

**The Housing and Redevelopment  
Authority of South St. Paul  
South St. Paul, Minnesota**

**Financial Statements**

**December 31, 2021**



**The Housing and Redevelopment Authority of South St. Paul  
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**The Housing and Redevelopment Authority of South St. Paul**  
**Elected Officials and Administration**  
**December 31, 2021**

<u>Elected Official</u>	<u>Position</u>	<u>Term Expires</u>
Sharon Dewey	Chairperson	January 1, 2023
Joseph Kaliszewski	Vice Chairperson	January 1, 2023
Pamela Bakken	Secretary	January 1, 2025
Thomas Seaberg	Commissioner	January 1, 2023
James Francis	Commissioner	January 1, 2025
Todd Podgorski	Commissioner	January 1, 2025
Lori Hansen	Commissioner	January 1, 2025

Administration

Ryan Garcia	Executive Director
Clara Hilger	Treasurer



**PRINCIPALS**

Thomas A. Karnowski, CPA  
Paul A. Radosevich, CPA  
William J. Lauer, CPA  
James H. Eichten, CPA  
Aaron J. Nielsen, CPA  
Victoria L. Holinka, CPA/CMA  
Jaclyn M. Huegel, CPA  
Kalen T. Karnowski, CPA

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners and Management  
Housing and Redevelopment Authority of South St. Paul  
South St. Paul, Minnesota

**OPINIONS**

We have audited the accompanying financial statements of the business-type activities and each major fund of the Housing and Redevelopment Authority of South St. Paul (the Authority) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Authority as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**BASIS FOR OPINIONS**

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

**RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern within 12 months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

(continued)

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

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

(continued)

## **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the elected officials and administration but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Malloy, Montague, Karnowski, Radosevich & Co., P. A.*

Minneapolis, Minnesota  
June 23, 2022

## **The Housing and Redevelopment Authority of South St. Paul Management's Discussion and Analysis**

This management overview and analysis is offered to readers of the annual financial report for the Housing and Redevelopment Authority of the City of South St. Paul (the Authority) regarding the financial activities of the Authority for the fiscal year ended December 31, 2021.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Authority exceeded liabilities at the close of the most recent fiscal year by \$7,168,651 (net position). Of this amount, \$3,441,435 (unrestricted net position) may be used to meet the Authority's ongoing obligations.
- The Authority's total net position increased by \$605,745.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The management's discussion and analysis (MD&A) is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) Notes to the Financial Statements. This report also contains supplementary information in addition to the basic financial statements themselves.

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

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances. The Authority is supported primarily by intergovernmental revenues (HUD) and rental income. All of the Authority's activities are reported as proprietary funds.

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. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for which the cash flow will occur in future periods.

The government-wide financial statements can be found on pages 12-13 of this report.

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### **Proprietary Funds**

The Authority maintains one type of proprietary funds, enterprise. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Authority uses enterprise funds to account for its Low Rent Public Housing, Capital Fund, and Congregate Housing Programs. The basic proprietary fund statements can be found on pages 14-16 of this report.

#### **Notes to the 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. The Notes to the Financial Statements can be found on pages 17-21 of this report.

#### **Supplementary information**

The Financial Data Schedules contain detail by program, presented in the HUD-required format. The financial data schedules and notes can be found on pages 26-30 of this report.

**The Housing and Redevelopment Authority of South St. Paul  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$7,168,651 at the close of the most recent fiscal year. The portion of the Authority's net position of \$3,727,216, or 52.0%, reflects its net investment in capital assets (e.g. land, buildings, and equipment). These capital assets are not available for future spending. The remaining \$3,441,435 is unrestricted net position which can be used for ongoing obligations to citizens and creditors.

At the end of the fiscal year, the Authority was able to report positive balances in all categories of net position.

**Net Position**

	Business-Type Activities	
	2021	2020
Current and Other Assets	\$ 3,864,391	\$ 3,165,312
Capital and Noncurrent Assets	5,743,809	5,817,371
Total Assets	9,608,200	8,982,683
Current Liabilities	422,956	274,897
Long-Term Liabilities	2,016,593	2,144,880
Total Liabilities	2,439,549	2,419,777
Net Position		
Net Investment in Capital Assets	3,727,216	3,672,491
Unrestricted	3,441,435	2,890,415
Total Net Position	\$ 7,168,651	\$ 6,562,906

Current and other assets increased due to an increase in the cash reserves. Capital assets decreased due to the depreciation of assets exceeding new acquisitions. Current liabilities increased due to an increase in the payables due at year-end. Long-term liabilities decreased as a result of scheduled payments on the existing notes.

**The Housing and Redevelopment Authority of South St. Paul  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Change in Net Position**

	Business-Type Activities	
	2021	2020
REVENUES:		
Program Revenues:		
Charges for Services	\$ 1,274,252	\$ 1,225,875
Operating Grants and Contributions	1,417,594	1,148,121
Capital Grants and Contributions	396,954	338,047
General Revenues:		
Investment Earnings	438	5,438
Total Revenues	3,089,238	2,717,481
EXPENSES:		
Low Rent Public Housing	2,254,799	2,048,853
Congregate Housing Services	228,694	211,092
Total Expenses	2,483,493	2,259,945
Change in Net Position	605,745	457,536
Beginning Net Position	6,562,906	6,105,370
Ending Net Position	\$ 7,168,651	\$ 6,562,906

**Business-Type Activities**

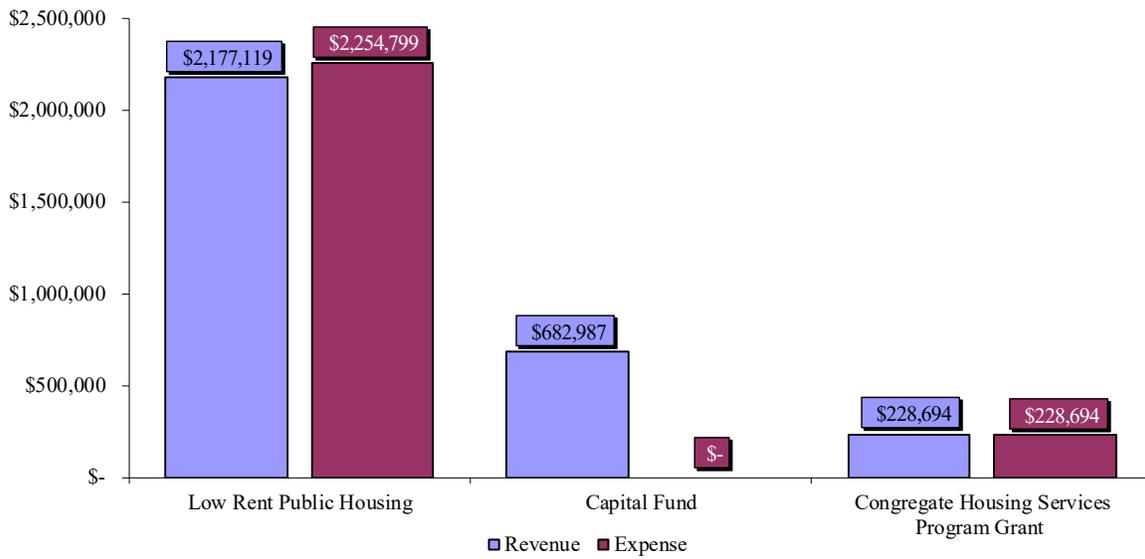
Business-type activities increased net position by \$605,745. Charges for services increased in 2021 due to increases in the rents charged to tenants. Operating grants increased due to grant funds received for Coronavirus Relief and management of the capital grant projects. Capital grants increased in 2021 due to the completion of the interior painting projects. Low Rent Public Housing expenses were higher in 2021 due to increases in administrative and utility costs.

**The Housing and Redevelopment Authority of South St. Paul  
Management's Discussion and Analysis**

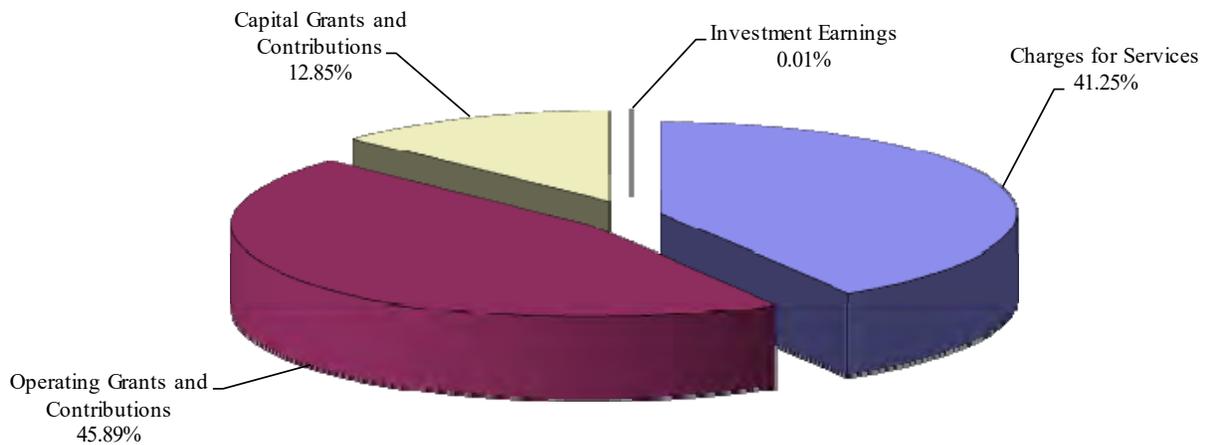
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

Below are specific graphs that provide comparisons of the business-type activities program revenues and expenses:

**Operating Expenses and Program Revenues – Business-Type Activities**



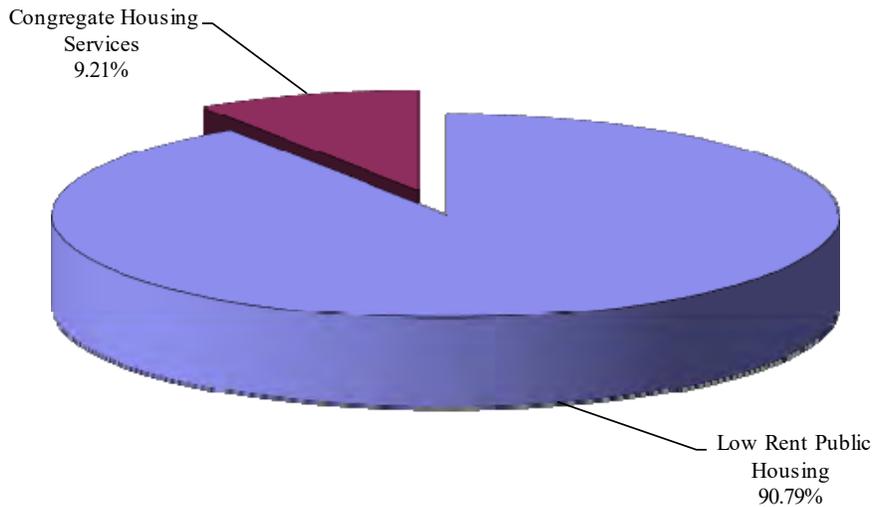
**Revenues by Source – Business-Type Activities – 2021**



**The Housing and Redevelopment Authority of South St. Paul  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Expenses by Function – Business-Type Activities – 2021**



**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

At the end of the current fiscal year, the Authority's proprietary funds reported combined net position of \$7,168,651. Of this total, 52.0%, or \$3,727,216, was net investment in capital assets and 48.0%, or \$3,441,435, was unrestricted.

The Low Rent Public Housing fund experienced a positive change in net position of \$605,745. This can be attributed to the accumulation of funds to provide financing for non-HUD funded projects and unexpected maintenance costs that may arise in the future.

Both the Capital Fund and Congregate Housing Services Program Grant funds ended 2021 with \$0 net position; these two funds transfer any remaining net position to the Low Rent Public Housing Program each year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – The Authority's capital assets for its business-type activities as of December 31, 2021 amounted to \$5,743,809 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, and equipment.

Capital Assets (Net of Depreciation)			
	2021	2020	
Land	\$ 265,675	\$ 265,675	
Construction in progress	47,972	-	
Buildings and improvements	5,425,753	5,545,680	
Equipment	4,409	6,016	
Total	\$ 5,743,809	\$ 5,817,371	

**The Housing and Redevelopment Authority of South St. Paul  
Management's Discussion and Analysis**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

Capital purchases for the year were for building improvements, site improvements and equipment totaling \$414,356. Depreciation on capital assets totaled \$487,918 during the fiscal year. More detailed information regarding capital assets can be found in the notes to the financial statements (Note 1H and Note 3).

**Debt Outstanding** – As of December 31, 2021 and 2020, the Authority had \$2,016,593 and \$2,144,880, respectively, in notes outstanding. Refer to Note 5 in the notes to the financial statements for additional information.

**ECONOMIC FACTORS AND NEXT YEARS BUDGETS**

The Authority remains heavily dependent on federal, state and local funding to support its operations. It is anticipated that funding will remain at current levels for 2022 and that next year's budget operations will be comparable to the 2021 budget. The Authority's goal is to maintain its current financial reserves.

**FINANCIAL CONTACT**

The Authority's financial statements are designed to present the users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have questions about the report or need additional financial information, contact the Authority's Executive Director or the City of South St. Paul Finance Director at 125 Third Avenue North, South St. Paul, Minnesota 55075.

## **BASIC FINANCIAL STATEMENTS**

**The Housing and Redevelopment Authority of South St. Paul**  
**Statement of Net Position**  
**December 31, 2021**

**Statement 1**

	<u>Business-Type Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,621,607
Accounts receivable - net	44,738
Due from other governments	107,926
Prepaid items	90,120
Capital assets (net of accumulated depreciation)	
Nondepreciable	313,647
Depreciable	<u>5,430,162</u>
Total assets	<u><u>9,608,200</u></u>
<b>Liabilities</b>	
Accounts and contracts payable	247,605
Due to other governments	88,032
Tenant security deposits	82,071
Interest payable	5,248
Notes payable	
Due within one year	136,887
Due in more than one year	<u>1,879,706</u>
Total liabilities	<u><u>2,439,549</u></u>
<b>Net Position</b>	
Net investment in capital assets	3,727,216
Unrestricted	<u>3,441,435</u>
Total net position	<u><u>\$ 7,168,651</u></u>

See notes to the financial statements

**The Housing and Redevelopment Authority of South St. Paul**  
**Statement of Activities**  
**Year Ended December 31, 2021**

**Statement 2**

Functions/Programs	Expenses	Program Revenue			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Business-Type Activities
Business-type activities					
Low rent public housing	\$ 2,254,799	\$ 1,255,930	\$ 921,189	\$ -	\$ (77,680)
Capital fund	-	-	286,033	396,954	682,987
Congregate housing services	228,694	18,322	210,372	-	-
Total business-type activities	<u>\$ 2,483,493</u>	<u>\$ 1,274,252</u>	<u>\$ 1,417,594</u>	<u>\$ 396,954</u>	<u>605,307</u>
		General revenues			
		Unrestricted investment earnings			<u>438</u>
		Change in net position			605,745
		Net position - beginning			<u>6,562,906</u>
		Net position - ending			<u>\$ 7,168,651</u>

See notes to the financial statements

**The Housing and Redevelopment Authority of South St. Paul**  
**Statement of Net Position - Proprietary Funds**  
**December 31, 2021**

**Statement 3**

	Business-Type Activities			Total
	Low Rent Public Housing (677, 678)	Capital Fund (673)	Congregate Housing Services Program Grant (671)	
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 3,605,869	\$ -	\$ 15,738	\$ 3,621,607
Accounts receivable - net	44,738	-	-	44,738
Due from other governments	-	107,926	-	107,926
Advance to other funds	107,926	-	-	107,926
Prepaid items	90,120	-	-	90,120
Total current assets	<u>3,848,653</u>	<u>107,926</u>	<u>15,738</u>	<u>3,972,317</u>
Noncurrent assets				
Capital assets				
Land	265,675	-	-	265,675
Buildings and improvements	21,149,374	-	-	21,149,374
Equipment	76,133	-	-	76,133
Construction in progress	47,972	-	-	47,972
Total capital assets	21,539,154	-	-	21,539,154
Less accumulated depreciation	(15,795,345)	-	-	(15,795,345)
Net capital assets	<u>5,743,809</u>	<u>-</u>	<u>-</u>	<u>5,743,809</u>
Total assets	<u>9,592,462</u>	<u>107,926</u>	<u>15,738</u>	<u>9,716,126</u>
<b>Liabilities</b>				
Current liabilities				
Accounts and contracts payable	231,867	-	15,738	247,605
Due to other governments	88,032	-	-	88,032
Advance from other funds	-	107,926	-	107,926
Tenant security deposits	82,071	-	-	82,071
Notes payable - current portion	136,887	-	-	136,887
Interest payable	5,248	-	-	5,248
Total current liabilities	<u>544,105</u>	<u>107,926</u>	<u>15,738</u>	<u>667,769</u>
Noncurrent liabilities				
Notes payable, net of current portion	1,879,706	-	-	1,879,706
Total liabilities	<u>2,423,811</u>	<u>107,926</u>	<u>15,738</u>	<u>2,547,475</u>
<b>Net position</b>				
Net investment in capital assets	3,727,216	-	-	3,727,216
Unrestricted	3,441,435	-	-	3,441,435
Total net position	<u>\$ 7,168,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,168,651</u>

See notes to the financial statements

**The Housing and Redevelopment Authority of South St. Paul**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds**  
**Year Ended December 31, 2021**

**Statement 4**

	Business-Type Activities			Total
	Low Rent Public Housing (677, 678)	Capital Fund (673)	Congregate Housing Services Program Grant (671)	
Operating revenues				
Charges for services	\$ 1,204,730	\$ -	\$ 18,322	\$ 1,223,052
Operating grants and contributions	921,189	286,033	210,372	1,417,594
Other program revenue	45,649	-	-	45,649
Total operating revenues	<u>2,171,568</u>	<u>286,033</u>	<u>228,694</u>	<u>2,686,295</u>
Operating expenses				
Administration	751,442	-	41,103	792,545
Tenant services	78,395	-	187,591	265,986
Protective services	37,906	-	-	37,906
Ordinary maintenance and operations	380,448	-	-	380,448
Insurance	90,513	-	-	90,513
Utilities	324,411	-	-	324,411
Depreciation	487,918	-	-	487,918
General and nonroutine expenses	88,763	-	-	88,763
Total operating expenses	<u>2,239,796</u>	<u>-</u>	<u>228,694</u>	<u>2,468,490</u>
Operating income (loss)	<u>(68,228)</u>	<u>286,033</u>	<u>-</u>	<u>217,805</u>
Nonoperating revenues (expenses)				
Investment income	438	-	-	438
Other revenue	5,551	-	-	5,551
Interest expense	(15,003)	-	-	(15,003)
Total nonoperating revenues (expenses)	<u>(9,014)</u>	<u>-</u>	<u>-</u>	<u>(9,014)</u>
Income (loss) before contributions and transfers	<u>(77,242)</u>	<u>286,033</u>	<u>-</u>	<u>208,791</u>
Capital contributions/grants	-	396,954	-	396,954
Transfers in	682,987	-	-	682,987
Transfers out	-	(682,987)	-	(682,987)
Change in net position	605,745	-	-	605,745
Net position - beginning	<u>6,562,906</u>	<u>-</u>	<u>-</u>	<u>6,562,906</u>
Net position - ending	<u>\$ 7,168,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,168,651</u>

See notes to the financial statements

**The Housing and Redevelopment Authority of South St. Paul**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended December 31, 2021**

**Statement 5**

	Business-Type Activities			Total
	Low Rent Public Housing (677,678)	Capital Fund (673)	Congregate Housing Services Program Grant (671)	
<b>Cash Flows-Operating Activities</b>				
Cash received from customers & tenants	\$ 1,249,951	\$ -	\$ 18,322	\$ 1,268,273
Cash received from HUD	921,189	286,033	210,372	1,417,594
Other program revenue	5,551	-	-	5,551
Cash paid for operating expenses	(1,612,158)	-	(227,505)	(1,839,663)
Net cash flows-operating activities	<u>564,533</u>	<u>286,033</u>	<u>1,189</u>	<u>851,755</u>
<b>Cash Flows-Noncapital Financing Activities</b>				
Transfer from other funds	682,987	-	-	682,987
Transfer to other funds	-	(682,987)	-	(682,987)
Advance from other funds	-	(128,616)	-	(128,616)
Advance to other funds	128,616	-	-	128,616
Net cash flows-noncapital financing activities	<u>811,603</u>	<u>(811,603)</u>	<u>-</u>	<u>-</u>
<b>Cash Flows-Capital And Related Financing Activities</b>				
Principal paid on debt	(128,287)	-	-	(128,287)
Interest paid on debt	(16,723)	-	-	(16,723)
Acquisition of capital assets	(414,356)	-	-	(414,356)
Capital contributions/grants	-	525,570	-	525,570
Net cash flows-capital and related financing activities	<u>(559,366)</u>	<u>525,570</u>	<u>-</u>	<u>(33,796)</u>
<b>Cash Flows-Investing Activities</b>				
Interest and dividends received	438	-	-	438
Net change in cash and cash equivalents	<u>817,208</u>	<u>-</u>	<u>1,189</u>	<u>818,397</u>
<b>Cash and Cash Equivalents</b>				
Beginning of year	2,788,661	-	14,549	2,803,210
End of year	<u>\$ 3,605,869</u>	<u>\$ -</u>	<u>\$ 15,738</u>	<u>\$ 3,621,607</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows-Operating Activities</b>				
Operating income (loss)	\$ (68,228)	\$ 286,033	\$ -	\$ 217,805
Adjustments to reconcile operating income (loss) to net cash flows-operating activities				
Depreciation expense	487,918	-	-	487,918
Changes in assets and liabilities				
Accounts receivable	(428)	-	-	(428)
Prepaid items	(8,870)	-	-	(8,870)
Accounts payable	145,592	-	1,189	146,781
Tenant security deposits	2,998	-	-	2,998
Other program revenue	5,551	-	-	5,551
Total adjustments	<u>632,761</u>	<u>-</u>	<u>1,189</u>	<u>633,950</u>
Net cash flows-operating activities	<u>\$ 564,533</u>	<u>\$ 286,033</u>	<u>\$ 1,189</u>	<u>\$ 851,755</u>

See notes to the financial statements

The Housing and Redevelopment Authority of South St. Paul  
Notes to the Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Housing and Redevelopment Authority of the City of South Saint Paul, Minnesota (the Authority) is a public agency that was established in 1964 under enabling state legislation. South St. Paul was the first Minnesota city outside the Twin Cities to form its own Authority. The Authority programs provided and encouraged development of safe and affordable housing, revitalization of commercial and industrial areas to provide stimulus for new development and employment opportunities in the City of South St. Paul (City). The Authority is governed by a seven-member Board of Commissioners consisting of the South St. Paul City Council.

The Authority, for financial reporting purposes, includes all funds for which the Authority is financially accountable. Financial accountability was determined on the basis of selection of the governing body, ability to impose will, a financial benefit/burden relationship, and fiscal dependency including approval of budgets, tax levies, and bonded debt issuance. In applying this criterion, the Authority has no component units.

Also, in applying the financial accountability criteria, it has been determined that the Authority is a blended component unit of the City of South St. Paul and is, therefore, included in the City's Annual Comprehensive Financial Report for the fiscal year ended December 31, 2021. In 2021 the Board of Commissioners was the full City Council and the City has the ability to impose its will on the Authority since City staff are responsible for the day-to-day management of the Authority. The City gives final substantive approval to the Authority's budget.

**B. Government-Wide Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Authority.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated revenues are reported as general revenues rather than program revenues.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Major individual proprietary funds are reported as separate columns in the fund financial statements. The Authority reports the following major proprietary funds:

*Low Rent Public Housing Fund* – Low Rent Public Housing fund records transactions relating to the two high rises with 300 dwelling units owned by the Authority. The U.S. Department of Housing and Urban Development (HUD) provides operating subsidies for these units through a Consolidated Annual Contributions Contract (CACC).

*Capital Fund* – This Fund accounts for modernization funds received from HUD for capital improvements, major repairs, and related costs to improve the physical quality of low-income housing units.

*Congregate Housing Services Program Grant (CHSP)* – CHSP provides assistance in necessary daily living activities, which enables residents to maintain independent living status, as opposed to becoming dependent on institutionalized care. Participants pay a HUD-regulated fee for services received.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The Housing and Redevelopment Authority of South St. Paul  
Notes to the Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services charged to tenants. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Budgets**

Budgets for Low Rent Public Housing fund are adopted and amended on a HUD-prescribed basis. Operating budgets are adopted on an annual basis, while the budgets for grants supported by Capital Fund Program Grant funds cover up to four years. Expenses may not exceed total allocations by grant, although there is some flexibility on a line-item basis with the grant.

**E. Cash Equivalents**

The Authority’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The Authority follows the deposit and investment policy for HUD. Therefore, the Authority has formal policies in place as of December 31, 2021, to address custodial credit risk for deposits.

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. Minnesota Statutes Section 118A requires that all deposits be protected by federal deposit insurance, corporate surety bonds or collateral. The fair value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. The investment policy requires collateralization as referenced in the above statute.

**F. Receivables and Payables**

Accounts receivable consist of amounts owed for tenant rent. Accounts payable consist of amounts owed to vendors at year-end. Interfund loans (“advances”) are needed to alleviate cash deficits in individual funds during the course of the year and for purposes of the financial statements at year end.

**G. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenses at the time of consumption.

**H. Capital Assets**

Capital assets, which include land, buildings and improvements, equipment, and construction in progress, are stated at historical cost, estimated historical cost or in the case of contributions, at their estimated acquisition value at the time received. Capital assets are defined by the authority as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Land and construction in progress are not depreciated. Capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Equipment	3-15

The Housing and Redevelopment Authority of South St. Paul  
Notes to the Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Tenant Deposits**

Tenants for the Low Rent Public Housing Program are required to make a security deposit prior to moving into their respective apartment. In addition, any resident who has a pet or who wishes to obtain a pet must make a deposit. These deposits are used to offset any damages incurred.

**J. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities or proprietary fund type statement of net position.

**K. Net Position**

Net position represents the difference between assets and liabilities in the government-wide and proprietary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**L. Use of Estimates**

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

**NOTE 2 – CASH AND INVESTMENTS**

In accordance with Minnesota Statutes, the Authority maintains deposits at those depository banks authorized by the Board, all of which are members of the Federal Reserve System. Minnesota Statutes require that all Authority deposits be protected by insurance, surety bond, or collateral. The fair value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. As of December 31, 2021 the Authority's bank balances were covered by insurance or collateral pledged and held in the Authority's name.

Total deposits at December 31, 2021 are as follows:

Depository accounts	\$ 1,432,968
Money market depositories	<u>2,188,639</u>
Total deposits	<u>\$ 3,621,607</u>

The Housing and Redevelopment Authority of South St. Paul  
Notes to the Financial Statements

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 265,675	\$ -	\$ -	\$ 265,675
Construction in progress	-	47,972	-	47,972
Total capital assets not being depreciated	<u>265,675</u>	<u>47,972</u>	<u>-</u>	<u>313,647</u>
Capital assets being depreciated:				
Buildings & improvements	20,782,990	366,384	-	21,149,374
Equipment	76,133	-	-	76,133
Total capital assets being depreciated	<u>20,859,123</u>	<u>366,384</u>	<u>-</u>	<u>21,225,507</u>
Less accumulated depreciation for:				
Buildings & improvements	15,237,310	486,311	-	15,723,621
Equipment	70,117	1,607	-	71,724
Total accumulated depreciation	<u>15,307,427</u>	<u>487,918</u>	<u>-</u>	<u>15,795,345</u>
Total capital assets being depreciated - net	<u>5,551,696</u>	<u>(121,534)</u>	<u>-</u>	<u>5,430,162</u>
Business-type activities capital assets - net	<u>\$ 5,817,371</u>	<u>\$ (73,562)</u>	<u>\$ -</u>	<u>\$ 5,743,809</u>

Depreciation expense is included in the Low Rent Public Housing fund.

**NOTE 4 – INTERFUND TRANSACTIONS**

Interfund transfers of \$682,987 were made to fund various project costs from the Capital fund to the Low Rent Public Housing fund. The Low Rent Public Housing fund advanced \$107,926 to the Capital fund to alleviate the cash deficit at year-end.

**NOTE 5 – LONG-TERM DEBT**

**Business-Type Activities – Notes Payable**

During 1999, the Authority obtained financing of two loans through the Minnesota Housing Finance Agency (MHFA) in the aggregate amount of \$211,980 to assist with the rehabilitation of the John Carroll Apartment windows. One loan in the amount of \$105,980 is due and payable as a lump sum on September 20, 2029. This is a noninterest bearing loan. The other loan in the amount of \$106,000 shall be deemed to be paid in full and no payment thereof shall be required after 30 years if no event of default occurs as described in the agreement.

During 2002, the Authority obtained financing from the Dakota County Community Development Agency in the amount of \$250,000 to assist with the rehabilitation of the Nan McKay Apartment windows. This is a noninterest bearing loan. This loan is only payable if/when the building ceases to be public housing.

During 2013, the Authority obtained financing from the MHFA in the amount of \$368,734 to assist with the rehabilitation of the Nan McKay Apartment elevators. This is a noninterest bearing loan and shall be deemed to be paid in full and no payment thereof shall be required after 20 years if no event of default occurs as described in the agreement.

During 2015, the Authority obtained financing through PNC Equipment Finance, LLC in the amount of \$1,163,746 for an Energy Performance Contract with Johnson Controls. This Contract was to assist with energy conservation improvements at the John Carroll building and Nan McKay building. This loan carries an interest rate of 3.219% with payments due annually through 2024. The balance of the loan at December 31, 2021, was \$391,240.

The Housing and Redevelopment Authority of South St. Paul  
Notes to the Financial Statements

**NOTE 5 – LONG-TERM DEBT**

**Business-Type Activities – Notes Payable (Continued)**

During 2016, the Authority obtained financing from the MHFA in the amount of \$442,486 to assist with the replacement of the fire alarm systems of the Nan McKay and John Carroll Apartment buildings. This is a noninterest bearing loan and shall be deemed to be paid in full and no payment thereof shall be required after 20 years if no event of default occurs as described in the agreement.

During 2020, the HRA obtained financing from the MHFA in the amount of \$352,153 to assist with the modernization of the elevators of the John Carroll Apartment building. This is a noninterest bearing loan and shall be deemed to be paid in full and no payment thereof shall be required after 35 years if no event of default occurs as described in the agreement.

Annual debt service requirements for business-type activities long-term debt are as follows:

	Business-Type		
	Principal	Interest	Total
2022	\$ 136,887	\$ 12,594	\$ 149,481
2023	145,897	8,187	154,084
2024	108,456	3,491	111,947
2029	105,980	-	105,980
Foregivable Debt	1,519,373	-	1,519,373
Total	\$ 2,016,593	\$ 24,272	\$ 2,040,865

**Changes in Long-Term Debt**

Long-term debt activity for the year ended December 31, 2021, was as follows:

	Balance 01/01/21	Additions	Deletions	Balance 12/31/21	Due Within One Year
<b>Business-type activities:</b>					
Notes payable:					
1999 MHFA-ARIF	\$ 105,980	\$ -	\$ -	\$ 105,980	\$ -
1999 MHFA-HTF	106,000	-	-	106,000	-
2013 MHFA	368,734	-	-	368,734	-
2016 MHFA	442,486	-	-	442,486	-
2019 MHFA	352,153	-	-	352,153	-
2002 CDA	250,000	-	-	250,000	-
Energy Performance Lease - PNC	519,527	-	128,287	391,240	136,887
Total business-type activities long-term debt	\$ 2,144,880	\$ -	\$ 128,287	\$ 2,016,593	\$ 136,887

**NOTE 6 – RISK MANAGEMENT**

The Authority is exposed to various risks and loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to protect against these risks of loss, the Authority purchases commercial insurance through the Housing Authority Risk Retention Group, Inc. and The Housing Authority Property Insurance, Inc. The Authority is covered through these insurance companies for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amounts of these deductibles are considered immaterial to the financial statements.

During the year ended December 31, 2021, there were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded the Authority's commercial coverage in any of the past three years.

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**SUPPLEMENTARY INFORMATION**

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PRINCIPALS

Thomas A. Karnowski, CPA  
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James H. Eichten, CPA  
Aaron J. Nielsen, CPA  
Victoria L. Holinka, CPA/CMA  
Jaclyn M. Huegel, CPA  
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

ON SUPPLEMENTARY INFORMATION

To the Board of Commissioners and Management  
Housing and Redevelopment Authority of South St. Paul  
South St. Paul, Minnesota

**OPINIONS**

We have audited the financial statements of the Housing and Redevelopment Authority of South St. Paul as of and for the year ended December 31, 2021, and our report thereon dated June 23, 2022, which expressed an unmodified opinion on those financial statements, appears on page 3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to June 23, 2022. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Board of Commissioners and management and is not intended to be, and should not be, used by anyone other than those specified parties.

*Malloy, Montague, Karnowski, Radosevich & Co., P.A.*

Minneapolis, Minnesota  
August 30, 2022

**The Housing and Redevelopment Authority of South St. Paul**  
**Financial Data Schedule**  
**Combining Balance Sheet - All Programs**  
**As of December 31, 2021**

Line Item No.	Account Descriptions	Project Total	14.170 Congregate Housing Service Program	14.PHC Public Housing CARES Act Funding	Subtotal	Eliminations	Total
<b>ASSETS</b>							
Current assets							
111	Cash - unrestricted	\$ 3,523,798	\$ 15,738	\$ -	\$ 3,539,536	\$ -	\$ 3,539,536
114	Cash - Tenant Security Deposits	82,071	-	-	82,071	-	82,071
100	Total cash	<u>3,605,869</u>	<u>15,738</u>	<u>-</u>	<u>3,621,607</u>	<u>-</u>	<u>3,621,607</u>
Accounts and Notes Receivable							
122	Accounts Receivable - HUD Other Projects	107,926	-	-	107,926	-	107,926
125	Accounts Receivable - Miscellaneous	1,676	-	-	1,676	-	1,676
126	Accounts Receivable - Tenants	49,876	-	-	49,876	-	49,876
126.1	Allowance for Doubtful Accounts -Tenants	(6,814)	-	-	(6,814)	-	(6,814)
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>152,664</u>	<u>-</u>	<u>-</u>	<u>152,664</u>	<u>-</u>	<u>152,664</u>
Investments and Other Assets							
142	Prepaid Expenses and Other Assets	90,120	-	-	90,120	-	90,120
150	Total Current Assets	<u>3,848,653</u>	<u>15,738</u>	<u>-</u>	<u>3,864,391</u>	<u>-</u>	<u>3,864,391</u>
Noncurrent assets							
161	Land	265,675	-	-	265,675	-	265,675
162	Buildings	21,149,374	-	-	21,149,374	-	21,149,374
163	Furniture, Equipment & Machinery-Dwellings	76,133	-	-	76,133	-	76,133
166	Accumulated Depreciation	(15,795,345)	-	-	(15,795,345)	-	(15,795,345)
167	Construction in Progress	47,972	-	-	47,972	-	47,972
160	Total Capital Assets, Net of Accumulated Depreciation	<u>5,743,809</u>	<u>-</u>	<u>-</u>	<u>5,743,809</u>	<u>-</u>	<u>5,743,809</u>
180	Total Noncurrent Assets	<u>5,743,809</u>	<u>-</u>	<u>-</u>	<u>5,743,809</u>	<u>-</u>	<u>5,743,809</u>
290	<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<u>\$ 9,592,462</u>	<u>\$ 15,738</u>	<u>\$ -</u>	<u>\$ 9,608,200</u>	<u>\$ -</u>	<u>\$ 9,608,200</u>

See notes to the financial data schedule

The Housing and Redevelopment Authority of South St. Paul  
 Financial Data Schedule  
 Combining Balance Sheet - All Programs  
 As of December 31, 2021

Line Item No.	Account Descriptions	Project Total	14.170 Congregate Housing Service Program	14.PHC Public Housing CARES Act Funding	Subtotal	Eliminations	Total
<b>LIABILITIES AND NET POSITION</b>							
Liabilities							
Current Liabilities							
312	Accounts Payable <= 90 Days	\$ 231,867	\$ 15,738	\$ -	\$ 247,605	\$ -	\$ 247,605
325	Accrued Interest Payable	5,248	-	-	5,248	-	5,248
341	Tenant Security Deposits	82,071	-	-	82,071	-	82,071
Current Portion of Long-term Debt - Capital							
343	Projects/Mortgage Revenue	136,887	-	-	136,887	-	136,887
345	Other Current Liabilities	88,032	-	-	88,032	-	88,032
310	Total Current Liabilities	<u>544,105</u>	<u>15,738</u>	<u>-</u>	<u>559,843</u>	<u>-</u>	<u>559,843</u>
Noncurrent Liabilities							
Long-term Debt, Net of Current - Capital							
351	Projects/Mortgage Revenue	1,879,706	-	-	1,879,706	-	1,879,706
350	Total Noncurrent Liabilities	<u>1,879,706</u>	<u>-</u>	<u>-</u>	<u>1,879,706</u>	<u>-</u>	<u>1,879,706</u>
300	Total Liabilities	<u>2,423,811</u>	<u>15,738</u>	<u>-</u>	<u>2,439,549</u>	<u>-</u>	<u>2,439,549</u>
Net Position							
508.4	Net investment in capital assets	3,727,216	-	-	3,727,216	-	3,727,216
512.4	Unrestricted net position	3,441,435	-	-	3,441,435	-	3,441,435
513	Total Equity - Net Assets/Position	<u>7,168,651</u>	<u>-</u>	<u>-</u>	<u>7,168,651</u>	<u>-</u>	<u>7,168,651</u>
600	<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND EQUITY - NET ASSETS/POSITION</b>	<u>\$ 9,592,462</u>	<u>\$ 15,738</u>	<u>\$ -</u>	<u>\$ 9,608,200</u>	<u>\$ -</u>	<u>\$ 9,608,200</u>

**The Housing and Redevelopment Authority of South St. Paul  
Financial Data Schedule**

**Combining Schedule of Revenues, Expenses, and Changes in Net Position - All Programs  
For the Year Ended December 31, 2021**

Line Item No.	Account Descriptions	Project Total	14.170 Congregate Housing Service Program	14.PHC Public Housing CARES Act Funding	Subtotal	Eliminations	Total
<b>REVENUES</b>							
70300	Net Tenant Rental Revenue	\$ 1,204,730	\$ -	\$ -	\$ 1,204,730	\$ -	\$ 1,204,730
70500	Total Tenant Revenue	1,204,730	-	-	1,204,730	-	1,204,730
70600	HUD PHA Operating Grants	1,207,222	193,382	16,990	1,417,594	-	1,417,594
70610	Capital Grants	396,954	-	-	396,954	-	396,954
71100	Investment Income - Unrestricted	438	-	-	438	-	438
71500	Other Revenue	51,200	18,322	-	69,522	-	69,522
70000	Total Revenue	2,860,544	211,704	16,990	3,089,238	-	3,089,238
<b>EXPENSES</b>							
Administrative							
91200	Auditing Fees	14,000	-	-	14,000	-	14,000
91300	Management Fee	480,000	-	-	480,000	-	480,000
91400	Advertising and Marketing	1,230	-	-	1,230	-	1,230
91600	Office Expenses	256,152	44,427	-	300,579	-	300,579
91700	Legal Expense	60	-	-	60	-	60
91000	Total Operating - Administrative	751,442	44,427	-	795,869	-	795,869
Tenant Services							
92400	Tenant Services - Other	78,395	167,277	16,990	262,662	-	262,662
92500	Total Tenant Services	78,395	167,277	16,990	262,662	-	262,662
Utilities							
93100	Water	28,068	-	-	28,068	-	28,068
93200	Electricity	194,749	-	-	194,749	-	194,749
93300	Gas	46,932	-	-	46,932	-	46,932
93600	Sewer	54,662	-	-	54,662	-	54,662
93000	Total Utilities	324,411	-	-	324,411	-	324,411
Ordinary Maintenance and Operations							
Ordinary Maintenance and Operations -							
94200	Materials and Other	57,980	-	-	57,980	-	57,980
94300	Ordinary Maintenance and Operations Contracts	322,468	-	-	322,468	-	322,468
94000	Total Ordinary Maintenance and Operations	380,448	-	-	380,448	-	380,448
Protective Services							
95300	Protective Services - Other	37,906	-	-	37,906	-	37,906
95000	Total Protective Services	37,906	-	-	37,906	-	37,906
Insurance Premiums							
96110	Property Insurance	77,294	-	-	77,294	-	77,294
96120	Liability Insurance	13,219	-	-	13,219	-	13,219
96100	Total Insurance Premiums	90,513	-	-	90,513	-	90,513

See notes to the financial data schedule

The Housing and Redevelopment Authority of South St. Paul  
 Financial Data Schedule

Combining Schedule of Revenues, Expenses, and Changes in Net Position - All Programs  
 For the Year Ended December 31, 2021

Line Item No.	Account Descriptions	Project Total	14.170 Congregate Housing Service Program	14.PHC Public Housing CARES Act Funding	Subtotal	Eliminations	Total
<b>General Expenses</b>							
96200	Other General Expenses	1,024	-	-	1,024	-	1,024
96300	Payments in Lieu of Taxes	88,032	-	-	88,032	-	88,032
96400	Bad debt - Tenant Rents	(293)	-	-	(293)	-	(293)
96000	Total Other General Expenses	88,763	-	-	88,763	-	88,763
<b>Interest Expense and Amortization Cost</b>							
96710	Interest of Mortgage (or Bonds) Payable	15,003	-	-	15,003	-	15,003
96700	Total Interest Expense and Amortization Cost	15,003	-	-	15,003	-	15,003
96900	Total Operating Expenses	1,766,881	211,704	16,990	1,995,575	-	1,995,575
<b>Excess of Operating Revenue over Operating Expenses</b>							
97000		1,093,663	-	-	1,093,663	-	1,093,663
97400	Depreciation Expense	487,918	-	-	487,918	-	487,918
90000	Total Expenses	2,254,799	211,704	16,990	2,483,493	-	2,483,493
<b>EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES</b>							
10000		\$ 605,745	\$ -	\$ -	\$ 605,745	\$ -	\$ 605,745
11020	Required Annual Debt Principal Payments	\$ 128,287	\$ -	\$ -	\$ 128,287	\$ -	\$ 128,287
11030	Beginning Equity	6,562,906	-	-	6,562,906	-	6,562,906
11190	Unit Months Available	3,576	-	-	3,576	-	3,576
11210	Number of Unit Months Leased	3,495	-	-	3,495	-	3,495
11270	Excess Cash	3,067,188	-	-	3,067,188	-	3,067,188
11620	Building Purchases	396,954	-	-	396,954	-	396,954

The Housing and Redevelopment Authority of South St. Paul  
Notes to the Financial Data Schedules

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial data schedules are presented on a full accrual basis of accounting. The information in the schedules is presented in accordance with the U.S. Department of Housing and Urban Development (HUD), Office of Public and Indian Housing, Real Estate Assessment Center and the Financial Assistance Subsystem-Public Housing (FASS-PH). Therefore, some of the amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the Authority's financial statements.