



**HOUSING AND REDEVELOPMENT AUTHORITY  
OF DULUTH, MINNESOTA**

222 EAST SECOND STREET  
P.O. BOX 16900 • DULUTH, MINNESOTA 55816-0900  
PHONE 218/529-6300 • FAX 218/529-6344 • TTY 7-1-1



June 30, 2015

City Clerk Office  
330 City Hall  
Duluth, MN 55802



Dear City Clerk Office,

Subject: Annual Audit Report of the Housing and Redevelopment Authority of Duluth, MN

Enclosed is a copy of the audit report for the Housing and Redevelopment Authority of Duluth, MN, for the year ending September 30, 2014.

If you have any comments or questions about the report or other matters, please feel free to contact my office.

Sincerely,

Jill Knutson-Kaske  
Executive Director

Enclosure

# **Housing and Redevelopment Authority of Duluth, Minnesota**

Financial and Compliance Report  
September 30, 2014

## Contents

Independent Auditor's Report on the Financial Statements and Supplementary Information	1-2
Required Supplementary Information, Management's Discussion and Analysis (MD&A)	3-9
<hr/>	
Basic Financial Statements	
Government-Wide Financial Statements (GWFS)	
Statement of net position	10
Statement of activities	11-12
Fund Financial Statements (FFS)	
Governmental funds:	
Balance sheet	13-14
Reconciliation of governmental funds balance sheet to the statement of net position	15
Statement of revenues, expenditures, and changes in fund balances	16-17
Reconciliation of governmental funds statement of revenues, expenditures and changes in fund balances to the statement of activities	18
Budgetary comparison schedule, general fund	19
Proprietary funds, enterprise:	
Statement of net position	20-21
Statement of revenues, expenses, and changes in fund net position	22-23
Statement of cash flows	24-25
Fiduciary funds:	
Statement of fiduciary net position	26
Statement of changes in fiduciary net position	27
Notes to financial statements	28-46
<hr/>	
Supplementary Information	
Financial data schedule:	
Balance sheet	47-50
Statement of revenues, expenses, and changes in fund equity	51-56
Schedule of expenditures of Federal awards	57
<hr/>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	58-59
<hr/>	
Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	60-61
<hr/>	
Schedule of findings and questioned costs	62-63
Summary schedule of prior audit findings	64
<hr/>	
Independent Auditor's Report on <i>Minnesota Legal Compliance</i>	65
<hr/>	
Supplementary Information, Schedule of Public Housing Capital Funds	66



## Independent Auditor's Report

To the Board of Commissioners  
Housing and Redevelopment Authority of Duluth, Minnesota  
Duluth, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Housing and Redevelopment Authority of Duluth, Minnesota, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Housing and Redevelopment Authority of Duluth, Minnesota's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Housing and Redevelopment Authority of Duluth, Minnesota, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

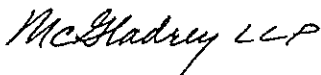
### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing and Redevelopment Authority of Duluth, Minnesota's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the financial data schedule and the schedule of public housing capital funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards, the financial data schedule and the schedule of public housing capital funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 schedule of expenditures of federal awards, the financial data schedule and the schedule of public housing capital funds are 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 April 22, 2015, on our consideration of the Housing and Redevelopment Authority of Duluth, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing and Redevelopment Authority of Duluth, Minnesota's internal control over financial reporting and compliance.



Duluth, Minnesota  
April 22, 2015

**Required Supplementary Information**  
**Management's Discussion and Analysis (MD&A)**

## Housing and Redevelopment Authority of Duluth, Minnesota

### Management's Discussion and Analysis Year Ended September 30, 2014

---

This section of the Housing and Redevelopment Authority of Duluth, Minnesota's (the Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended September 30, 2014. Please read it in conjunction with the Authority's financial statements.

#### Financial Highlights

- The Authority's assets exceeded its liabilities at September 30, 2014, by \$62.3 million; this amount is identified as net position. Unrestricted net position is \$31.3 million. Of the unrestricted amount, \$12.2 million is invested in long-term loans receivable leaving \$19.1 million as the amount that may be used to meet the Authority's ongoing obligations.
- The Authority's total net position decreased by \$311,000 in fiscal year 2014.
- As of September 30, 2014, the Authority's governmental activities reported combined ending net position of \$13.5 million, a decrease of \$46,000 compared to 2013. Net position of \$13.0 million is reported as unrestricted, which is considered available for spending at the Authority's discretion.
- As of September 30, 2014, the Proprietary Fund's unrestricted net position was \$18.6 million or 38 percent of total Proprietary Fund net position. Of the unrestricted amount, \$12.1 million is invested in long-term loans receivable leaving \$6.5 million as the amount that may be used to meet the Proprietary Fund's ongoing obligations.

#### Overview of the Financial Statements

This discussion and analysis serves as an introduction to the Housing and Redevelopment Authority's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

- The first two statements are *government-wide financial statements* that provide information about the Housing Authority's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual* parts of the Housing Authority, reporting the Housing Authority's operations in more detail than the government-wide statements.
  1. *Governmental funds* statements explain how *general* government expenditures of rehabilitation, administration, capital outlay and debt service were financed, as well as, how tax levy proceeds were utilized for the short-term and what remains for future spending.
  2. *Proprietary funds* statements offer short and long-term financial information about the activities the Housing Authority operates *like* businesses, such as Owned Housing.
  3. *Fiduciary funds* statements provide information about the financial relationships where the Housing Authority acts solely as a *trustee or an agent* for the benefit of others, to whom the resources in question belong.
- The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required and other supplementary information that further explains and supports the information in the financial statements.

Management's Discussion and Analysis  
Year Ended September 30, 2014

---

**Government-Wide Financial Statements (GWFS)**

The government-wide financial statements are designed to give users a broad overview of the Authority's finances, in a manner similar to that of a private-sector business. The statement of net position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position over time may serve as a useful indicator of whether the Authority's financial position is improving or deteriorating. The statement of activities shows how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event that caused the change occurs, regardless of the timing of the related cash flows. There are revenues and expenses reported in this statement for some items that will only result in cash flows in future fiscal years; examples include uncollected taxes and vacation days that are earned, but not used.

Both of the government-wide financial statements distinguish between functions that are mainly supported by tax levies and intergovernmental revenues. The first functions are identified in the statements as governmental activities, while the latter functions are reported as business-type activities. The Authority's governmental activities include tax levy proceeds and uses, rehabilitation, administration, capital outlay and debt service. The Authority's business-type activities include owned housing, Section 8, Capital Fund, HOPE VI and special purpose grants.

The two government-wide financial statements are presented immediately after this discussion and analysis.

**Fund Financial Statements (FFS)**

A fund is a set of related accounts that is used to control resources that have been segregated to carry on specific activities or to attain certain objectives in accordance with special regulations, restrictions, or limitations. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All Authority funds are divided into one of three categories: governmental funds, proprietary funds or fiduciary funds.

**Governmental Funds:** Because the focus of governmental fund financial statements is narrower than the government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in order to gain a better understanding of the long-term impact of the Authority's near-term financing decisions. The governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliation to aid in the comparison of governmental funds with governmental activities.

The Authority maintains a number of individual governmental funds. Information is presented separately in the governmental fund financial statements for the General, CDBG Programs, HOME Program and Minnesota State Programs, Lead Based Paint and Tax Increment District, all of which are considered to be major funds.

The Authority adopts an annual appropriated budget for its general fund. The budgetary comparison schedule - general fund, included in the basic financial statement section of this report, demonstrates compliance with this budget.

**Proprietary Funds:** The Authority maintains enterprise type proprietary funds. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. Information is presented separately in the proprietary fund financial statements for Owned Housing, HUD Funded; Owned Housing, Other; Housing Assistance, HUD Funded; Housing Assistance, Other; and Central Office Cost Center, all of which are considered to be major funds.



## Housing and Redevelopment Authority of Duluth, Minnesota

### Management's Discussion and Analysis Year Ended September 30, 2014

**Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside of the Authority, and are not included in the government-wide financial statements because their resources are not available to support the Authority's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The statement of fiduciary net position and statement of changes in fiduciary net position are included in the basic financial statement section of this report.

### Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Other Information

Over time, net position may serve as a useful indicator of the Authority's financial position. The largest portion of the Authority's net position is invested in capital assets (land, buildings, equipment), less any related outstanding debt used to acquire those assets. The Authority uses these assets to provide services to its clients; therefore, these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it is important to realize that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of net position is restricted by grantors for housing programs. The remaining balance of net position is unrestricted. Of the unrestricted net position, \$12.1 million is invested in long-term loans receivable leaving \$19.5 million available to be used to meet the Authority's ongoing obligations to its clients and creditors. As of September 30, 2014, all three categories of net position, both for the Authority as a whole, as well as for its separate governmental and business-type activities, had positive balances.

The following presents a summary of the Authority's net position at September 30, 2014 and 2013:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 15,091,135	\$ 16,614,117	\$ 25,266,175	\$ 24,646,129	\$ 40,357,310	\$ 41,260,246
Capital Assets	55,192	56,105	28,533,595	28,578,010	28,588,787	28,634,115
<b>Total assets</b>	<b>15,146,327</b>	<b>16,670,222</b>	<b>53,799,770</b>	<b>53,224,139</b>	<b>68,946,097</b>	<b>69,894,361</b>
Long-Term Debt Outstanding	797,214	1,890,675	2,977,952	2,381,597	3,775,166	4,272,272
Other Liabilities	561,118	998,199	2,030,802	1,786,720	2,591,920	2,784,919
<b>Total liabilities</b>	<b>1,358,332</b>	<b>2,888,874</b>	<b>5,008,754</b>	<b>4,168,317</b>	<b>6,367,086</b>	<b>7,057,191</b>
Deferred Inflows of Resources, property tax	301,656	249,283	-	-	301,656	249,283
<b>Net Position</b>						
Net investment in capital assets	55,192	56,105	25,555,643	26,196,413	25,610,835	26,252,518
Restricted	450,181	372,532	4,954,694	6,369,180	5,404,875	6,741,712
Unrestricted, invested in long-term loans receivable	-	-	12,149,322	10,723,370	12,149,322	10,723,370
Unrestricted	12,980,966	13,103,428	6,131,357	5,766,859	19,112,323	18,870,287
<b>Total net position</b>	<b>\$ 13,486,339</b>	<b>\$ 13,532,065</b>	<b>\$ 48,791,016</b>	<b>\$ 49,055,822</b>	<b>\$ 62,277,355</b>	<b>\$ 62,587,887</b>

# Housing and Redevelopment Authority of Duluth, Minnesota

## Management's Discussion and Analysis Year Ended September 30, 2014

To give users a better understanding of the sources and uses of the Authority's net position, the following presents a summary of revenues and expenses for the years ended September 30, 2014 and 2013.

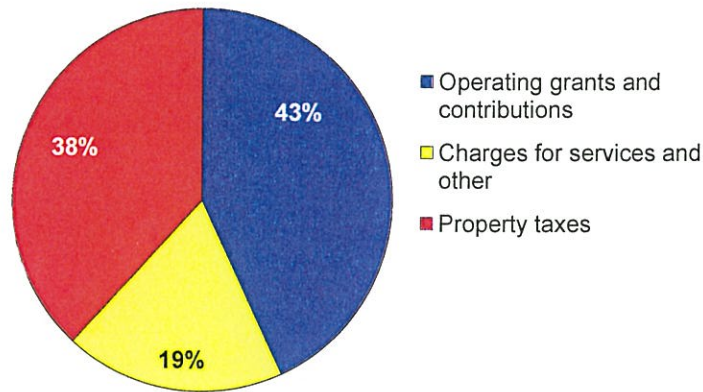
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 2,851,331	\$ 2,707,520	\$ 2,851,331	\$ 2,707,520
Operating grants and contributions	1,280,643	2,022,181	11,619,645	10,637,170	12,900,288	12,659,351
Capital grants and contributions	-	-	1,233,122	1,709,784	1,233,122	1,709,784
General revenues:						
Property taxes	1,132,546	989,774	-	-	1,132,546	989,774
Nondwelling rent	56,660	8,529	270,005	292,250	326,665	300,779
Other	499,909	436,945	684,501	1,230,164	1,184,410	1,667,109
<b>Total revenues</b>	<b>2,969,758</b>	<b>3,457,429</b>	<b>16,658,604</b>	<b>16,576,888</b>	<b>19,628,362</b>	<b>20,034,317</b>
<b>Expenses</b>						
Rehabilitation	754,992	952,752	-	-	754,992	952,752
Administration	1,664,064	1,481,948	-	-	1,664,064	1,481,948
Interest on long-term debt	122,329	102,599	-	-	122,329	102,599
Owned Housing	-	-	7,088,097	7,230,619	7,088,097	7,230,619
Other owned housing	-	-	130,697	-	130,697	-
HUD funded housing assistance	-	-	7,450,240	7,684,530	7,450,240	7,684,530
Other housing assistance	-	-	773,865	660,199	773,865	660,199
Central Office Cost Center	-	-	1,528,043	1,357,634	1,528,043	1,357,634
(Gain) loss on disposal of structures and equipment	406,160	64,693	20,407	(7,500)	426,567	57,193
<b>Total expenses</b>	<b>2,947,545</b>	<b>2,601,992</b>	<b>16,991,349</b>	<b>16,925,482</b>	<b>19,938,894</b>	<b>19,527,474</b>
<b>Increase (decrease) in net assets before transfers</b>	<b>22,213</b>	<b>855,437</b>	<b>(332,745)</b>	<b>(348,594)</b>	<b>(310,532)</b>	<b>506,843</b>
<b>Transfers In (Out)</b>	<b>(67,939)</b>	<b>(294,632)</b>	<b>67,939</b>	<b>294,632</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net position</b>	<b>(45,726)</b>	<b>560,805</b>	<b>(264,806)</b>	<b>(53,962)</b>	<b>(310,532)</b>	<b>506,843</b>
Net Position, beginning	13,532,065	12,971,260	49,055,822	49,109,784	62,587,887	62,081,044
Net Position, ending	\$ 13,486,339	\$ 13,532,065	\$ 48,791,016	\$ 49,055,822	\$ 62,277,355	\$ 62,587,887

## Housing and Redevelopment Authority of Duluth, Minnesota

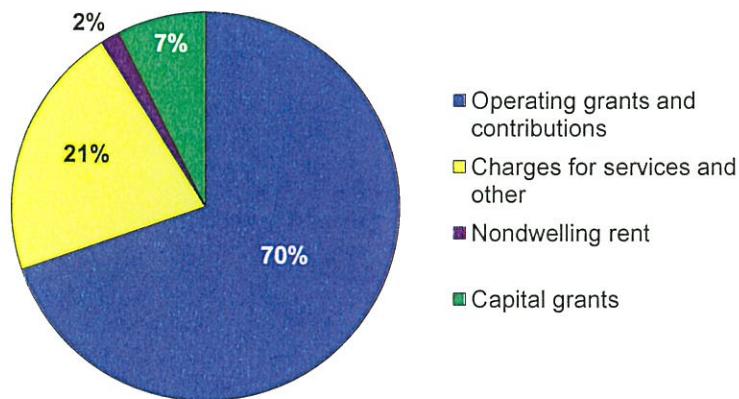
### Management's Discussion and Analysis Year Ended September 30, 2014

---

#### Governmental Activities Revenue



#### Business-Type Activities Revenue



### Fund Financial Analysis

The Housing and Redevelopment Authority uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds:** The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is helpful in assessing the Authority's financing requirements. Unreserved fund balance may be an especially useful measure of the net resources available for spending at the end of the fiscal year. As of September 30, 2014, the Authority's governmental funds reported combined ending fund balances of \$4.5 million, a decrease of \$399,000 from 2013. Of the total fund balance amount, \$2.0 million, or 44 percent, is reported as nonspendable, restricted or committed for specific purposes. The remaining amount of \$2.5 million is reported as unassigned and is available for spending at the Authority's discretion.

## **Housing and Redevelopment Authority of Duluth, Minnesota**

### **Management's Discussion and Analysis Year Ended September 30, 2014**

---

The General Fund is the main operating fund of the Housing and Redevelopment Authority. At September 30, 2014, fund balance of the General Fund was \$4.1 million, with \$1.5 million reported as nonspendable or committed. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. The fund balance of the General Fund decreased by \$481,000 during 2014.

**Proprietary Funds:** The Authority's proprietary funds provide the same type of information found in the government-wide financial statements, only in more detail.

As of September 30, 2014, the Authority's proprietary funds reported combined net position of \$48.8 million, a decrease of \$265,000 from 2014. Of the total net position amount, \$18.6 million is reported as unrestricted. Of the unrestricted amount, \$12.1 million is invested in long-term loans receivable leaving \$6.5 million which is available for spending at the Authority's discretion. Of the unrestricted net position \$17.7 million is in Owned Housing Funds. The remaining \$889,000 of unrestricted net position is from the Authority's Housing Assistance Funds and Central Office Cost Center.

### **General Fund Budgetary Highlights**

The budget estimated that fund balance would decrease \$2.1 million; the actual change to the fund balance for the year was a decrease of \$481,000.

### **Capital Assets**

The Authority's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of September 30, 2014, was \$28.6 million. This investment includes land and improvements, buildings and equipment. The Authority's total investment in capital assets, net of accumulated depreciation, decreased by less than 1 percent during 2014. Additional information related to the Authority's capital assets can be found in Note 7 of the notes to the financial statements.

### **Long-Term Debt**

The Authority had \$3.8 million of debt outstanding as of September 30, 2014, made principal payments of \$1.3 million during the fiscal year and issued \$839,000 of debt during the year.

### **Economic Factors and Next Year's Budgets**

Congressional appropriations for the upcoming calendar year continue at reduced levels. Once again, housing authorities may need to draw down operating reserves to cover shortfalls. The Authority is anticipating operating deficits in the public housing and Section 8 programs as a result of reduced appropriations. Community Development Block Grant funding for housing rehabilitation programs is also expected to be reduced.

The HOPE VI grant for the revitalization of the Harbor Highlands neighborhood and related developments has been fully expended, and program income from loan repayments is expected to be utilized for the remaining planned development of affordable home ownership, as market conditions allow. The HRA has taken on the role of property manager for the 165 on-site units of mixed-finance/ mixed-income rental housing that has been constructed through four phases of development, and is considering the possibility of becoming the managing member of Phase I.

The Authority continues to market lots in its Hawk Ridge Estates development. A third and final phase of infrastructure construction has been recently completed, including streets and utilities funded through the issuance of bonds. Although lots are selling, a reduction in Tax Increment Financing revenues is expected over the term of the TIF district, due to slower sales and softer market conditions than originally projected.

## **Housing and Redevelopment Authority of Duluth, Minnesota**

### **Management's Discussion and Analysis Year Ended September 30, 2014**

---

The HRA may participate in neighborhood revitalization activities as a partner in the "At Home in Duluth" collaborative, including the recently completed Higher Education Plan affecting campus neighborhoods. An infill housing development program known as "Build Up Duluth" has been initiated using tax levy proceeds. The Authority has committed to assist with the preservation of the significant Gateway Tower project in the downtown area. The Authority continues to actively explore a number of potential development initiatives that would further serve the city's housing and community development needs during a time of employment and population growth coupled with housing demand.

#### **Requests for Information**

This financial report is meant to provide a general overview of the Housing and Redevelopment Authority's finances for all those with an interest in the Authority's finances. Questions concerning information provided in the report, or requests for additional financial information, should be addressed to the Housing and Redevelopment Authority of Duluth, P.O. Box 16900, 222 East Second Street, Duluth, Minnesota 55816, Attention: Deputy Director.

**Basic Financial Statements**

**Government-Wide Financial Statements (GWFS)**

Housing and Redevelopment Authority of Duluth, Minnesota

Statement of Net Position  
September 30, 2014

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments:			
Unrestricted	\$ 3,468,814	\$ 6,115,127	\$ 9,583,941
Restricted	708,297	5,114,713	5,823,010
Property taxes receivable	646,615	-	646,615
Interest receivable	19,367	239,917	259,284
Other receivables	14,440	77,547	91,987
Due from other governments	386,518	334,422	720,940
Prepaid items	7,282	271,112	278,394
Internal balances	236,508	(236,508)	-
Loans receivable	6,216,492	13,349,845	19,566,337
Assets held for development	3,386,802	-	3,386,802
Land, structures and equipment, net	55,192	28,533,595	28,588,787
<b>Total assets</b>	<b>15,146,327</b>	<b>53,799,770</b>	<b>68,946,097</b>
<b>Liabilities</b>			
Accounts payable	273,487	458,483	731,970
Due to other governments	-	258,903	258,903
Security deposits	-	197,377	197,377
Accrued liabilities	279,131	1,009,440	1,288,571
Unearned revenue	8,500	106,599	115,099
Long-term debt:			
Due within one year	69,277	254,050	323,327
Due in more than one year	727,937	2,723,902	3,451,839
<b>Total liabilities</b>	<b>1,358,332</b>	<b>5,008,754</b>	<b>6,367,086</b>
<b>Deferred Inflows of Resources</b>			
Deferred property tax revenue	301,656	-	301,656
<b>Total deferred inflows of resources</b>	<b>301,656</b>	<b>-</b>	<b>301,656</b>
<b>Net Position</b>			
Net investment in capital assets	55,192	25,555,643	25,610,835
Restricted for housing programs	450,181	4,954,694	5,404,875
Unrestricted, invested in long-term loans receivable	-	12,149,322	12,149,322
Unrestricted	12,980,966	6,131,357	19,112,323
<b>Total net position</b>	<b>\$ 13,486,339</b>	<b>\$ 48,791,016</b>	<b>\$ 62,277,355</b>

See Notes to Financial Statements.

Housing and Redevelopment Authority of Duluth, Minnesota

Statement of Activities

Year Ended September 30, 2014

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Rehabilitation	\$ 754,992	\$ -	\$ 1,280,643	\$ -
Administration	1,664,064	-	-	-
Interest on long-term debt	122,329	-	-	-
Total governmental activities	2,541,385	-	1,280,643	-
Business-type activities:				
HUD funded owned housing	7,088,097	2,782,986	2,699,638	1,233,122
Other owned housing	130,697	68,345	-	-
HUD funded housing assistance	7,450,240	-	7,869,455	-
Other housing assistance	773,865	-	798,875	-
Central office cost center	1,528,043	-	251,677	-
Total business-type activities	16,970,942	2,851,331	11,619,645	1,233,122
Total primary government	\$ 19,512,327	\$ 2,851,331	\$ 12,900,288	\$ 1,233,122

General Revenues

Property taxes, levied for general purposes

Investment earnings

Interest earnings, loans receivable

Miscellaneous

Non dwelling rent

Loss on disposal of structures and equipment

Transfers

**Total general revenues and transfers**

**Change in net position**

Net Position, beginning

Net Position, ending

See Notes to Financial Statements.



Net Revenue (Expense) and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ 525,651	\$ -	\$ 525,651
(1,664,064)	-	(1,664,064)
(122,329)	-	(122,329)
(1,260,742)	-	(1,260,742)
-	(372,351)	(372,351)
-	(62,352)	(62,352)
-	419,215	419,215
-	25,010	25,010
-	(1,276,366)	(1,276,366)
-	(1,266,844)	(1,266,844)
(1,260,742)	(1,266,844)	(2,527,586)
1,132,546	-	1,132,546
18,688	45,225	63,913
200,548	551,250	751,798
280,673	88,026	368,699
56,660	270,005	326,665
(406,160)	(20,407)	(426,567)
(67,939)	67,939	-
1,215,016	1,002,038	2,217,054
(45,726)	(264,806)	(310,532)
13,532,065	49,055,822	62,587,887
\$ 13,486,339	\$ 48,791,016	\$ 62,277,355

## **Fund Financial Statements (FFS)**

Housing and Redevelopment Authority of Duluth, Minnesota

Balance Sheet  
Governmental Funds  
September 30, 2014

	General	CDBG Programs	Home Program
<b>Assets</b>			
Cash and investments:			
Unrestricted	\$ 3,414,513	\$ 24,896	\$ -
Restricted	228,503	418,003	-
Accounts receivable	14,440	-	-
Property tax receivable	559,175	-	-
Interest receivable	19,367	-	-
Due from other governments	800	179,231	122,468
Prepaid items	3,876	3,406	-
Due from other funds	1,882,264	-	-
Advance from other funds	2,090,034	-	-
Loans receivable	4,444,324	1,152,140	-
<b>Total assets</b>	<b>\$ 12,657,296</b>	<b>\$ 1,777,676</b>	<b>\$ 122,468</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 82,105	\$ 95,417	\$ 88,896
Accrued liabilities	37,905	36,386	-
Unearned revenue	4,444,324	1,152,140	-
Due to other funds	1,305,781	108,399	33,572
Advance to other funds	2,090,034	-	-
<b>Total liabilities</b>	<b>7,960,149</b>	<b>1,392,342</b>	<b>122,468</b>
<b>Deferred Inflows of Resources</b>			
Deferred property tax revenue	559,175	-	-
<b>Total deferred inflows of resources</b>	<b>559,175</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>			
Nonspendable, prepaids	3,876	3,406	-
Restricted	-	381,928	-
Committed	1,330,031	-	-
Unassigned	2,804,065	-	-
<b>Total fund balances (deficit)</b>	<b>4,137,972</b>	<b>385,334</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 12,657,296</b>	<b>\$ 1,777,676</b>	<b>\$ 122,468</b>

See Notes to Financial Statements.

Minnesota State Programs	Lead Based Paint	Tax Increment District	Eliminations	Total
\$ 24,670	\$ -	\$ 4,735	\$ -	\$ 3,468,814
61,791	-	-	-	708,297
-	-	-	-	14,440
-	-	87,440	-	646,615
-	-	-	-	19,367
-	84,019	-	-	386,518
-	-	-	-	7,282
-	-	-	(1,305,781)	576,483
-	-	-	(2,090,034)	-
620,028	-	-	-	6,216,492
<u>\$ 706,489</u>	<u>\$ 84,019</u>	<u>\$ 92,175</u>	<u>\$ (3,395,815)</u>	<u>\$ 12,044,308</u>

\$ 448	\$ 6,563	\$ 58	\$ -	\$ 273,487
9,260	-	-	-	83,551
628,528	-	-	-	6,224,992
-	77,456	120,548	(1,305,781)	339,975
-	-	-	(2,090,034)	-
<u>638,236</u>	<u>84,019</u>	<u>120,606</u>	<u>(3,395,815)</u>	<u>6,922,005</u>

-	-	87,440	-	646,615
---	---	--------	---	---------

-	-	87,440	-	646,615
---	---	--------	---	---------

-	-	-	-	7,282
68,253	-	-	-	450,181
-	-	-	-	1,330,031
-	-	(115,871)	-	2,688,194
<u>68,253</u>	<u>-</u>	<u>(115,871)</u>	<u>-</u>	<u>4,475,688</u>

<u>\$ 706,489</u>	<u>\$ 84,019</u>	<u>\$ 92,175</u>	<u>\$ (3,395,815)</u>	<u>\$ 12,044,308</u>
-------------------	------------------	------------------	-----------------------	----------------------

Housing and Redevelopment Authority of Duluth, Minnesota

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
September 30, 2014

---

Total Fund Balance, governmental funds	\$ 4,475,688
Amounts Reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital assets and assets held for development used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	3,441,994
Other long-term assets, including loans receivable, are not available to pay for current period expenditures and, therefore, are deferred in the funds.	6,216,492
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	(797,214)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	344,959
Compensated absence liability not payable with current and available resources are not reported as fund liabilities in governmental fund statements. All liabilities, both current and long-term, are reported in the statement of net position.	(195,580)
<b>Net position of governmental activities</b>	<u><u>\$ 13,486,339</u></u>

See Notes to Financial Statements.

Housing and Redevelopment Authority of Duluth, Minnesota

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended September 30, 2014

	General	CDBG Programs	Home Program
<b>Revenue</b>			
Governmental grants	\$ -	\$ 589,034	\$ 217,809
Property taxes	918,361	-	-
Investment income	18,609	77	-
Interest earnings, loans receivable	194,355	1,164	-
Proceeds from sale of assets held for development	1,491,781	-	-
Other	280,673	56,660	-
<b>Total revenue</b>	<b>2,903,779</b>	<b>646,935</b>	<b>217,809</b>
<b>Expenditures</b>			
Rehabilitation	67,115	318,275	193,798
Administrative	914,385	295,116	24,320
Capital outlay/acquisition of assets held for sale	1,019,643	-	-
Debt service:			
Principal	1,093,461	-	-
Interest	142,326	-	-
<b>Total expenditures</b>	<b>3,236,930</b>	<b>613,391</b>	<b>218,118</b>
<b>Excess (deficit) of revenue over expenditures</b>	<b>(333,151)</b>	<b>33,544</b>	<b>(309)</b>
<b>Other Financing Sources (Uses)</b>			
Proceeds from repayment of loans receivable	358,848	132,441	-
Issuance of loans receivable	(547,290)	(108,296)	-
Property acquired through foreclosure on loans receivable	131,250	-	-
Interfund transfers, in	245,285	22,045	309
Interfund transfers, out	(335,578)	-	-
<b>Total other financing sources (uses)</b>	<b>(147,485)</b>	<b>46,190</b>	<b>309</b>
<b>Net change in fund balances</b>	<b>(480,636)</b>	<b>79,734</b>	<b>-</b>
Fund Balances (Deficit), beginning	4,618,608	305,600	-
Fund Balances (Deficit), ending	<u>\$ 4,137,972</u>	<u>\$ 385,334</u>	<u>\$ -</u>

See Notes to Financial Statements.

Minnesota State Programs	Lead Based Paint	Tax Increment District	Total
\$ 95,877	\$ 377,924	\$ -	\$ 1,280,644
-	-	144,289	1,062,650
2	-	-	18,688
5,029	-	-	200,548
84,854	-	-	1,576,635
-	-	-	337,333
185,762	377,924	144,289	4,476,498
95,903	79,902	-	754,993
3,202	298,022	135,934	1,670,979
20,175	-	-	1,039,818
-	-	-	1,093,461
-	-	4,673	146,999
119,280	377,924	140,607	4,706,250
66,482	-	3,682	(229,752)
16,557	-	-	507,846
(84,853)	-	-	(740,439)
-	-	-	131,250
-	-	-	267,639
-	-	-	(335,578)
(68,296)	-	-	(169,282)
(1,814)	-	3,682	(399,034)
70,067	-	(119,553)	4,874,722
\$ 68,253	\$ -	\$ (115,871)	\$ 4,475,688

Housing and Redevelopment Authority of Duluth, Minnesota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the Statement of Activities  
Year Ended September 30, 2014

---

Net Change in Fund Balances, total governmental funds	\$ (399,034)
Amounts Reported for Governmental Activities in the Statement of Net Position are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the the current period.	1,038,903
In the statement of activities, only gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increased financial resources. Thus, the change in net position differs from the change in fund balance by the proceeds from assets sold.	(1,982,795)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	69,896
Expenditures related to issuance of loans receivable and principal payments on long-term debt are not reported as expense for Governmental Activities.	1,833,901
Receipts related to bond proceeds and loans receivable are not reported as revenue for governmental activities.	(639,095)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount of the change in accrued compensated absences and accrued interest expense.	32,498
<b>Change in net position of governmental activities</b>	<u><u>\$ (45,726)</u></u>

See Notes to Financial Statements.



Housing and Redevelopment Authority of Duluth, Minnesota

Budgetary Comparison Schedule

General Fund

Year Ended September 30, 2014

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Resources (Inflows)</b>			
Property taxes	\$ 1,034,855	\$ 918,361	\$ (116,494)
Investment income	12,750	18,609	5,859
Interest earnings, loans receivable	-	194,355	194,355
Proceeds from sale of assets held for development	145,000	1,491,781	1,346,781
Proceeds from repayment of loans receivable	-	358,848	358,848
Property acquired through foreclosure on loans receivable	-	131,250	131,250
Transfer in	-	245,285	245,285
Other	53,839	280,673	226,834
<b>Amounts available for appropriation</b>	<b>\$ 1,246,444</b>	<b>\$ 3,639,162</b>	<b>\$ 2,392,718</b>
<b>Charges to Appropriations (Outflows)</b>			
Rehabilitation	\$ -	\$ 67,115	\$ (67,115)
Administrative	785,929	914,385	(128,456)
Capital outlay/acquisition of assets held for sale	2,040,000	1,019,643	1,020,357
Debt service:			
Principal	128,938	1,093,461	(964,523)
Interest	-	142,326	(142,326)
Issuance of loan receivables	90,000	547,290	(457,290)
Transfers out	303,026	335,578	(32,552)
<b>Total charges to appropriations</b>	<b>\$ 3,347,893</b>	<b>\$ 4,119,798</b>	<b>\$ (771,905)</b>

See Notes to Financial Statements.

Housing and Redevelopment Authority of Duluth, Minnesota

Statement of Net Position  
Proprietary Funds  
September 30, 2014

	Business-Type Activities, Enterprise Funds			
	Owned Housing		Housing Assistance	
	HUD Funded	Other	HUD Funded	Other
<b>Assets</b>				
Cash and investments:				
Unrestricted	\$ 4,833,769	\$ 71,305	\$ 236,012	\$ 9,660
Restricted	4,945,739	-	168,974	-
Accounts receivable	27,976	47,266	-	-
Interest receivable	239,917	-	-	-
Due from other governments	72,193	-	33,521	152,945
Prepaid expenses	120,612	33,698	6,227	-
Due from other funds	3	-	-	-
Loans receivable	13,349,845	-	-	-
Land, structures and equipment, net	27,442,871	886,723	-	(887)
<b>Total assets</b>	<b>51,032,925</b>	<b>1,038,992</b>	<b>444,734</b>	<b>161,718</b>
<b>Liabilities</b>				
Accounts payable	353,872	87,968	1,369	7,283
Due to other governments	217,917	10,861	29,088	1,037
Security deposits	191,032	6,345	-	-
Unearned revenue	97,076	-	-	9,523
Accrued expenses	491,366	-	125,459	5,435
Due to other funds	3	108,362	-	128,146
Long-term debt:				
Due within one year	254,050	-	-	-
Due in more than one year	1,885,400	838,502	-	-
<b>Total liabilities</b>	<b>3,490,716</b>	<b>1,052,038</b>	<b>155,916</b>	<b>151,424</b>
<b>Net Position</b>				
Net investment in capital assets	25,303,421	48,221	-	(887)
Restricted for:				
Hope VI project	4,785,720	-	-	-
Housing Assistance Payments	-	-	168,974	-
Unrestricted, invested in long-term loans receivable	12,149,322	-	-	-
Unrestricted	5,303,746	(61,267)	119,844	11,181
<b>Total net position</b>	<b>\$ 47,542,209</b>	<b>\$ (13,046)</b>	<b>\$ 288,818</b>	<b>\$ 10,294</b>

See Notes to Financial Statements.

Business-Type Activities, Enterprise Funds			
Central Office			
Cost Center		Eliminations	Total
\$ 964,381	\$	-	\$ 6,115,127
-		-	5,114,713
2,305		-	77,547
-		-	239,917
75,763		-	334,422
110,575		-	271,112
-		-	3
-		-	13,349,845
204,888		-	28,533,595
1,357,912		-	54,036,281
7,991		-	458,483
-		-	258,903
-		-	197,377
-		-	106,599
387,180		-	1,009,440
-		-	236,511
-		-	254,050
-		-	2,723,902
395,171		-	5,245,265
204,888		-	25,555,643
-		-	4,785,720
-		-	168,974
-		-	12,149,322
757,853		-	6,131,357
\$ 962,741	\$	-	\$ 48,791,016

Housing and Redevelopment Authority of Duluth, Minnesota

Statement of Revenues, Expenses, and Changes in Fund Net Position  
 Proprietary Funds  
 Year Ended September 30, 2014

	Business-Type Activities, Enterprise Funds			
	Owned Housing		Housing Assistance	
	HUD Funded	Other	HUD Funded	Other
Operating Revenues				
Tenant:				
Rental	\$ 2,566,477	\$ 64,215	\$ -	\$ -
Other	216,509	4,130	-	-
HUD grant	2,699,638	-	7,869,455	478,218
Other governmental grants	-	-	-	320,657
Management fee	-	-	-	-
Other	29,050	445	56,827	1,704
<b>Total operating revenues</b>	<b>5,511,674</b>	<b>68,790</b>	<b>7,926,282</b>	<b>800,579</b>
Operating Expenses				
Administrative	2,154,782	104,298	1,025,203	198,296
Tenant services	28,535	-	-	-
Housing assistance payments	-	-	6,748,684	599,845
Utilities	876,192	15,852	-	-
Ordinary maintenance and operations	2,126,480	7,373	424	47
Protective services	12,720	-	-	-
General	553,880	12,584	(4,557)	718
Extraordinary maintenance	182,755	-	-	-
Depreciation	2,097,909	-	-	887
<b>Total operating expenses</b>	<b>8,033,253</b>	<b>140,107</b>	<b>7,769,754</b>	<b>799,793</b>
<b>Operating income (loss)</b>	<b>(2,521,579)</b>	<b>(71,317)</b>	<b>156,528</b>	<b>786</b>
Nonoperating Revenues				
Investment income	45,196	-	-	-
Interest earnings, loans receivable	551,250	-	-	-
Nondwelling rent	270,005	-	-	-
Gain on sale of capital assets	(20,407)	-	-	-
<b>Total nonoperating revenue</b>	<b>846,044</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income (loss) before capital contributions and transfers</b>	<b>(1,675,535)</b>	<b>(71,317)</b>	<b>156,528</b>	<b>786</b>
Capital Contributions	1,233,122	-	-	-
Interfund Transfers				
In	1,810,745	58,271	1,790	137
Out	(1,803,004)	-	-	-
<b>Change in net position</b>	<b>(434,672)</b>	<b>(13,046)</b>	<b>158,318</b>	<b>923</b>
Total Net Position, beginning	47,976,881	-	130,500	9,371
Total Net Position, ending	<b>\$ 47,542,209</b>	<b>\$ (13,046)</b>	<b>\$ 288,818</b>	<b>\$ 10,294</b>

See Notes to Financial Statements.

Business-Type Activities, Enterprise Funds		
Central Office Cost Center	Eliminations	Total
\$ -	\$ -	\$ 2,630,692
-	-	220,639
-	-	11,047,311
-	-	320,657
1,551,685	(1,300,008)	251,677
-	-	88,026
1,551,685	(1,300,008)	14,559,002
1,473,468	(1,300,008)	3,656,039
-	-	28,535
-	-	7,348,529
1,178	-	893,222
5,032	-	2,139,356
-	-	12,720
33,274	-	595,899
-	-	182,755
15,091	-	2,113,887
1,528,043	(1,300,008)	16,970,942
23,642	-	(2,411,940)
29	-	45,225
-	-	551,250
-	-	270,005
-	-	(20,407)
29	-	846,073
23,671	-	(1,565,867)
-	-	1,233,122
-	-	1,870,943
-	-	(1,803,004)
23,671	-	(264,806)
939,070	-	49,055,822
\$ 962,741	\$ -	\$ 48,791,016

Housing and Redevelopment Authority of Duluth, Minnesota

Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2014

	Business-Type Activities, Enterprise Funds					
	Owned Housing		Housing Assistance		Central Office	Total
	HUD Funded	Other	HUD Funded	Other	Cost Center	
<b>Cash Flows From Operating Activities</b>						
Receipts from tenants	\$ 3,293,390	\$ 27,424	\$ -	\$ -	\$ -	\$ 3,320,814
Receipts from other governments	2,779,341	10,861	7,916,541	739,120	-	11,445,863
Payments to suppliers/housing owners	(4,455,407)	(24,382)	(7,356,903)	(790,554)	(623,257)	(13,250,503)
Payments to employees	(1,376,357)	(61,455)	(420,280)	(25,370)	(877,681)	(2,761,143)
Other receipts	(190,127)	108,807	56,827	75,037	1,551,791	1,602,335
Other payments	(520,373)	-	-	887	(23,855)	(543,341)
Net cash provided by (used in) operating activities	(469,533)	61,255	196,185	(880)	26,998	(185,975)
<b>Cash Flows From Noncapital Financing Activities</b>						
Interfund transfers:						
In	1,810,745	58,271	1,790	137	-	1,870,943
Out	(1,803,004)	-	-	-	-	(1,803,004)
Net cash provided by noncapital financing activities	7,741	58,271	1,790	137	-	67,939
<b>Cash Flows From Capital and Related Financing Activities</b>						
Capital contributions received	1,233,122	-	-	-	-	1,233,122
Capital improvements	(1,197,846)	(886,723)	-	-	(5,310)	(2,089,879)
Principal payments on capital lease	(242,147)	838,502	-	-	-	596,355
Net cash used in capital and related financing activities	(206,871)	(48,221)	-	-	(5,310)	(260,402)
<b>Cash Flows From Investing Activities</b>						
Interest	556,505	-	-	-	29	556,534
Net cash provided by investing activities	556,505	-	-	-	29	556,534
<b>Net increase (decrease) in cash and cash equivalents</b>	(112,158)	71,305	197,975	(743)	21,717	178,096
<b>Cash and Cash Equivalents</b>						
Beginning of year	9,891,666	-	207,011	10,403	942,664	11,051,744
End of year	\$ 9,779,508	\$ 71,305	\$ 404,986	\$ 9,660	\$ 964,381	\$ 11,229,840

(Continued)

Housing and Redevelopment Authority of Duluth, Minnesota

Statement of Cash Flows  
 Proprietary Funds  
 Year Ended September 30, 2014

	Business-Type Activities, Enterprise Funds					
	Owned Housing		Housing Assistance		Central Office	Total
	HUD Funded	Other	HUD Funded	Other	Cost Center	
Reconciliation of Operating Income						
(Loss) to Net Cash Provided by						
(Used In) Operating Activities						
Operating income (loss)	\$ (2,521,579)	\$ (71,317)	\$ 156,528	\$ 786	\$ 23,642	\$ (2,411,940)
Adjustments to reconcile operating						
income (loss) to net cash provided						
by (used in) operating activities:						
Depreciation	2,097,909	-	-	887	15,091	2,113,887
Nondwelling rent	270,005	-	-	-	-	270,005
Changes in assets and liabilities:						
Accounts receivable	514,084	(47,266)	-	-	106	466,924
Due from other governments	64,089	-	29,362	(68,611)	(20,963)	3,877
Prepaid expenses	1,723	(33,698)	(493)	-	(11,353)	(43,821)
Due from other funds	364	-	1,763	-	-	2,127
Loans receivable	(520,373)	-	-	-	-	(520,373)
Accounts payable	42,719	87,968	(1,894)	(15,368)	(5,612)	107,813
Due to other governments	(17,867)	10,861	17,724	1,037	-	11,755
Accrued expenses	59,138	-	(6,805)	(763)	28,979	80,549
Security deposits	(3,680)	6,345	-	-	-	2,665
Deferred revenue	33,481	-	-	7,819	-	41,300
Due to other funds	(469,546)	108,362	-	73,333	(2,892)	(310,743)
Net cash provided by (used						
in) operating activities	\$ (469,533)	\$ 61,255	\$ 196,185	\$ (880)	\$ 26,998	\$ (185,975)

See Notes to Financial Statements.

Housing and Redevelopment Authority of Duluth, Minnesota

Statement of Fiduciary Net Position  
Fiduciary Funds  
September 30, 2014

	Private-Purpose Trust	Agency Fund
	Kitchen Equipment Escrow	Applicant Funds
Assets, cash and investments	\$ 2,151	\$ 118,501
Liabilities, accrued expenses	-	\$ 118,501
Net Position, unrestricted	\$ 2,151	

See Notes to Financial Statements.



Housing and Redevelopment Authority of Duluth, Minnesota

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended September 30, 2014

	Private-Purpose Trust Kitchen Equipment Escrow
Additions, reimbursements for ordinary maintenance and operations	\$ 2,707
Deductions, ordinary maintenance and operations	<u>2,147</u>
Change in net position	560
Net Position, beginning	1,591
Net Position, ending	<u><u>\$ 2,151</u></u>

See Notes to Financial Statements.

## Housing and Redevelopment Authority of Duluth, Minnesota

### Notes to Financial Statements

---

#### **Note 1. Nature of Operations, Financial Reporting Entity, Basis of Presentation, Measurement Focus, Basis of Accounting and Significant Accounting Policies**

**Nature of operations:** The Housing and Redevelopment Authority of Duluth, Minnesota (HRA) (the Authority) is a public body, corporate and politic, of the State of Minnesota, created by the City of Duluth pursuant to the Minnesota Housing and Redevelopment Authority Act of 1947. The powers of the Authority are vested in its seven-member Board of Commissioners, the members of which are appointed by the Mayor of Duluth.

The Authority uses available federal, state, and local resources to serve the residents of the City of Duluth, Minnesota, by: a) upgrading and maintaining the existing housing stock, b) encouraging the construction of new housing affordable to low and moderate income households, c) promoting economic development efforts and providing assistance through community development programs, and d) providing low and moderate income families and senior households with decent, safe, and affordable rental housing opportunities. These services are provided by the Authority through the administration of various programs, including the administration of the federal Community Development Block Grant program, federal and state home improvement, construction and management of federal and locally funded rental housing facilities, administration of the federal Section 8 rent assistance program and housing rehabilitation programs.

The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments.

**Financial reporting entity:** In determining how to define the reporting entity, management has considered all potential component units. The decision whether to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification. These criteria state that the financial reporting entity consist of: (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on these criteria, there are no agencies or entities which should be included in the financial statements of the Authority.

**Related organization:** The Authority is a legally separate organization from the City of Duluth with its own rights and powers. Although the Mayor of the City of Duluth appoints all Authority Board members, there is no financial accountability necessary for including this organization as a component unit of the City of Duluth. Related party transactions are limited to payments by the City on various contracts for services entered into with the Authority. The City made payments on various contracts totaling \$1,603,216 to the Authority in fiscal year 2014.

**Basis of presentation:** The Authority's external financial reporting is comprised of:

1. Government-wide financial statements
2. Fund financial statements and related reconciliations
3. Notes to the financial statements
4. Management's discussion and analysis

## Housing and Redevelopment Authority of Duluth, Minnesota

### Notes to Financial Statements

---

The external statements are prepared from accounts of the Authority that are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. The funds of the Authority are classified into categories: governmental, proprietary and fiduciary. Each category is further divided into separate fund types. The fund categories and a description of each existing fund type follow:

#### **Governmental Funds**

Governmental funds are used to account for the Authority's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets and the servicing of long-term debt. Governmental funds include:

*The General Fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

*Special Revenue Funds* account for specific revenue sources that are legally restricted to expenditures for specific purposes. The Authority's special revenue funds and their purposes are as follows:

CDBG Programs: Accounts for rehabilitation grants and loan subsidies awarded to qualifying individuals. The City of Duluth provides the Authority with Community Development Block Grant funds received from HUD to operate the project.

Home Program: Accounts for rehabilitation grants awarded to qualifying individuals under the Home Investment Partnerships Programs and the Minnesota Urban and Rural Homesteading Program. The funds are through the City of Duluth received from the Minnesota Housing Finance Agency and the Federal HOME program.

Minnesota State Programs: Accounts for the Minnesota Housing Finance Agency grant for MURL homes and Greater Minnesota Housing Finance grant for rehabilitation of houses.

Lead Based Paint: Accounts for the Duluth Housing and Redevelopment Authority's lead based paint education and abatement activities in the City of Duluth. Funding is from the State of Minnesota through the Department of Health.

Tax Increment District: Accounts for the Authority's administration of established Housing Districts. The administration of the District is handled by the Executive Director of the HRA, assisted by the City of Duluth's Finance Department. All revenue derived from tax increment shall be used in accordance with each of the TIF Plans. Currently, the Authority administers six different housing districts in this Fund. At year-end, this fund reported a fund balance deficit. This deficit will be funded through future tax increment revenue.

Notes to Financial Statements

---

**Proprietary Funds**

Proprietary fund types account for the Authority's ongoing activities that are similar to those found in the private sector. The following are the Authority's proprietary funds.

*Enterprise Funds* are used to account for operations that are financed and operated in a manner similar to private business enterprises or where periodic determination of revenues earned expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Authority's enterprise funds consist of the following:

Owned Housing, HUD Funded: The Authority manages units in apartment buildings and individual and duplex dwellings that are rented to tenants who qualify under low-income guidelines established by HUD. The development of the units was originally financed by the sale of short-term notes. After the development was completed, long-term financing was obtained through the sale of bond issues or by HUD project notes. Retirement of all debt and interest is unconditionally guaranteed by HUD and is identified in the Annual Contributions Contract with HUD. Development and modernization projects beginning in 1988 and thereafter are financed directly by grants from HUD. Principal sources of revenue for continuing operations are dwelling rentals and operating subsidies from HUD.

Owned Housing, Other: The Authority manages and rehabilitates apartment buildings and individual and duplex dwellings that are rented to tenants who qualify under low-income guidelines established by HUD. The rehabilitation and development of units are financed through long-term notes. Principal sources of revenue for continuing operations are dwelling rentals and operating subsidies from the Minnesota Housing Finance Agency.

Housing Assistance, HUD Funded: The Housing Assistance Payments Programs account for the operation of the Lower Income Housing Assistance Programs and are authorized by the Housing and Community Development Act of 1974, Public Law 73-383. HUD contracts with the Authority which in turn contracts with housing owners to make assistance payments for the difference between the approved contract rent and the actual rent paid by the qualifying households. The Authority has Annual Contribution Contracts (ACC) with HUD to assist low-income families in the following Section 8 Programs: Housing Choice Vouchers, Moderate Rehabilitation and two Single Room Occupancy Moderate Rehabilitation Programs.

Housing Assistance, Other: The Authority provides rental assistance to low-income families and individuals through the following federal, state, county and local programs: Bridges, Son of Bridges, RAFS, Shelter Plus Care and Home Tenant Based Rental Assistance.

Central Office Cost Center: The Central Office Cost Center accounts for management and bookkeeping services provided to other funds of the Authority. These services are charged to the governmental funds on a cost reimbursement basis and are charged to the other proprietary funds based on rates established by the Department of Housing and Urban Development.

**Fiduciary Funds**

Fiduciary funds are used to account for assets held by the Authority in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following are the Authority's fiduciary fund types:

*Private-Purpose Trust Funds* are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The following is the Authority's Private Purpose Trust Fund:

## Housing and Redevelopment Authority of Duluth, Minnesota

### Notes to Financial Statements

---

Kitchen Equipment Escrow: Accounts for funds paid by the St. Louis County Community Social Services Board, which are used for the maintenance, modification, additions, repair, or necessary replacement of kitchen fixtures and equipment to carry out the programs administered by the Board on the premises of the Authority.

*Agency Funds* are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. The following is the Authority's Agency Fund:

Applicant Funds—Rehabilitation Escrow: Accounts for the matching portion paid by qualified applicants for the rehabilitation of residential property or multi-unit rental property. The funds may be required as part of the CDBG, Home or MHFA Programs. The Authority acts as an agent in collecting and disbursing the funds for the applicants.

The funds listed above are aggregated in various presentations in the preparation of the government-wide financial statements and the fund financial statements.

#### **Government-Wide Financial Statements (GWFS)**

GWFS include the statement of net position and the statement of activities that display information about the reporting government as a whole, including the enterprise funds. The effect of material interfund activity has been eliminated from these statements.

#### **Fund Financial Statements (FFS)**

FFS are presented for the governmental, proprietary and fiduciary funds. These financial statements are designed to present financial information of the Authority at a more detailed level.

Governmental FFS are comprised of a balance sheet, statement of revenues, expenditures and changes in fund balance, equity and current year activity reconciliations to GWFS and revenues, expenditures, and changes in fund balance. The focus of these statements is on major funds, presented in a separate column. The Authority reports the General Fund, CDBG Programs Fund, Home Program Fund, Minnesota State Programs Fund, Lead Based Paint Fund and the Tax Increment District Fund as described above as major governmental funds.

Proprietary FFS are comprised of a statement of net position, statement of revenues, expenses and changes in fund net position and statement of cash flows. The focus of these statements is on major funds, presented in a separate column. The Authority reports Owned Housing, HUD Funded; Owned Housing, Other; Housing Assistance, HUD Funded; Housing Assistance, Other ;and the Central Office Cost Center as described above as major proprietary funds.

Fiduciary FFS are comprised of a statement of net position and statement of changes in fiduciary net position. The focus of these statements is on major funds, presented in a separate column. The Authority reports the Kitchen Equipment Escrow and Applicant Funds—Rehabilitation Escrow as described above as major fiduciary funds.

#### **Measurement Focus and Basis of Accounting**

##### **Government-Wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Economic resources measurement focus means that all assets and all liabilities associated with the operations of the Authority are included in the statement of net position, except for fiduciary activities. Accrual basis of accounting means revenues are recorded when earned and expenses are recorded when a liability is incurred.

## Housing and Redevelopment Authority of Duluth, Minnesota

### Notes to Financial Statements

---

Property taxes are recognized as revenues in the year for which they are levied (i.e. intended to finance). Grants, entitlements, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses not allocated to functions are reported separately. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Program revenues include: 1) Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and 2) Grants and entitlement revenues restricted to meeting the operational or capital requirements of a particular function or program. Property taxes, state aids, and other items not reported as program revenues are reported as general revenues.

The Authority applies eligible expenses against available restricted resources before use of unrestricted resources.

#### **Fund Financial Statements**

##### **Governmental Funds**

Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Current financial resources measurement focus generally means that only current assets and current liabilities are included in the balance sheet. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The Authority considers property tax revenues available if collected within 60 days and grants, entitlements and others available if collected within 180 days after year-end. Property taxes, when levied for, and state aids, grants, charges for services, and interest are all considered to be susceptible to accrual and are recognized as revenues of the fiscal year. All other revenue items are considered to be measurable and available only when the Authority receives cash.

Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

##### **Proprietary and Fiduciary Funds**

Proprietary and fiduciary fund types use the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the related liability is incurred. All transactions, except interest revenues are considered operating revenues or expenses as applicable.

#### **Significant Accounting Policies**

##### **Government-Wide and Fund Financial Statements**

**Budgets:** The Authority is not legally required to prepare budgets for its general and special revenue funds for financial statement purposes.

**Cash and investments:** Cash of the individual funds is combined for investment purposes. Investments consist primarily of certificates of deposit and money market funds. Investments with an original maturity of less than one year are recorded at amortized cost, which approximates fair value. Investments with an original maturity of more than one year are recorded at fair value based on quoted market prices. Interest earned as a result of these investments and the combined deposit account is distributed to the appropriate funds based on average cash and temporary investment balances of each fund.

## Housing and Redevelopment Authority of Duluth, Minnesota

### Notes to Financial Statements

---

The Authority can only invest in the following HUD-approved instruments: direct obligations of the federal government backed by the full faith and credit of the United States, obligations of federal government agencies, securities of government-sponsored agencies, demand and savings deposits, money market deposit accounts, municipal depository fund, super NOW accounts, certificates of deposit, repurchase agreements, sweep accounts, separate trading of registered interest and principal securities (STRIPS), and mutual funds that consist of securities purchased from the HUD-approved list.

**Cash and cash equivalents:** For purposes of reporting cash flows, the Authority considers all cash accounts and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

**Taxes receivable/tax revenues:** The Authority levies property taxes in December of each year to finance the budgeted expenditures of the following fiscal year. The levies become an enforceable lien on the properties on the first Monday in January. The Authority's Board approves the tax capacity rates for the support of the Authority's activities. The tax capacity rates are also approved by the Duluth City Council. Property owners are required to pay one-half of their real estate taxes by May 15 and the balance by October 15. The County assesses and collects the property taxes and remits the portion collected for the Authority in July and December of each year. Property taxes certified in December 2013 and payable in 2014 are recognized as revenues for the fiscal year ended September 30, 2014, subject to availability in the fund financial statements and the tax levies are prorated based on the months in the fiscal years in the government-wide statements.

**Payment in lieu of taxes:** Under a cooperative agreement with the City of Duluth, all the low-rent housing projects are exempt from real and personal property taxes levied or imposed by any taxing body; therefore, the Authority makes an annual payment in lieu of taxes equal to ten percent of all shelter rent collected to the City of Duluth.

**Inventories:** Inventories are valued at the lower of cost (first-in, first-out) basis or market.

**Interfund receivables/payables:** Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund receivables/payables (the current portion of interfund loans) or advances to/from other funds (the noncurrent portion of interfund loans).

**Interfund transactions:** Interfund transfers are reported as transfers.

**Net assets:** In the government-wide and proprietary fund financial statements, net position is presented using the following three classifications:

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Restricted net position are reported when there are limitations imposed on their use either by law through constitutional provisions or enabling legislations adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted are as follows:

*Housing Programs:* Net annual revenues generated by HUD financed properties restricted for future development and expansion.

Unrestricted net position represent the amounts remaining after the previous components have been determined.

## Housing and Redevelopment Authority of Duluth, Minnesota

### Notes to Financial Statements

---

**Income taxes:** The Authority is a governmental subdivision of the state of Minnesota and is exempt from federal and state income taxes.

**Risk management:** The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. The Authority provides medical insurance to its employees through the City of Duluth's self-insured employee group health plan. The Authority's agreement with the City has limited the Authority's cost to the premiums paid and there has been no provision for retroactive claims in the past. The Authority could be assessed for retroactive claims if the premiums charged were not deemed adequate to fund program costs. The Authority paid medical insurance premiums to the City of Duluth of \$861,606 in 2014. The Authority continues to carry commercial insurance for all other risks. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

**Estimates:** Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses/expenditures. Actual results could vary from the estimates that were used.

#### Government-Wide Financial Statements

**Assets held for development:** Assets held for development, including land and buildings, are recorded at cost and are not depreciated. The Authority defines assets held for development as all costs associated with purchasing and improving an asset so the asset is in a condition in which it can be sold to the public.

**Capital assets:** Capital assets are recorded at cost and estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). The Authority defines capital assets as assets with an initial cost of more than \$5,000 and useful life of more than one year for equipment and furnishings and \$50,000 for buildings and improvements provided the improvement extends the useful life of the building. Donated capital assets are recorded at their fair value at the date of donation. Interest costs incurred during construction are capitalized. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives:

Buildings	15 - 40 years
Furniture and equipment	3 - 27 years

**Unearned revenue:** Unearned revenue is recognized when the Authority receives resources before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

**Deferred property tax revenue:** Property taxes received or reported as receivable before the period for which the property taxes are levied are reported as deferred property tax revenue.

**Compensated absences:** The Authority has contracts with several different employee groups. Employee benefits under the contracts are different but generally include provisions for sick leave and vacation leave and are described in Note 12.

**Capital leases and long-term borrowings:** Obligations arising from the issuance of debt instruments and other contracts are reported as liabilities. Issuance costs are expensed as incurred.



## Housing and Redevelopment Authority of Duluth, Minnesota

### Notes to Financial Statements

---

#### Fund Financial Statements

**Assets held for development:** Amounts incurred related to acquisition and renovations of property are reported as fund expenditures.

**Capital assets:** Amounts incurred related to the acquisition of property and equipment are reported as fund expenditures. Depreciation expense is not reported within fund financial statements.

**Deferred property tax revenue:** Property taxes not deemed available (not collected within 60 days after year-end) are reported as deferred revenue.

**Compensated absences:** Liability represents the portion of the liability, as discussed under GWFS, that is payable from current available resources.

**Capital leases and long-term borrowings:** Amounts expended for repayment of leases are reported as expenditures. Proceeds from issuance of debt, including premiums or discounts, are reported as other financing sources.

**Fund balance:** In the governmental fund financial statements, fund balance is presented using the following classifications:

Nonspendable fund balance is the amounts that cannot be spent either because they are (a) not in nonspendable form or (b) because they are legally or contractually required to be maintained intact.

Restricted fund balance is amounts that are restricted to specific purposes when constraints placed on the use of the resources are either (a) externally imposed by creditors, grantors or state or federal laws; or (b) imposed by law through the Authority's constitutional provisions or enabling legislation.

Committed fund balance is amounts that can only be used only for specific purposes when pursuant to constraints formally imposed by the Board of Commissioners through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Commissioners removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned fund balance is amounts constrained by the Authority's intent to use them for a specific purpose as determined by the Authority's Finance Board and Comptroller.

Unassigned fund balance is all amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Authority's procedure is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

## Housing and Redevelopment Authority of Duluth, Minnesota

### Notes to Financial Statements

---

#### Note 2. Cash and Investments

**Deposits:** Minnesota Statutes require that all deposits with financial institutions must be collateralized in an amount equal to 110 percent of deposits in excess of FDIC insurance (140 percent if collateralized with notes secured by first mortgages). At year-end, the bank deposits were fully insured or collateralized with securities held by the Authority or its agent in the Authority's name.

**Investments:** Minnesota Statutes §118A.04 and §118A.05 generally authorizes the following types of investments as 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 Statutes §118A.04, subd. 6;
- Mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- General obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- Bankers' acceptances of United States banks;
- Commercial paper issued by United States 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; and
- With certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

As of September 30, 2014, the Authority's cash and investments balances were as follows:

	Amount
Cash on hand	\$ 200
Deposits in financial institutions	4,131,403
Certificates of deposit	11,396,000
Cash and investments	<u>\$ 15,527,603</u>

Housing and Redevelopment Authority of Duluth, Minnesota

Notes to Financial Statements

**Note 3. Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of September 30, 2014, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	General Fund	\$ 1,305,781
	CDBG Programs	108,399
	Home Program	33,572
	Lead Based Paint	77,456
	Tax Increment District	120,548
	Owned Housing, Other	108,362
	Housing Assistance, Other	128,146
Owned Housing, HUD Funded	Owned Housing, HUD Funded	3
		<u>\$ 1,882,267</u>

Interfund transfers:

Transfer In	Transfer Out	Amount
General Fund	General Fund	\$ 245,285
CDBG Programs	General Fund	22,045
Home Program	General Fund	309
Owned Housing, HUD Funded	General Fund	7,741
Owned Housing, HUD Funded	Owned Housing, HUD Funded	1,803,004
Owned Housing, Other	General Fund	58,271
Housing Assistance, HUD Funded	General Fund	1,790
Housing Assistance, Other	General Fund	137
		<u>\$ 2,138,582</u>

# Housing and Redevelopment Authority of Duluth, Minnesota

## Notes to Financial Statements

### Note 4. Loans Receivable

Loans receivable at September 30, 2014, consist of the following:

	Amount
Loans due from income-eligible families. Eighteen loans outstanding ranging from \$40,904 to \$150,417. The loans require monthly payments of principal only based on family's income and are for an indefinite period. The loans are collateralized by liens held by the Authority on the properties.	\$ 1,829,917
Installment loans for rental rehabilitation. Fifty-six loans outstanding ranging from \$1,443 to \$152,197. The loans require monthly payments of principal ranging from \$24 to \$1,573 including interest at 2%.	1,068,311
Interest free rehabilitation loan due from Center City Windwood. Loan is due in one lump sum at March 1, 2033. Loan is secured by mortgage.	60,000
Notes due from Central Hillside Development Limited Partnership. Two notes outstanding with balances of \$243,100 and \$81,900. The notes are due in full in 2025. The notes require interest only in the event of default as described in the note document. Notes are secured by mortgage.	325,000
Note due from individual for rehabilitation. The note requires monthly interest only at 5% and is due June 2017.	24,999
Predevelopment loan due from development company associated with the Harborview construction project. The loan was due December 31, 2011. The loan calls for interest equal to the Wells Fargo Bank prime rate plus 3% beginning from the date of default. The loan requires lump sum payments at the due dates.	454,393
Loan due from Great Lakes Development Corporation, note has fixed 0% interest rate and is due February 28, 2020.	50,000
Loan due from Great Lakes Development Corporation, note has fixed 0% interest rate and is due upon approval of tax credit application.	47,026
Loans due from individuals who purchased land at Hawk Ridge. Seventeen loans outstanding ranging from \$8,449 to \$80,250. The loans require lump sum payments through 2043. The loans require interest ranging from 0% to 3%.	729,255
Neighborhood Stabilization Program loans. Five loans outstanding with balances ranging from \$88,352 to \$117,901. The loans require monthly payments of principal based on purchaser income and interest at 1.0% until 2015 through 2043 when the remaining balances are due.	518,786
Note for sale of property. The note requires monthly payments of \$617 including interest at 5%. Note is due in full in 2016.	108,259
Loan due from resident for sewer line replacement, note has fixed 0% interest rate, \$100 monthly payments, and is due in November 2018.	10,000
Loan due from Gateway Tower Inc for rehabilitation. The loan is due in full April 2015. The loan requires monthly interest payments at 5.0%. There is \$409,454 left to draw. The loan is secured by a mortgage.	990,546
Total governmental activities	<u>\$ 6,216,492</u>

(Continued)

Housing and Redevelopment Authority of Duluth, Minnesota

Notes to Financial Statements

	Amount
Hope VI bridge note due from Harbor View Phase I LLC. The note was due in full April 1, 2006. The note calls for interest at a fixed rate of 4.9%. The note is secured by mortgage and security agreement.	\$ 287,374
Hope VI note due from Harbor View Phase I, LLC. The note is due in full in 2047. The note calls for interest equal to a blended applicable federal rate as described in the note agreement, with all interest accruing yearly to be added to principal. The note is secured by mortgage and security agreement.	2,192,726
Hope VI note due from Matterhorn Apartments, LLC. The note is due in full in 2049. The note calls for interest equal to a blended applicable federal rate as described in the note agreement, with all interest accruing yearly to be added to principal. The note is secured by mortgage and security agreement.	2,285,999
Hope VI early start notes due from development companies, consist of two notes. Hope VI homeownership early start notes due from TCG Harbor Homes, LLC, consist of two notes with balances of \$32,654 and \$107,077. The notes were due December 31, 2011, and call for interest at 2.0% until an event of default at which time interest will equal the Wells Fargo Bank prime rate plus 3%. The notes are secured by affirmation of guaranty.	139,731
Program income homeownership early start notes due from TCG Harbor Homes, LLC, consist of three notes with balances of \$465,804, \$245,385 and \$62,229. The notes were due December 31, 2011, and call for interest at 2.0% until an event of default at which time interest will equal the Wells Fargo Bank prime rate plus 3%. The notes are secured by affirmation of guaranty.	773,418
Hope VI note due from Harbor View Phase II, LP. The note is due in full in 2049. The note calls for interest equal to a blended applicable federal rate as described in the note agreement, with all interest accruing yearly to be added to principal. The note is secured by mortgage and security agreement.	1,977,818
Hope VI note due from Harbor View Phase III, LP. The note is due in full in 2052. The note calls for interest equal to a blended applicable federal rate as described in the note agreement, with all interest accruing yearly to be added to principal. The note is secured by mortgage and security agreement.	2,510,943
Hope VI note due from Harbor View Phase IV, LLC. The note is due in full in 2050. The note calls for interest at a fixed rate of 4.3%. The note is secured by mortgage and security agreement.	614,374
Hope VI note due from Harbor View Phase IV, LLC. The note is due in full in 2050. The note calls for interest at a fixed rate of 4.3%. The note is secured by mortgage and security agreement.	2,567,462
Total business-type activities	<u>\$ 13,349,845</u>

# Housing and Redevelopment Authority of Duluth, Minnesota

## Notes to Financial Statements

### Note 5. Contingent Program Assets Receivable

The Authority has various loans under the Community Development Block Grant Program (CDBG) with families to assist them with the modernization of existing homes through housing rehabilitation loans of up to \$7,000 per homeowner. The loans are secured by liens held by the Authority on the properties and are forgiven after a 10-year period. If the homeowner sells their home before the 10-year period has expired, the entire loan must be repaid. The Authority does not record these loans as receivables as their experience is that very few homeowners sell before the ten-year period has expired.

### Note 6. Assets Held for Development

The Authority has \$3,386,802 of land and buildings to be sold in subsequent years. The Authority purchases buildings and rehabilitates them to a condition suitable for occupancy. The Authority also purchases land to be sold with the intent the buyer will construct a house.

### Note 7. Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated, land	\$ 51,692	\$ -	\$ -	\$ 51,692
Capital assets, being depreciated, furniture and equipment	96,189	-	-	96,189
Less accumulated depreciation for furniture and equipment	(91,776)	(913)	-	(92,689)
Total capital assets, being depreciated, net	4,413	(913)	-	3,500
Governmental activities, capital assets, net	\$ 56,105	\$ (913)	\$ -	\$ 55,192
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 2,883,527	\$ 128,500	\$ -	\$ 3,012,027
Construction in progress	1,970,408	1,729,081	(2,165,656)	1,533,833
Total capital assets, not being depreciated	4,853,935	1,857,581	(2,165,656)	4,545,860
Capital assets, being depreciated:				
Buildings	66,272,681	2,393,342	(547,732)	68,118,291
Furniture and equipment	11,010,108	5,312	(43,725)	10,971,695
Total capital assets, being depreciated	77,282,789	2,398,654	(591,457)	79,089,986
Less accumulated depreciation for:				
Buildings	(47,251,590)	(1,809,368)	526,625	(48,534,333)
Furniture and equipment	(6,307,124)	(304,519)	43,725	(6,567,918)
Total accumulated depreciation	(53,558,714)	(2,113,887)	570,350	(55,102,251)
Total capital assets, being depreciated, net	23,724,075	284,767	(21,107)	23,987,735
Business-type activities, capital assets, net	\$ 28,578,010	\$ 2,142,348	\$ (2,186,763)	\$ 28,533,595

## Housing and Redevelopment Authority of Duluth, Minnesota

### Notes to Financial Statements

---

Depreciation expense was charged to functions/programs of the primary government as follows:

	Amount
Governmental Activities, rehabilitation	<u>\$ 913</u>
Business-Type Activities	
Owned Housing	\$ 2,097,909
Central Office Cost Center	15,091
Housing Assistance	<u>887</u>
Total depreciation expense, business-type activities	<u>\$ 2,113,887</u>

# Housing and Redevelopment Authority of Duluth, Minnesota

## Notes to Financial Statements

### Note 8. Conduit Debt Obligations

The Authority has issued several conduit debt notes and bonds. These notes and bonds are collateralized by the property financed and are payable solely from payments received on the underlying mortgage loans. The Housing Authority has no obligation beyond the resources provided by the related loans. Accordingly, the notes and bonds are not reported as liabilities in the accompanying financial statements.

	Amount
Health care facilities revenue note, series 2002A, acquisition and refinancing of a health care facility	\$ 67,211
Health care facilities revenue note, series 2002C, acquisition and refinancing of a health care facility	76,547
Health care facilities revenue note, series 2003, acquisition and refinancing of a health care facility	145,369
Revenue refunding bond, series 2012, construction of two nursing and assisted living facilities	7,878,100
Health care and housing revenue bonds, series 2007, improvements to a senior housing and healthcare facility	8,515,000
Revenue note, series 2008A, construction, acquisition and installation of equipment and capital improvements to a residential treatment, transitional and educational facilities	715,180
Revenue note, series 2008A, construction, acquisition and installation of equipment and capital improvements to a residential treatment, transitional and educational facilities	2,607,560
Revenue note, series 2009, replacement of gymnasium roof	238,053
Revenue note, series 2009A, acquisition, equipping and capital improvements of a foster care facility and a bed, board and lodge facility	1,243,227
Revenue note, series 2009B, acquisition, equipping and capital improvements of a foster care facility and a bed, board and lodge facility	489,626
Lease revenue bonds, series 2010A, acquisition of land, construction of a charter school facility and renovation and expansion of a charter school facility	17,770,000
Taxable lease revenue bonds, series 2010B, acquisition of land, construction of a charter school facility and renovation and expansion of a charter school facility	115,000
Revenue bonds, series 2012A, refinance taxable indebtedness incurred for capital improvements to assisted living facility	1,530,334
Revenue note, series 2013, construction of 48 enhanced assisted living nursing facility	5,750,000
	<u>\$ 47,141,207</u>



# Housing and Redevelopment Authority of Duluth, Minnesota

## Notes to Financial Statements

### Note 9. Long-Term Debt

The Authority issued \$2,000,000 Tax Increment Revenue Bonds, Series 2004A. The outstanding balance at year-end is \$797,214. Payments of principal and interest are due semiannually on each February 1 and August 1 continuing until maturity on August 1, 2024. Interest rate is adjusted August 1, 2014, and 2019 to equal to the 5 year treasury rate plus 1.35 percent subject to maximum adjustment of 2.0 percent in 2014 and a maximum adjustment of 1.0 percent in 2019. The current rate is 3.83 percent. The Authority has a special limited obligation as the bonds are payable solely from tax increments resulting from increases in the taxable value of real property in the TIF District and the proceeds generated by the sale of real property in the TIF District.

The Authority entered into a lease-purchase agreement with Siemens Public Inc. The outstanding balance at year-end is \$2,139,452. The lease is due in monthly installments of \$29,213 including interest at a rate of 4.81 percent.

The Authority entered into the following 0 percent interest debt agreements with Minnesota Housing Finance Agency (MHFA), Greater Minnesota Housing Fund (GMHF), and Duluth Economic Development Authority (DEDA) for the purposes of acquiring and rehabilitating the Esmond housing facility. The outstanding balances at year end and related maturity dates are as follows: MHFA, \$518,441 due July 1, 2014; GMHF, \$90,061, due July 1, 2019; and DEDA, \$230,000 due July 1, 2017.

Annual debt service requirements to maturity for long-term debt obligations are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2015	\$ 69,277	\$ 23,863
2016	71,413	21,728
2017	73,614	19,527
2018	75,883	17,257
2019	78,222	14,918
2020-2024	428,805	36,897
	<u>\$ 797,214</u>	<u>\$ 134,190</u>

Year Ending September 30,	Business-Type Activities	
	Principal	Interest
2015	\$ 254,050	\$ 97,505
2016	265,493	85,061
2017	508,548	72,006
2018	292,246	58,308
2019	396,678	43,937
2020-2024	1,260,937	46,248
	<u>\$ 2,977,952</u>	<u>\$ 403,065</u>

# Housing and Redevelopment Authority of Duluth, Minnesota

## Notes to Financial Statements

Long-term debt activity for the year ended September 30, 2014, follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Tax increment revenue bond	\$ 1,166,010	\$ -	\$ (368,796)	\$ 797,214	\$ 69,277
Notes payable	724,665	-	(724,665)	-	-
Governmental long-term liabilities	1,890,675	-	(1,093,461)	797,214	69,277
<b>Business-Type Activities,</b>					
MHFA note payable	-	518,441	-	518,441	-
GMHF note payable	-	90,061	-	90,061	-
DEDA note payable	-	230,000	-	230,000	-
Capital lease obligation	2,381,597	-	(242,147)	2,139,450	254,050
Business-Type long-term liabilities	2,381,597	838,502	(242,147)	2,977,952	254,050
Total governmental and business-type activities	\$ 4,272,272	\$ 838,502	\$ (1,335,608)	\$ 3,775,166	\$ 323,327

### Note 10. Unearned Revenue

Unearned revenue at September 30, 2014, consists of the following:

	Amount
<b>Government-Wide Financial Statements</b>	
Governmental activities, grant	\$ 8,500
Business-type activities:	
Rent advances	106,599
	<u>\$ 115,099</u>
<b>Fund Financial Statements</b>	
Governmental funds:	
General fund:	
Unearned loan revenue	\$ 4,444,324
CDBG Programs, deferred loan revenue	1,152,140
Minnesota State Programs:	
Unearned loan revenue	620,028
Other	8,500
Total governmental funds	<u>6,224,992</u>
Proprietary funds:	
Owned Housing, rent advances	97,076
Housing Assistance, grant	9,523
Total proprietary funds	<u>106,599</u>
Total fund financial statements	<u>\$ 6,331,591</u>

Notes to Financial Statements

---

**Note 11. Pension Plan**

The Duluth Housing Authority money purchase pension plan is a defined contribution plan as described in Section 404(c) of the Employee Retirement Income Security Act (ERISA) and the regulations thereunder. The plan is administered by a pension committee designated by the Board of Commissioners of the Authority. The Authority reserves the right, by written resolution of the Board of Commissioners, to amend or terminate the plan in the event the Authority deems it advisable.

All employees are eligible to participate in the plan on January 1 of the year following the date of employment and will continue to participate so long as they work 1,000 hours during that plan year. Participants will not be entitled to the Authority's contribution for a plan year, unless they work at least 1,000 hours during that plan year. The Authority contributes 12.5 percent of each participant's compensation as defined in the plan. This contribution covers both the pension plan and the life insurance plan. Employee contributions are not required or permitted. Employees must have at least 1,000 hours of service in a plan year to begin vesting and in subsequent years to continue vesting. The employer's contribution for each employee (and interest allocated to the employee's account) vest evenly over a five-year period. Employer's contributions and investment earnings for employees who leave employment before their contributions vest are used to reduce the employer's contribution requirements. The Authority's contribution to the plan was \$385,846 for 2014.

**Note 12. Vacation and Sick Leave**

Vacation is earned by all nontemporary employees. Employees may carry up to 30 days of vacation to subsequent years during their first 20 years of employment and up to 38 days thereafter. This carryover is in addition to any vacation accrued in the current year. Vacation is accrued as earned. The liability for unpaid vacation leave was \$281,827 at September 30, 2014.

Sick leave is earned by all nontemporary employees. Employees may accumulate up to 60 days sick leave during their first six years of employment and 120 days thereafter. This accumulation is in addition to any sick leave accrued in the current year. An employee who has been employed for at least ten years may, upon retirement at age 55 or older, convert 75 percent of unused sick leave into a health care savings plan. The Authority has accrued a liability for the estimated amount of accumulated sick leave that will be paid into a healthcare savings plan. The amount accrued was \$729,759 at September 30, 2014.

**Note 13. Commitments**

The Authority has entered into several contracts for general upgrades, repairs to facilities and other general contracted services. There is approximately \$1,180,922 to be incurred on these contracts in future periods.

**Note 14. Excess of Expenditures over Appropriations**

For the year ended September 30, 2014, expenditures exceeded appropriations in the General Fund. These over expenditures were funded by greater than anticipated revenues in the General Fund.

# Housing and Redevelopment Authority of Duluth, Minnesota

## Notes to Financial Statements

### Note 15. Fund Balances

The Authority's classifications of fund balances are as follows:

	General	CDBG Programs	Minnesota State Programs	Tax Increment District	Total
Nonspendable, prepaids	\$ 3,876	\$ 3,406	\$ -	\$ -	\$ 7,282
Restricted, Housing Programs	-	381,928	68,253	-	450,181
Committed, loan commitment:					
Gateway Tower	409,454	-	-	-	409,454
Hawk Ridge	313,677	-	-	-	313,677
Committed, operating subsidy:					
Section 8	256,900	-	-	-	256,900
Esmond	350,000	-	-	-	350,000
Total committed	1,330,031	-	-	-	1,330,031
Unassigned	2,804,065	-	-	(115,871)	2,688,194
	<u>\$ 4,137,972</u>	<u>\$ 385,334</u>	<u>\$ 68,253</u>	<u>\$ (115,871)</u>	<u>\$ 4,475,688</u>

### Note 16. Pending Accounting Standards

The GASB has issued several statements not yet implemented by the Authority. Listed below is a statement which may impact future financial statements of the Authority:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement, issued June 2012, will be effective for the Authority beginning with its year ending September 30, 2015. This Statement will improve accounting and financial reporting by state and local governments for pensions.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement, issued January 2013, will be effective for the Authority beginning with its year ending September 30, 2015. This Statement will improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This Statement, issued November 2013, will be effective for the Authority beginning with its year ending September 30, 2015. This Statement addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement, issued February 2015, will be effective for the Authority beginning with its year ending September 30, 2016. This statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques.

## Supplementary Information

Housing and Redevelopment Authority of Duluth, Minnesota

Balance Sheet  
Financial Data Schedule  
September 30, 2014

Line Item No.	Account Description	Owned Housing	Esmond	Hope VI	Section 8 Housing Choice Vouchers	Section 8 Moderate Rehabilitation	Other State and County Section 8 Programs	Shelter Plus Care	Emergency Service Grant	Central Office Cost Center
<b>Assets</b>										
<b>Current Assets</b>										
Cash:										
111	Unrestricted	\$ 1,040,958	\$ 71,305	\$ 50,531	\$ 195,800	\$ 15,212	\$ -	\$ 137	\$ 9,523	\$ 964,381
113	Other restricted	-	-	160,019	168,974	-	-	-	-	-
Investments:										
131	Unrestricted	2,640,000	-	1,102,280	25,000	-	-	-	-	-
132	Restricted	-	-	4,785,720	-	-	-	-	-	-
100	<b>Total cash</b>	<b>3,680,958</b>	<b>71,305</b>	<b>6,098,550</b>	<b>389,774</b>	<b>15,212</b>	<b>-</b>	<b>137</b>	<b>9,523</b>	<b>964,381</b>
<b>Accounts and Notes Receivables</b>										
Accounts receivable:										
121	PHA projects	-	-	-	-	-	-	-	-	-
122	HUD other projects	72,193	-	-	20,639	-	-	-	-	-
124	Other governments	-	-	-	12,882	-	15,243	30,773	-	75,763
125	Miscellaneous	2,104	24,053	751	-	-	-	-	-	2,305
126	Tenants	35,029	23,213	-	-	-	-	-	-	-
126.1	Allowance for doubtful accounts	(9,908)	-	-	-	-	-	-	-	-
127	Notes receivable current	-	-	1,200,523	-	-	-	-	-	-
129	Accrued interest receivable	20,189	-	219,728	-	-	-	-	-	-
120	<b>Total receivables</b>	<b>119,607</b>	<b>47,266</b>	<b>1,421,002</b>	<b>33,521</b>	<b>-</b>	<b>15,243</b>	<b>30,773</b>	<b>-</b>	<b>78,068</b>
<b>Investments and Other Assets</b>										
142	Prepaid expenses and other assets	118,419	33,698.00	2,193	6,227	-	-	-	-	110,575
144	Interprogram due from	3	-	-	-	-	-	-	-	-
145	Assets held for sale	-	-	-	-	-	-	-	-	-
150	<b>Total current assets</b>	<b>3,918,987</b>	<b>152,269</b>	<b>7,521,745</b>	<b>429,522</b>	<b>15,212</b>	<b>15,243</b>	<b>30,910</b>	<b>9,523</b>	<b>1,153,024</b>
<b>Noncurrent Assets</b>										
Property and equipment:										
161	Land	1,814,516	123,600	1,073,911	-	-	-	-	-	-
162	Buildings	67,726,414	106,400	-	-	-	-	-	-	285,477
Furniture, equipment and machinery:										
163	Dwellings	8,693,365	-	-	-	-	-	-	-	54,643
164	Administration	1,655,078	-	31,773	17,897	-	-	-	-	518,939
166	Accumulated depreciation	(54,399,984)	-	(29,312)	(17,897)	-	-	-	(887)	(654,171)
167	Construction in progress	877,110	656,723	-	-	-	-	-	-	-
160	<b>Total property and equipment, net of accumulated depreciation</b>	<b>26,366,499</b>	<b>886,723</b>	<b>1,076,372</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(887)</b>	<b>204,888</b>
171	Notes receivable, noncurrent	-	-	12,149,322	-	-	-	-	-	-
180	<b>Total noncurrent assets</b>	<b>26,366,499</b>	<b>886,723</b>	<b>13,225,694</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(887)</b>	<b>204,888</b>
190	<b>Total assets</b>	<b>\$ 30,285,486</b>	<b>\$ 1,038,992</b>	<b>\$ 20,747,439</b>	<b>\$ 429,522</b>	<b>\$ 15,212</b>	<b>\$ 15,243</b>	<b>\$ 30,910</b>	<b>\$ 8,636</b>	<b>\$ 1,357,912</b>

(Continued)

Housing and Redevelopment Authority of Duluth, Minnesota

Balance Sheet (Continued)  
Financial Data Schedule  
September 30, 2014

Line Item No.	Account Description	State/Local	CDBG	Home	Business Activities	Lead Paint	Tax Increment District	Fiduciary Funds	Total
<b>Assets</b>									
<b>Current Assets</b>									
Cash:									
111	Unrestricted	\$ 571,513	\$ 24,896	\$ -	\$ 24,670	\$ -	\$ 4,735	\$ 120,652	\$ 3,094,313
113	Other restricted	228,503	418,003	-	61,791	-	-	-	1,037,290
Investments:									
131	Unrestricted	2,843,000	-	-	-	-	-	-	6,610,280
131	Restricted	-	-	-	-	-	-	-	4,785,720
100	<b>Total cash</b>	<b>3,643,016</b>	<b>442,899</b>	<b>-</b>	<b>86,461</b>	<b>-</b>	<b>4,735</b>	<b>120,652</b>	<b>15,527,603</b>
<b>Accounts and Notes Receivables</b>									
Accounts receivable:									
121	PHA projects	-	-	-	-	-	-	-	-
122	HUD other projects	-	-	-	-	-	-	-	92,832
124	Other governments	559,975	179,231	106,929	-	84,019	87,440	-	1,152,255
125	Miscellaneous	14,440	-	122,468	-	-	-	-	166,121
126	Tenants	-	-	-	-	-	-	-	58,242
126.1	Allowance for doubtful accounts	-	-	-	-	-	-	-	(9,908)
127	Notes receivable current	454,393	-	-	-	-	-	-	1,654,916
129	Accrued interest receivable	19,367	-	-	-	-	-	-	259,284
120	<b>Total receivables</b>	<b>1,048,175</b>	<b>179,231</b>	<b>229,397</b>	<b>-</b>	<b>84,019</b>	<b>87,440</b>	<b>-</b>	<b>3,373,742</b>
<b>Investments and Other Assets</b>									
142	Prepaid expenses and other assets	3,876	3,406	-	-	-	-	-	278,394
144	Interprogram due from	1,882,264	-	-	-	-	-	-	1,882,267
145	Assets held for sale	3,386,802	-	-	-	-	-	-	3,386,802
150	<b>Total current assets</b>	<b>9,964,133</b>	<b>625,536</b>	<b>229,397</b>	<b>86,461</b>	<b>84,019</b>	<b>92,175</b>	<b>120,652</b>	<b>24,448,808</b>
<b>Noncurrent Assets</b>									
Property and equipment:									
161	Land	51,692	-	-	-	-	-	-	3,063,719
162	Buildings	-	-	-	-	-	-	-	68,118,291
Furniture, equipment and machinery:									
163	Dwellings	-	-	-	-	-	-	-	8,748,008
164	Administration	96,189	-	-	-	-	-	-	2,319,876
166	Accumulated depreciation	(92,689)	-	-	-	-	-	-	(55,194,940)
167	Construction in progress	-	-	-	-	-	-	-	1,533,833
160	<b>Total property and equipment, net of accumulated depreciation</b>	<b>55,192</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,588,787</b>
171	Notes receivable, noncurrent	6,079,965	1,152,140	-	620,028	-	-	-	20,001,455
180	<b>Total noncurrent assets</b>	<b>6,135,157</b>	<b>1,152,140</b>	<b>-</b>	<b>620,028</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,590,242</b>
190	<b>Total assets</b>	<b>\$ 16,099,290</b>	<b>\$ 1,777,676</b>	<b>\$ 229,397</b>	<b>\$ 706,489</b>	<b>\$ 84,019</b>	<b>\$ 92,175</b>	<b>\$ 120,652</b>	<b>\$ 73,039,050</b>

(Continued)

Housing and Redevelopment Authority of Duluth, Minnesota

Balance Sheet (Continued)

Financial Data Schedule

September 30, 2014

Line Item No.	Account Description	Owned Housing	Esmond	Hope VI	Section 8 Housing Choice Vouchers	Section 8 Moderate Rehabilitation	Other State and County Section 8 Programs	Shelter Plus Care	Emergency Service Grant	Central Office Cost Center
<b>Liabilities and Equity (Deficit)</b>										
<b>Liabilities</b>										
Current liabilities:										
312	Accounts payable	\$ 353,031	\$ 87,968	\$ 841	\$ 1,356	\$ 13	\$ 16	\$ 7,267	\$ -	\$ 7,991
321	Accrued wages/payroll taxes payable	40,111	-	-	12,361	256	71	343	-	69,625
322	Accrued compensated absences	119,880	-	-	32,222	660	236	896	-	96,099
325	Accrued interest payable	-	-	-	-	-	-	-	-	-
Accounts payable:										
331	HUD PHA programs	-	-	-	25,180	3,908	-	1,037	-	-
333	Other governmental	217,917	10,861	-	-	-	-	-	-	-
341	Tenant security deposits	191,032	6,345	-	-	-	-	-	-	-
342	Deferred revenue	97,076	-	-	-	-	-	-	9,523	-
343	Current portion of long-term debt, capital projects/mortgage revenue bonds	254,050	-	-	-	-	-	-	-	-
345	Other current liabilities	10,549	-	-	-	-	-	-	-	-
346	Accrued liabilities, other	30,000	-	-	-	-	-	-	-	-
347	Interprogram, due to	3	108,362	-	-	-	6,911	19,913	-	-
310	<b>Total current liabilities</b>	<b>1,313,649</b>	<b>213,536</b>	<b>841</b>	<b>71,119</b>	<b>4,837</b>	<b>7,234</b>	<b>29,456</b>	<b>9,523</b>	<b>173,715</b>
Noncurrent liabilities:										
351	Noncurrent debt, capital projects/revenue bonds	1,885,400	838,502	-	-	-	-	-	-	-
353	Noncurrent liabilities, other	-	-	-	26,591	-	-	-	-	-
354	Accrued compensated absences, noncurrent	290,826	-	-	52,299	1,070	383	1,454	-	221,456
300	<b>Total liabilities</b>	<b>3,489,875</b>	<b>1,052,038</b>	<b>841</b>	<b>150,009</b>	<b>5,907</b>	<b>7,617</b>	<b>30,910</b>	<b>9,523</b>	<b>395,171</b>
<b>Equity (Deficit)</b>										
508.1	Net investment in capital assets	24,227,049	48,221	1,076,372	-	-	-	-	(887)	204,888
511.1	Restricted fund balance	-	-	4,785,720	168,974	-	-	-	-	-
512.2	Unreserved, undesignated fund balance	2,568,562	(61,267)	14,884,506	110,539	9,305	7,626	-	-	757,853
513	<b>Total equity (deficit)</b>	<b>26,795,611</b>	<b>(13,046)</b>	<b>20,746,598</b>	<b>279,513</b>	<b>9,305</b>	<b>7,626</b>	<b>-</b>	<b>(887)</b>	<b>962,741</b>
600	<b>Total liabilities and equity</b>	<b>\$ 30,285,486</b>	<b>\$ 1,038,992</b>	<b>\$ 20,747,439</b>	<b>\$ 429,522</b>	<b>\$ 15,212</b>	<b>\$ 15,243</b>	<b>\$ 30,910</b>	<b>\$ 8,636</b>	<b>\$ 1,357,912</b>

(Continued)



Housing and Redevelopment Authority of Duluth, Minnesota

Balance Sheet (Continued)

Financial Data Schedule

September 30, 2014

Line Item No.	Account Description	State/Local	CDBG	Home	Business Activities	Lead Paint	Tax Increment District	Fiduciary Funds	Total
<b>Liabilities and Equity (Deficit)</b>									
<b>Liabilities</b>									
Current liabilities:									
312	Accounts payable	\$ 82,105	\$ 95,417	\$ 88,896	\$ 448	\$ 6,563	\$ 58	\$ 9,285	\$ 741,255
321	Accrued wages/payroll taxes payable	3,824	9,930	185	-	-	-	-	136,706
322	Accrued compensated absences	11,622	41,315	708	-	-	-	-	303,638
325	Accrued interest payable	7,979	-	-	-	-	-	-	7,979
Accounts payable:									
331	HUD PHA programs	-	-	-	-	-	-	-	30,125
333	Other governmental	-	-	-	-	-	-	-	228,778
341	Tenant security deposits	-	-	-	-	-	-	-	197,377
342	Deferred revenue	257,936	-	-	8,500	-	43,720	109,216	525,971
343	Current portion of long-term debt, capital projects/mortgage revenue bonds	69,277	-	-	-	-	-	-	323,327
345	Other current liabilities	34,081	-	-	-	-	-	-	44,630
346	Accrued liabilities, other	-	-	9	9,260	-	-	-	39,269
347	Interprogram, due to	1,305,781	108,399	134,894	-	77,456	120,548	-	1,882,267
310	<b>Total current liabilities</b>	<b>1,772,605</b>	<b>255,061</b>	<b>224,692</b>	<b>18,208</b>	<b>84,019</b>	<b>164,326</b>	<b>118,501</b>	<b>4,461,322</b>
Noncurrent liabilities:									
351	Noncurrent debt, capital projects/revenue bonds	727,937	-	-	-	-	-	-	3,451,839
353	Noncurrent liabilities, other	2,090,034	-	-	-	-	-	-	2,116,625
354	Accrued compensated absences, noncurrent	54,312	106,808	1,150	-	-	-	-	729,758
300	<b>Total liabilities</b>	<b>4,644,888</b>	<b>361,869</b>	<b>225,842</b>	<b>18,208</b>	<b>84,019</b>	<b>164,326</b>	<b>118,501</b>	<b>10,759,544</b>
<b>Equity (Deficit)</b>									
508.1	Net investment in capital assets	55,192	-	-	-	-	-	-	25,610,835
511.1	Restricted fund balance	-	-	-	-	-	-	-	4,954,694
512.2	Unreserved, undesignated fund balance	11,399,210	1,415,807	3,555	688,281	-	(72,151)	2,151	31,713,977
513	<b>Total equity (deficit)</b>	<b>11,454,402</b>	<b>1,415,807</b>	<b>3,555</b>	<b>688,281</b>	<b>-</b>	<b>(72,151)</b>	<b>2,151</b>	<b>62,279,506</b>
600	<b>Total liabilities and equity</b>	<b>\$ 16,099,290</b>	<b>\$ 1,777,676</b>	<b>\$ 229,397</b>	<b>\$ 706,489</b>	<b>\$ 84,019</b>	<b>\$ 92,175</b>	<b>\$ 120,652</b>	<b>\$ 73,039,050</b>

Housing and Redevelopment Authority of Duluth, Minnesota

Statement of Revenue, Expenses, and Changes in Fund Equity  
Financial Data Schedule  
Year Ended September 30, 2014

Line Item No.	Account Description	Owned Housing	Esmond	Hope VI	Section 8 Housing Choice Vouchers	Section 8 Moderate Rehabilitation	Other State and County Section 8 Programs	Shelter Plus Care	Emergency Service Grant	Central Office Cost Center
<b>Revenue</b>										
<b>Tenant:</b>										
70300	Rental	\$ 2,566,477	\$ 64,215	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70400	Other	216,509	4,130	-	-	-	-	-	-	-
70500	<b>Total tenant revenue</b>	<b>2,782,986</b>	<b>68,345</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
70600	HUD PHA grants	2,699,638	-	-	7,745,052	124,403	-	291,575	-	-
70610	Capital grants	1,233,122	-	-	-	-	-	-	-	-
70800	Other government grants	-	-	-	-	-	-	-	-	-
70710	Management fee	-	-	-	-	-	200,077	-	120,580	-
71100	Investment income, unrestricted	14,101	-	582,345	-	-	-	-	-	1,551,685
71200	Mortgage interest	-	-	-	-	-	-	-	-	29
71400	Fraud recovery	-	-	-	18,608	-	-	-	-	-
71500	Other revenue	299,055	445	-	38,219	-	1,704	-	-	-
71600	Gain or loss on sale of capital assets	(20,407)	-	-	-	-	-	-	-	-
72000	Investment income, restricted	-	-	-	-	-	-	-	-	-
70000	<b>Total revenue</b>	<b>7,008,495</b>	<b>68,790</b>	<b>582,345</b>	<b>7,801,879</b>	<b>124,403</b>	<b>201,781</b>	<b>291,575</b>	<b>120,580</b>	<b>1,551,714</b>
<b>Expenses</b>										
<b>Administrative:</b>										
91100	Salaries	520,380	61,455	-	404,856	8,619	5,174	11,905	-	906,660
91200	Auditing fees	25,641	-	2,612	7,637	368	229	85	-	-
91300	Management fee	851,998	9,410	-	190,250	4,418	1,881	11,086	-	-
91310	Book-keeping fee	93,158	-	-	122,228	2,618	1,568	3,615	-	-
91400	Advertising and marketing	5,925	81	-	169	-	-	-	-	169
91500	Employee benefit contributions	204,119	-	-	173,507	3,697	2,212	5,101	-	333,624
91600	Office expenses	225,068	8,566	652	98,579	5,465	1,158	14,332	14,339	203,390
91700	Legal	32,786	24,784	2,044	1,397	-	-	-	-	26,239
91800	Travel	13,679	2	-	1,345	50	38	21	-	3,386
91900	Other	176,720	-	-	-	-	-	-	106,241	-
	<b>Total administrative</b>	<b>2,149,474</b>	<b>104,298</b>	<b>5,308</b>	<b>999,968</b>	<b>25,235</b>	<b>12,260</b>	<b>46,145</b>	<b>120,580</b>	<b>1,473,468</b>
<b>Tenant services:</b>										
92100	Salaries	19,242	-	-	-	-	-	-	-	-
92400	Other	9,293	-	-	-	-	-	-	-	-
92500	<b>Total tenant services</b>	<b>28,535</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Utilities:</b>										
93100	Water	178,892	4,367	518	-	-	-	-	-	-
93200	Electricity	342,845	5,107	7,026	-	-	-	-	-	1,178
93300	Gas	342,569	6,378	-	-	-	-	-	-	-
93400	Fuel	-	-	4,342	-	-	-	-	-	-
93000	<b>Total utilities</b>	<b>864,306</b>	<b>15,852</b>	<b>11,886</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,178</b>
<b>Ordinary maintenance and operation:</b>										
94100	Labor	895,873	-	-	-	-	-	-	-	-
94200	Materials and other	276,026	3,376	69	395	1	44	2	-	3,529
94300	Contract costs	540,003	3,997	17,046	28	-	-	-	-	1,503
94500	Employee benefit contributions	397,463	-	-	-	-	-	-	-	-
94000	<b>Total ordinary maintenance and operation</b>	<b>2,109,365</b>	<b>7,373</b>	<b>17,115</b>	<b>423</b>	<b>1</b>	<b>44</b>	<b>2</b>	<b>-</b>	<b>5,032</b>

(Continued)

Housing and Redevelopment Authority of Duluth, Minnesota

Statement of Revenue, Expenses, and Changes in Fund Equity (Continued)  
Financial Data Schedule  
Year Ended September 30, 2014

Line Item No.	Account Description	State/Local	CDBG	Home	Business Activities	Lead Paint	Tax Increment District	Fiduciary Funds	Total
<b>Revenue</b>									
Tenant:									
70300	Rental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,630,692
70400	Other	-	-	-	-	-	-	-	220,639
70500	<b>Total tenant revenue</b>	-	-	-	-	-	-	-	2,851,331
70600	HUD PHA grants	-	589,034	404,452	-	377,924	-	-	12,232,078
70610	Capital grants	-	-	-	-	-	-	-	1,233,122
70800	Other government grants	-	-	-	95,877	-	-	2,707	419,241
70710	Management fee	-	-	-	-	-	-	-	1,551,685
71100	Investment income, unrestricted	212,964	77	-	2	-	-	-	809,518
71200	Mortgage interest	-	-	-	-	-	-	-	-
71400	Fraud recovery	-	-	-	-	-	-	-	18,608
71500	Other revenue	1,261,437	57,824	-	5,029	-	151,782	-	1,815,495
71600	Gain or loss on sale of capital assets	(357,719)	-	-	(48,441)	-	-	-	(426,567)
72000	Investment income, restricted	-	-	-	-	-	-	-	-
70000	<b>Total revenue</b>	1,116,682	646,935	404,452	52,467	377,924	151,782	2,707	20,504,511
<b>Expenses</b>									
Administrative:									
91100	Salaries	206,614	167,449	7,528	1,052	153,449	1,045	-	2,456,186
91200	Auditing fees	815	4,599	15	-	-	-	-	42,001
91300	Management fee	-	-	5,490	-	-	-	-	1,074,533
91310	Book-keeping fee	-	-	2,288	-	-	-	-	225,475
91400	Advertising and marketing	38,927	-	-	-	526	-	-	45,797
91500	Employee benefit contributions	71,896	73,830	3,264	462	70,023	330	-	942,065
91600	Office expenses	170,330	13,053	718	735	73,373	2,976	1	832,735
91700	Legal	82,509	974	-	254	-	7,980	-	178,967
91800	Travel	1,520	2,299	8	48	650	-	-	23,046
91900	Other	53,142	318,275	218,118	95,902	79,903	123,603	-	1,171,904
	<b>Total administrative</b>	625,753	580,479	237,429	98,453	377,924	135,934	1	6,992,709
Tenant services:									
92100	Salaries	-	-	-	-	-	-	-	19,242
92400	Other	-	-	-	-	-	-	-	9,293
92500	<b>Total tenant services</b>	-	-	-	-	-	-	-	28,535
Utilities:									
93100	Water	3,878	-	-	34	-	-	-	187,689
93200	Electricity	14,839	-	-	29	-	-	-	371,024
93300	Gas	-	-	-	9	-	-	-	348,956
93400	Fuel	10,014	-	-	-	-	-	-	14,356
93000	<b>Total utilities</b>	28,731	-	-	72	-	-	-	922,025
Ordinary maintenance and operation:									
94100	Labor	-	-	-	-	-	-	-	895,873
94200	Materials and other	1,667	-	1	-	-	-	576	285,686
94300	Contract costs	17,668	1,472	-	579	-	-	1,570	583,866
94500	Employee benefit contributions	-	-	-	-	-	-	-	397,463
94000	<b>Total ordinary maintenance and operation</b>	19,335	1,472	1	579	-	-	2,146	2,162,888

(Continued)

Housing and Redevelopment Authority of Duluth, Minnesota

Statement of Revenue, Expenses, and Changes in Fund Equity (Continued)  
Financial Data Schedule  
Year Ended September 30, 2014

Line Item No.	Account Description	Owned Housing	Esmond	Hope VI	Section 8 Housing Choice Vouchers	Section 8 Moderate Rehabilitation	Other State and County Section 8 Programs	Shelter Plus Care	Emergency Service Grant	Central Office Cost Center
<b>Expenses</b>										
Protective services:										
95200	Contract costs	\$ 9,270	\$ -	\$ 1,917	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
95300	Other	1,533	-	-	-	-	-	-	-	-
	<b>Total protective services expenses</b>	<b>10,803</b>	<b>-</b>	<b>1,917</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
General expenses:										
96100	Insurance premiums	179,216	12,584	2,513	8,381	188	245	158	-	13,125
96210	Compensated absences	67,132	-	-	(12,943)	(183)	(702)	(32)	-	19,835
96300	Payments in lieu of taxes	165,942	-	-	-	-	-	-	-	-
96400	Bad debt-tenant rents	25,411	-	4,689	-	-	-	-	-	-
96710	Interest on mortgage (or bonds) payable	108,393	-	-	-	-	-	-	-	-
96800	Severance expense	584	-	-	-	-	-	-	-	314
	<b>Total general expenses</b>	<b>546,678</b>	<b>12,584</b>	<b>7,202</b>	<b>(4,562)</b>	<b>5</b>	<b>(457)</b>	<b>126</b>	<b>-</b>	<b>33,274</b>
96900	<b>Total operating expenses</b>	<b>5,709,161</b>	<b>140,107</b>	<b>43,428</b>	<b>995,829</b>	<b>25,241</b>	<b>11,847</b>	<b>46,273</b>	<b>120,580</b>	<b>1,512,952</b>
97100	Extraordinary maintenance	171,654	-	-	-	-	-	-	-	-
97200	Casualty losses, noncapitalized	11,101	-	-	-	-	-	-	-	-
97300	Housing assistance payments	-	-	-	6,647,647	101,037	186,097	245,439	-	-
97400	Depreciation expense	2,097,909	-	-	-	-	-	-	887	15,091
90000	<b>Total expenses</b>	<b>7,989,825</b>	<b>140,107</b>	<b>43,428</b>	<b>7,643,476</b>	<b>126,278</b>	<b>197,944</b>	<b>291,712</b>	<b>121,467</b>	<b>1,528,043</b>
	<b>Excess (deficit) of revenue over expenses</b>	<b>(981,330)</b>	<b>(71,317)</b>	<b>538,917</b>	<b>158,403</b>	<b>(1,875)</b>	<b>3,837</b>	<b>(137)</b>	<b>(887)</b>	<b>23,671</b>
Other Financing Sources (Uses)										
Interfund transfers:										
10010	In	1,810,745	58,271	-	-	1,790	-	137	-	-
10020	Out	(1,803,004)	-	-	-	-	-	-	-	-
10100	<b>Total other financing sources (uses)</b>	<b>7,741</b>	<b>58,271</b>	<b>-</b>	<b>-</b>	<b>1,790</b>	<b>-</b>	<b>137</b>	<b>-</b>	<b>-</b>
10000	<b>Excess of revenue and other financing sources over (under) expenses and and other financing uses</b>	<b>\$ (973,589)</b>	<b>\$ (13,046)</b>	<b>\$ 538,917</b>	<b>\$ 158,403</b>	<b>\$ (85)</b>	<b>\$ 3,837</b>	<b>\$ -</b>	<b>\$ (887)</b>	<b>\$ 23,671</b>
Changes in Fund Equity (Deficit)										
	Balance, October 1, 2013	\$ 27,769,200	\$ -	\$ 20,207,681	\$ 121,110	\$ 9,390	\$ 3,789	\$ -	\$ -	\$ 939,070
	<b>Excess (deficit) of revenue over expenses</b>	<b>(973,589)</b>	<b>(13,046)</b>	<b>538,917</b>	<b>158,403</b>	<b>(85)</b>	<b>3,837</b>	<b>-</b>	<b>(887)</b>	<b>23,671</b>
	<b>Balance, September 30, 2014</b>	<b>\$ 26,795,611</b>	<b>\$ (13,046)</b>	<b>\$ 20,746,598</b>	<b>\$ 279,513</b>	<b>\$ 9,305</b>	<b>\$ 7,626</b>	<b>\$ -</b>	<b>\$ (887)</b>	<b>\$ 962,741</b>

(Continued)

Housing and Redevelopment Authority of Duluth, Minnesota

Statement of Revenue, Expenses, and Changes in Fund Equity (Continued)

Financial Data Schedule

Year Ended September 30, 2014

Line Item No.	Account Description	State/Local	CDBG	Home	Business Activities	Lead Paint	Tax Increment District	Fiduciary Funds	Total
	Expenses								
	Protective services:								
95200	Contract costs	\$ 60,551	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,738
95300	Other	-	-	-	-	-	-	-	1,533
	<b>Total protective services expenses</b>	<b>60,551</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73,271</b>
	General expenses:								
96100	Insurance premiums	3,496	4,983	117	-	-	-	-	225,006
96210	Compensated absences	7,733	10,896	932	-	-	-	-	92,668
96300	Payments in lieu of taxes	-	-	-	-	-	-	-	165,942
96400	Bad debt-tenant rents	-	-	-	-	-	-	-	30,100
96710	Interest on mortgage (or bonds) payable	117,656	-	-	-	-	4,673	-	230,722
96800	Severance expense	243,635	-	-	-	-	-	-	244,533
	<b>Total general expenses</b>	<b>372,520</b>	<b>15,879</b>	<b>1,049</b>	<b>-</b>	<b>-</b>	<b>4,673</b>	<b>-</b>	<b>988,971</b>
96900	<b>Total operating expenses</b>	<b>1,106,890</b>	<b>597,830</b>	<b>238,479</b>	<b>99,104</b>	<b>377,924</b>	<b>140,607</b>	<b>2,147</b>	<b>11,168,399</b>
97100	Extraordinary maintenance	-	-	-	-	-	-	-	171,654
97200	Casualty losses, noncapitalized	-	-	-	-	-	-	-	11,101
97300	Housing assistance payments	-	-	168,309	-	-	-	-	7,348,529
97400	Depreciation expense	913	-	-	-	-	-	-	2,114,800
90000	<b>Total expenses</b>	<b>1,107,803</b>	<b>597,830</b>	<b>406,788</b>	<b>99,104</b>	<b>377,924</b>	<b>140,607</b>	<b>2,147</b>	<b>20,814,483</b>
	<b>Excess (deficit) of revenue over expenses</b>	<b>8,879</b>	<b>49,105</b>	<b>(2,336)</b>	<b>(46,637)</b>	<b>-</b>	<b>11,175</b>	<b>560</b>	<b>(309,972)</b>
	Other Financing Sources (Uses)								
	Interfund transfers:								
10010	In	245,285	22,045	309	-	-	-	-	2,138,582
10020	Out	(335,578)	-	-	-	-	-	-	(2,138,582)
10100	<b>Total other financing sources (uses)</b>	<b>(90,293)</b>	<b>22,045</b>	<b>309</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
10000	<b>Excess of revenue and other financing sources over (under) expenses and other financing uses</b>	<b>\$ (81,414)</b>	<b>\$ 71,150</b>	<b>\$ (2,027)</b>	<b>\$ (46,637)</b>	<b>\$ -</b>	<b>\$ 11,175</b>	<b>\$ 560</b>	<b>\$ (309,972)</b>
	Changes in Fund Equity (Deficit)								
	Balance, October 1, 2013	\$ 11,535,816	\$ 1,344,657	\$ 5,582	\$ 734,918	\$ -	\$ (83,326)	\$ 1,591	\$ 62,589,478
	<b>Excess (deficit) of revenue over expenses</b>	<b>(81,414)</b>	<b>71,150</b>	<b>(2,027)</b>	<b>(46,637)</b>	<b>-</b>	<b>11,175</b>	<b>560</b>	<b>(309,972)</b>
	<b>Balance, September 30, 2014</b>	<b>\$ 11,454,402</b>	<b>\$ 1,415,807</b>	<b>\$ 3,555</b>	<b>\$ 688,281</b>	<b>\$ -</b>	<b>\$ (72,151)</b>	<b>\$ 2,151</b>	<b>\$ 62,279,506</b>

(Continued)

Housing and Redevelopment Authority of Duluth, Minnesota

Statement of Revenue, Expenses, and Changes in Fund Equity (Continued)

Financial Data Schedule

Year Ended September 30, 2014

Line Item No.	Account Description	Owned Housing	Hope VI	Section 8 Housing Choice Vouchers	Section 8 Moderate Rehabilitation	Other State and County Section 8 Programs	Shelter Plus Care	Emergency Service Grant	Central Office Cost Center
11020	Memo Account Information Debt principal repayment	\$ 242,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11030	Beginning equity	\$ 27,769,200	\$ 20,207,681	\$ 121,110	\$ 9,390	\$ 3,789	\$ -	\$ -	\$ 939,070
11040	Prior period adjustments equity transfers, correction of errors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11170	Administrative fee equity	\$ -	\$ -	\$ 110,539	\$ -	\$ -	\$ -	\$ -	\$ -
11180	Housing assistance payment equity	\$ -	\$ -	\$ 168,974	\$ -	\$ -	\$ -	\$ -	\$ -
11200	Unit-months available	13,812	-	17,664	396	209	-	-	-
11210	Number of unit-months leased	13,619	-	16,297	348	209	-	-	-
11270	Excess cash	\$ 1,626,333	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11620	Building purchases	\$ 1,620,085	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11630	Furniture and equipment: Dwelling purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11640	Administrative purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,995

(Continued)

Housing and Redevelopment Authority of Duluth, Minnesota

Statement of Revenue, Expenses, and Changes in Fund Equity (Continued)

Financial Data Schedule

Year Ended September 30, 2014

Line Item No.	Account Description	State/Local	CDBG	Home	Business Activities	Lead Paint	Tax Increment District	Fiduciary Funds	Total
	Memo Account Information								
11020	Debt principal repayment	\$ 1,093,461	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,335,608
11030	Beginning equity	\$ 11,535,816	\$ 1,344,657	\$ 5,582	\$ 734,918	\$ -	\$ (83,326)	\$ 1,591	\$ 62,589,478
11040	Prior period adjustments equity transfers, correction of errors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11170	Administrative fee equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,539
11180	Housing assistance payment equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 168,974
11200	Unit-months available	-	-	305	-	-	-	-	32,386
11210	Number of unit-months leased	-	-	305	-	-	-	-	30,778
11270	Excess cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,626,333
11620	Building purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,620,085
	Furniture and equipment:								
11630	Dwelling purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11640	Administrative purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,995

Housing and Redevelopment Authority of Duluth, Minnesota

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2014

	Contract Number	Federal CFD Number	Federal Awards Expended
U.S. Department of Housing and Urban Development			
Passed through City of Duluth:			
Community Development Block Grants/ Entitlement Grants	021406	14.218	\$ 15,663
Community Development Block Grants/ Entitlement Grants	021727	14.218	190
Community Development Block Grants/ Entitlement Grants	021935	14.218	27,046
Community Development Block Grants/ Entitlement Grants	021986	14.218	400,819
Community Development Block Grants/ Entitlement Grants	022225	14.218	145,316
			<u>589,034</u>
Emergency Solutions Grant Program	022001	14.231	<u>120,580</u>
Shelter Plus Care	SC558	14.238	<u>291,575</u>
HOME Investment Partnerships Program	021417	14.239	24,011
HOME Investment Partnerships Program	021726	14.239	193,798
HOME Investment Partnerships Program	021992	14.239	81,044
HOME Investment Partnerships Program	CD14HM	14.239	105,599
			<u>404,452</u>
Direct:			
Public and Indian Housing	C-949	14.850	<u>2,699,638</u>
Lower Income Housing Assistance Program:			
Section 8 Moderate Rehabilitation	C-4072SR	14.856	51,908
Section 8 Moderate Rehabilitation	C-4072MR	14.856	72,495
			<u>124,403</u>
Section 8 Housing Choice Vouchers	MN003VO/AF	14.871	<u>7,680,336</u>
Public Housing Capital Fund	MN46P00350111	14.872	12,782
Public Housing Capital Fund	MN46R00350211	14.872	17,273
Public Housing Capital Fund	MN46P00350112	14.872	602,209
Public Housing Capital Fund	MN46R00350212	14.872	113,767
Public Housing Capital Fund	MN46P00350113	14.872	480,887
Public Housing Capital Fund	MN46R00350213	14.872	6,204
			<u>1,233,122</u>
Family Self-Sufficiency Program	MN003VO/AF	14.896	<u>64,716</u>
			<u>64,716</u>
Passed through Minnesota Department of Health:			
Minnesota Housing Finance Agency:			
Passed through City of Duluth:			
Lead Hazard Reduction Demonstration Grant Program	21339	14.905	215,911
Lead Hazard Reduction Demonstration Grant Program	022063	14.905	162,013
			<u>377,924</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 13,585,780</u>

**Note - Basis of presentation:** The schedule of expenditures of Federal awards includes the Federal grant activity of the Authority and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



## **Compliance Matters and Internal Control**



**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Board of Commissioners  
Housing and Redevelopment Authority of Duluth, Minnesota  
Duluth, 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Housing and Redevelopment Authority of Duluth, Minnesota, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Housing and Redevelopment Authority of Duluth, Minnesota's basic financial statements, and have issued our report thereon dated April 22, 2015.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing and Redevelopment Authority of Duluth, Minnesota'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*McGladrey LLP*

Duluth, Minnesota  
April 22, 2015



**Independent Auditor's Report on Compliance For Each  
Major Federal Program and on Internal Control Over  
Compliance Required by OMB Circular A-133**

To the Board of Commissioners  
Housing and Redevelopment Authority of Duluth, Minnesota  
Duluth, Minnesota

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

We have audited the Housing and Redevelopment Authority of Duluth, Minnesota's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Housing and Redevelopment Authority of Duluth, Minnesota's major federal programs for the year ended September 30, 2014. The Housing and Redevelopment Authority of Duluth, Minnesota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Housing and Redevelopment Authority of Duluth, Minnesota's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing and Redevelopment Authority of Duluth, Minnesota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the Housing and Redevelopment Authority of Duluth, Minnesota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

### Report on Internal Control Over Compliance

Management of the Housing and Redevelopment Authority of Duluth, Minnesota is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing and Redevelopment Authority of Duluth, Minnesota's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing and Redevelopment Authority of Duluth, Minnesota's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Duluth, Minnesota  
April 22, 2015

Housing and Redevelopment Authority of Duluth, Minnesota

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2014

---

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?        Yes   X   None Reported

Noncompliance material to financial statements noted?

       Yes   X   No

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs:

Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?        Yes   X   No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between Type A and B programs

          \$ 407,573          

Auditee qualified as low-risk auditee?

  X   Yes        No

**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2014**

---

**II. Financial Statement Findings**

A. Internal Control

None Reported

B. Compliance Findings

None Reported

**III. Findings and Questioned Costs for Federal Awards**

A. Internal Control

None Reported

B. Compliance Findings

None Reported

**Housing and Redevelopment Authority of Duluth, Minnesota**

**Summary Schedule of Prior Audit Findings**  
**Year Ended September 30, 2014**

---

**No prior year audit findings**





## Independent Auditor's Report on *Minnesota Legal Compliance*

To the Board of Commissioners  
Housing and Redevelopment Authority of Duluth, Minnesota  
Duluth, 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 the Housing and Redevelopment Authority of Duluth, Minnesota as of and for the year ended September 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated April 22, 2015.

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

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

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

*McGladrey LLP*

Duluth, Minnesota  
April 22, 2015

Housing and Redevelopment Authority of Duluth, Minnesota

Schedule of Public Housing Capital Funds

September 30, 2014

	2011 Capital Fund MN46R00350211
Funds Approved	\$ 95,430
Funds Expended	95,430
Excess of funds approved	<u>\$ -</u>
Status	Complete