
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 8,431,943</u>

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
**SCHEDULE AND CERTIFICATION OF CAPITAL FUND GRANT COSTS**  
Public Housing

Grant Identification Number	<u>MN46P15150119</u>	<u>MN46P15150120</u>	<u>MN46P15150121</u>
Total Grant Funds Approved	\$ 208,477	\$ 215,628	\$ 229,208
Grant Expenditures to Date			
Fiscal Year - 2020	104,040		
Fiscal Year - 2021	39,860	70,570	-
Fiscal Year - 2022	<u>30,274</u>	<u>22,430</u>	<u>68,640</u>
Excess Funds Approved	<u>\$ 34,303</u>	<u>\$ 122,628</u>	<u>\$ 160,568</u>
Status	Not Complete	Not Complete	Not Complete

The distribution of costs as shown on the Financial Statement of costs accompanying the Actual Cost Certificate submitted for approval, is in agreement with the Authority's records.

For the above completed grants, all costs have been paid and all related liabilities have been discharged through payment.



**INDEPENDENT AUDITORS' 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  
Olmsted County Housing and Redevelopment Authority  
Rochester, 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 Olmsted County Housing and Redevelopment Authority (the "Authority"), as of and for the year ended December 31, 2022, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report hereon dated June 5, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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 may exist that have not been identified.



## Report on Compliance and Other Matters

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

## 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hawkins Ash CPAs, LLP*

La Crosse, Wisconsin  
June 5, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Commissioners  
Olmsted County Housing and Redevelopment Authority  
Rochester, Minnesota

**Report on Compliance for Each Major Federal Program**

***Qualified Opinion***

We have audited the Olmsted County Housing and Redevelopment Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Qualified Opinion on Housing Voucher Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Housing Voucher Cluster for the year ended December 31, 2022.

***Basis for Qualified Opinion on Housing Voucher Cluster***

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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Olmsted County 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 Olmsted County Housing and Redevelopment Authority's compliance with the compliance requirements referred to above.

### *Matter Giving Rise to Qualified Opinion on Housing Voucher Cluster*

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding Assistance Listing Number 14.871 Housing Voucher Cluster as described in 2022-001 for HQS Inspections.

Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

### ***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 Olmsted County Housing and Redevelopment Authority's federal programs.

### ***Auditors' 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 the Housing 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 the 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 the Housing 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 the 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 the 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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001, to be a material weakness.

*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 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. *Government Auditing Standards* requires the auditor to perform limited procedures on the Housing Authority's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Housing Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*Hawkins Ash CPAs, LLP*

La Crosse, Wisconsin  
June 5, 2023

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
**Rochester, Minnesota**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2022**

**Section I - Summary of Auditors' Results**

*Basic financial statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ Yes ☒ None reported

Type of auditors' report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of federal major programs:

Assistance listing Number(s)    Name of Federal Cluster/Program

14.871/14.879                      Housing Voucher Cluster

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

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

**Section II - Financial Statement Findings - NONE**

**Section III - Federal Award Findings and Questioned Costs**

**Item 2022-001 - HQS Inspections**

Program: Section 8 Choice Vouchers

Requirement: Housing Quality Standards Inspections and enforcement must be done in accordance with HUD requirements.

**OLMSTED COUNTY HOUSING AND REDEVELOPMENT AUTHORITY**  
**Rochester, Minnesota**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued**  
**YEAR ENDED DECEMBER 31, 2022**

Condition: HQS Inspections were not completed timely and HUD HQS enforcement standards were not followed for tenants that failed HQS re-inspections.

Questioned Cost: Not applicable.

Context: HQS inspections are required every 24 months. HQS tenant enforcement and/or landlord abatement is required for tenants with failed HQS re-inspections.

Effect: HQS inspections, tenant enforcement and abatement are not being done in accordance with HUD requirements.

Cause: Sampling was statistically valid and a systemic problem.

Prior Year Finding: This is a new finding in 2022.

Recommendation: It is recommended that the Redevelopment Authority integrates the appropriate controls to ensure that HQS inspections and re-inspections are completed in accordance with HUD requirements. Furthermore to take prompt action on tenant enforcement and/or landlord abatement for failed re-inspections.

Management's Response: Staff had not recognized the current housing software system was not pulling inspections correctly in the system. Back in 2021, the PHA began performing biennial inspections versus annually. Staff advised our software company of this change but a glitch in the system did not allow for all inspections to be pulled correctly. Staff are currently performing these missed inspections. Additionally, we are transitioning to an upgraded software system where the "biennial" option will be set up in the system manually by both PHA staff and software system staff and tested during the transition. Moving forward we are abating payments to owners when the units do not pass property inspections in a timely manner. In addition, we have created a tracking system to track daily work tasks to ensure that all failed HQS inspections are followed up on, and abatements occur when necessary. This has been in action since February 2023.

**Section IV - Minnesota Legal Compliance Findings - NONE**

**Section V - Prior Year Findings - NONE**



## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Commissioners  
Olmsted County Housing and Redevelopment Authority  
Rochester, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States the financial statements of Olmsted County Housing and Redevelopment Authority (the "Authority") as of and for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated June 5, 2023.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, 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 the Authority failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. 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 Olmsted County Housing and Redevelopment Authority's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the Authority and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Hawkins Ash CPAs, LLP*

La Crosse, Wisconsin  
June 5, 2023