

Disclaimer

The Hennepin County Housing and Redevelopment Authority (HCHRA) Financial Statements contained on the County's web pages are historical information as of December 31, 2015. The information in the Financial Statements has not been updated for developments subsequent to the date of the independent auditor's report.

The County has taken reasonable security measures to protect the integrity of its website and information posted thereon. However, no web site can fully ensure against infiltration. Absent any unauthorized act that deletes, edits, or somehow manipulates the words or data, this publication represents the presentation of the HCHRA's Financial Statements dated December 31, 2015.

This online document has been formatted for two-sided printing.



HENNEPIN COUNTY
HOUSING AND REDEVELOPMENT AUTHORITY
(A Component Unit of Hennepin County, Minnesota)

Financial Statements

December 31, 2015

(With Independent Auditors' Report Thereon)



Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
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Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Principal Officials 2015

Board of Commissioners:

Linda Higgins, Chair

Randy Johnson, Vice Chair

Marion Greene, Secretary

Mike Opat

Peter McLaughlin

Jan Callison

Jeff Johnson

Executive Director:

David J. Hough



Independent Auditor's Report

Hennepin County Housing and Redevelopment Authority Board
Hennepin County, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Hennepin County Housing and Redevelopment Authority (HCHRA), a component unit of Hennepin County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise HCHRA'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. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of HCHRA as of December 31, 2015, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has chosen not to present a management's discussion and analysis for HCHRA that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise HCHRA's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The 2015 supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 2015 supplementary information is fairly stated, in all material respects, in relation to the 2015 basic financial statements taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, HCHRA's 2014 basic financial statements (not presented herein) and have issued our report dated July 20, 2015, which contained unmodified opinions on the respective financial statements of the governmental activities and the major fund. The accompanying supplementary information, as listed in the table of contents, for the year ended December 31, 2014, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 basic financial statements. The accompanying supplementary information has been subjected to the auditing procedures applied in the audit of the 2014 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements, or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2014 supplementary information is fairly stated, in all material respects, in relation to the 2014 basic financial statements taken as a whole.

RSM US LLP

Minneapolis, Minnesota
July 22, 2016



Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Governmental Fund Balance Sheet and Statement of Net Position
December 31, 2015

	General Fund	Adjustments (Note 1)	Statement of Net Position
ASSETS			
Current Assets:			
Interest in County investment pool	\$ 8,564,272	\$ -	\$ 8,564,272
Due from other governmental agencies	23,663	-	23,663
Accounts receivable	17,726	-	17,726
Prepaid items	269,343	-	269,343
Land held for resale	6,583,789	-	6,583,789
Total Current Assets	15,458,793	-	15,458,793
Noncurrent Assets:			
Notes receivable	16,212,245	-	16,212,245
Restricted cash and investments	743,085	-	743,085
Capital Assets:			
Land	-	1,423,503	1,423,503
Buildings	-	12,654,573	12,654,573
Construction in progress	-	2,075,970	2,075,970
Less accumulated depreciation	-	(6,107,954)	(6,107,954)
Net capital assets	-	10,046,092	10,046,092
Total Noncurrent Assets	16,955,330	10,046,092	27,001,422
Total Assets	\$ 32,414,123	\$ 10,046,092	\$ 42,460,215
LIABILITIES			
Current Liabilities:			
Accounts and contracts payable	\$ 770,490	\$ -	\$ 770,490
Note Payable	-	518,092	518,092
Total Current Liabilities	770,490	518,092	1,288,582
Noncurrent Liabilities:			
Due to Hennepin County	13,198,051	-	13,198,051
Note payable	-	4,862,828	4,862,828
Total Noncurrent Liabilities	13,198,051	4,862,828	18,060,879
Total Liabilities	13,968,541	5,380,920	19,349,461
FUND BALANCES/NET POSITION			
Fund Balances:			
Nonspendable	6,853,132	(6,853,132)	-
Restricted	581,801	(581,801)	-
Committed	8,445,946	(8,445,946)	-
Assigned	35,730	(35,730)	-
Unassigned	2,528,973	(2,528,973)	-
Total Fund Balances	18,445,582	(18,445,582)	-
Total Liabilities and Fund Balances	\$ 32,414,123		
Net Position:			
Net investment in capital assets		4,665,172	4,665,172
Restricted for low income housing and economic development		581,801	581,801
Unrestricted		17,863,781	17,863,781
Total Net Position		\$ 23,110,754	\$ 23,110,754

The notes to the financial statements are an integral part of these statements.

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
**Statement of Governmental Fund Revenues, Expenditures,
and Changes in Fund Balance and Statement of Activities**
For the Year Ended December 31, 2015

	General Fund	Adjustments (Note 1)	Statement of Activities
REVENUES			
Property taxes	\$ 7,108,006	\$ -	\$ 7,108,006
Intergovernmental	11,060,078	518,092	11,578,170
Investment earnings	64,845	-	64,845
Charges for services	1,851,347	-	1,851,347
Other	418,215	-	418,215
	<u>20,502,491</u>	<u>518,092</u>	<u>21,020,583</u>
EXPENDITURES/EXPENSES			
Housing and Redevelopment:			
Current:			
Commodities	120	-	120
Contractual services	4,547,187	-	4,547,187
Capital outlay	3,499,473	(3,499,473)	-
Other charges	242,536	-	242,536
Grants	4,714,135	-	4,714,135
Depreciation	-	632,729	632,729
	<u>13,003,451</u>	<u>(2,866,744)</u>	<u>10,136,707</u>
Total Expenditures/Expenses	<u>13,003,451</u>	<u>(2,866,744)</u>	<u>10,136,707</u>
Net Change in Fund Balance	7,499,040	(7,499,040)	-
Change in Net Position	-	10,883,876	10,883,876
FUND BALANCE/NET POSITION			
Beginning	<u>10,946,542</u>	<u>1,280,336</u>	<u>12,226,878</u>
Ending	<u>\$ 18,445,582</u>	<u>\$ 4,665,172</u>	<u>\$ 23,110,754</u>

The notes to the financial statements are an integral part of these statements.

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 7,066,307	\$ 7,066,307	\$ 7,108,006	\$ 41,699
Intergovernmental	81,224,814	71,249,052	11,060,078	(60,188,974)
Investment earnings	106,900	106,900	64,845	(42,055)
Charges for services	715,000	1,040,000	1,851,347	811,347
Other	-	360,714	418,215	57,501
	<u>89,113,021</u>	<u>79,822,973</u>	<u>20,502,491</u>	<u>(59,320,482)</u>
EXPENDITURES				
Commodities	31,250	31,250	120	31,130
Contractual services	3,535,662	61,710,245	4,547,187	57,163,058
Capital outlay	-	-	3,499,473	(3,499,473)
Other charges	2,368,617	1,277,284	242,536	1,034,748
Grants	16,397,646	16,919,186	4,714,135	12,205,051
	<u>22,333,175</u>	<u>79,937,965</u>	<u>13,003,451</u>	<u>66,934,514</u>
Net Change in Fund Balance	66,779,846	(114,992)	7,499,040	\$ <u><u>7,614,032</u></u>
Fund Balance - Beginning	<u>11,362,168</u>	<u>10,946,542</u>	<u>10,946,542</u>	
Fund Balance - Ending	\$ <u><u>78,142,014</u></u>	\$ <u><u>10,831,550</u></u>	\$ <u><u>18,445,582</u></u>	

The notes to the financial statements are an integral part of this statement.

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Financial Statements
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

The Hennepin County Housing and Redevelopment Authority (HCHRA) was established in 1987 for the purpose of supporting housing development, tax base expansion, job increases, and industrial and commercial development in accordance with the powers and authorities granted in laws of Minnesota sections 383B.77 and 469.001 to 469.047.

The HCHRA is a blended component unit of Hennepin County, Minnesota (the County). A blended component unit, although a legally separate entity, is in substance part of the County's operations and so data from this unit is combined with financial information of the primary government and reported as a special revenue fund in Hennepin County's Comprehensive Annual Financial Report, which can be obtained from the County. Hennepin County was established in 1852 as an organized county having powers, duties, and privileges granted counties by Minnesota Statutes. The County is governed by a seven-member board of commissioners elected from districts within the County. The County Commissioners comprise the entire HCHRA board and exercise financial accountability. Employees of Hennepin County staff projects of the HCHRA. The HCHRA has no employees.

The financial statements of the HCHRA are prepared in accordance with accounting principles generally accepted in the United States of America as established for governmental entities.

Measurement Focus, Basis of Accounting and Basis of Presentation

The annual financial report includes two separate sets of statements, the government-wide financial statements and the fund financial statements. The measurement focus, basis of accounting and basis of presentation differs between the government-wide financial statements and the fund financial statements. These differences, along with an explanation of the differing purposes and information provided by these separate financial statements, are described in the sections below.

As a special-purpose government engaged in a single governmental program, the government-wide statements and the fund financial statements have been combined in one statement. An adjustments column reflects the following differences between the two types of statements:

- Governmental funds report capital outlays as expenditures. Capital assets are reported in the Statement of Net Position at historical cost and in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.
- Long-term liabilities, such as the note payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements. Long-term liabilities are reported in the Statement of Net Position and the effect of related transactions is reported in the Statement of Activities.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the HCHRA using the *economic resources measurement focus* and the *accrual basis of accounting*. The economic resources measurement focus results in the reporting of all inflows, outflows, and balances affecting or reflecting HCHRA net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which the taxes are levied. The structure of the two government-wide financial statements (the statement of net position and the statement of activities) is described in the following two paragraphs.

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Financial Statements
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The Statement of Net Position is designed to display the financial position of the HCHRA. The HCHRA reports all capital assets and long-term liabilities, such as long-term debt. The net position of the HCHRA is reported in three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. Restrictions reported are those imposed by parties outside the HCHRA, such as creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through enabling legislation. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

The Statement of Activities demonstrates the degree to which expenses of a given function are offset by program revenues. Program revenues include 1) intergovernmental revenues restricted to meeting operational or capital requirements of a particular function, 2) charges for services, and 3) other program revenues. Property taxes and investment earnings (losses) not properly included in program revenues are reported as general revenues. Just as the statement of net position reports capital assets, the Statement of Activities reports depreciation expense.

Fund Financial Statements

The accounts of the HCHRA are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The General Fund is used to account for the HCHRA's activities. Governmental fund types use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The current financial resources measurement focus results in the reporting of only near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. 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. Property taxes are considered measurable when levied for, intergovernmental revenues when applicable eligibility requirements have been met, and charges for services when provided. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The HCHRA considers revenues to be available if they are collected within 60 days after year-end. Changes in the fair value of investments are recognized in investment earnings (losses) at the end of each year. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest, which is recognized when due.

Assets, Liabilities, and Fund Balance/Net Position

The HCHRA's cash is deposited in pooled accounts of the Hennepin County Investment Pool, an internal investment pool. Cash surpluses in these accounts are invested by the County. Investment earnings (losses) are allocated to the HCHRA on the basis of average monthly cash and investment balances. The HCHRA's portion of the pool is presented as Interest in County Investment Pool.

Investments authorized by State law include investments in governmental bonds, notes, bills, mortgages, and other securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies and instrumentalities, or organizations created by an act of Congress. In addition, state law allows investment in general obligations of the State of Minnesota or any of its municipalities, bankers acceptances of United States banks eligible for purchase by the Federal Reserve System, certain commercial paper issued by United States corporations or their Canadian subsidiaries, repurchase agreements, reverse repurchase agreements, and certain other securities described in the law. Investments are stated at fair value. The fair value of investments is based on quoted market prices.

Accounts receivable relate to intergovernmental revenues and are reimbursement based, with no allowance for uncollectible accounts necessary. The portion of receivables not collected within 60 days is offset by deferred inflows of resources in the fund financial statements.

Prepaid items represent payments to vendors whose costs are applicable to future reporting periods, and are recorded as prepaid items in both the government-wide and fund financial statements.

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Financial Statements
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Fund Balance/Net Position – Continued

Capital assets are reported in the government-wide financial statements at historical cost. Capital assets used in governmental activities are not financial resources and therefore net capital assets are not reported in the fund financial statements. Capital assets are depreciated or amortized in the statement of activities for governmental activities using the straight-line method. Buildings are depreciated over their 20-50 year estimated useful lives. For fund financial statement reporting purposes, capital outlays are reported as expenditures. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized and are reported as expenses in the governmental activities and as expenditures in the fund financial statements. The net capital asset activity in the current period relates to depreciation that is recognized in the government activities statement of activities.

Long-term debt is reported as a liability in the government-wide financial statements. Long-term obligations are not due and payable in the current period and therefore are not reported in the fund financial statements. Proceeds are reported in the fund statements as intergovernmental revenue and no interest expense is recognized due to the debt forgiveness features of the obligation described in Note 5. For fund financial statement reporting purposes, current period debt forgiveness does not provide current financial resources to government funds and therefore it is not reflected in the statement of revenues, expenditures and changes in fund balance.

Fund balance. In the governmental fund financial statements, fund balance is reported in the following classifications that are based on the spending constraints placed on the resources:

- Nonspendable fund balance – amounts that are not in a spendable form (such as prepaid items).
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as higher levels of government) or imposed by law through enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the HCHRA Board as approved or rescinded in a Board Resolution.
- Assigned fund balance – amounts constrained by the HCHRA's intent to be used for specific purposes, but are neither restricted nor committed. The HCHRA Board has the authority to assign fund balance.
- Unassigned fund balance – amounts included in the residual classification for the General Fund that have not been restricted, committed, or assigned to specific purposes, and deficit fund balances of the other funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is used first. When an expenditure is incurred for which unrestricted fund balance is to be used, committed amounts are used first, followed by assigned, and then unassigned.

Net position. In the government-wide financial statements, the net investment in capital assets is reported separately. Restricted net position is reported for amounts that are legally restricted by outside parties to be used for a specific purpose or imposed by law through enabling legislation. The unrestricted component of net position consists of the net amount of the assets, deferred outflows of resources, and liabilities that are not included in the determination of the other two components of net position.

Stewardship, Compliance and Accountability

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund based on the modified accrual basis of accounting. All annual appropriations lapse at year-end to the extent that they have not been expended or encumbered.

The HCHRA Board must adopt a proposed maximum property tax levy by September 30. The Board holds public hearings, makes modifications to the budget, and legally enacts the budget by passage of a resolution. The final levy must be certified to the County Auditor by December 20. Expenditures may not legally exceed budgeted appropriations.

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Financial Statements
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

2. INTEREST IN HENNEPIN COUNTY INVESTMENT POOL AND RESTRICTED CASH AND INVESTMENTS

The County's Office of Budget and Finance is responsible for the treasury function of all of the County's deposits and investments held by its funds and blended component units. Cash from all funds is pooled for deposit and investment purposes. At December 31, the HCHRA comprised \$8,564,272, or 0.9 percent of the County's total cash and investments. The HCHRA participates in the County investment pool and surpluses are invested by the County. In 2015, the HCHRA had investment income of \$93,005 and an unrealized loss on investments of \$28,160. As of December 31, 2015, the County had 87% of investments invested in U.S. government and agency issues, 10% in repurchase agreements, 2% in commercial paper, and 1% invested in money market funds. Detailed information about the County's deposits with financial institutions, management of investment risk, repurchase agreements and reverse repurchase agreements can be obtained directly from the County's 2015 financial statements.

At December 31, \$743,085 of restricted HCHRA cash was held by the MN Housing Finance Agency and invested in government-sponsored enterprises and in the State Board of Investment's Invested Treasurer's Cash (ITC) Pool, which is a State of MN internal investment pool. Detailed information about the ITC Fund may be found in the MN State Board of Investment's 2015 Annual Report on pages 2 and 49. The report is available online at <http://mn.gov/sbi/publications/2015AnnualReport.pdf>.

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance		Balance	
	January 1, 2015	Additions	Deletions	December 31, 2015
<i>Capital assets not being depreciated:</i>				
Land	\$ -	\$ 1,423,503	\$ -	\$ 1,423,503
Construction in progress	-	2,075,970	-	2,075,970
Total capital assets not being depreciated	-	3,499,473	-	3,499,473
<i>Capital assets being depreciated:</i>				
Buildings	12,654,573	-	-	12,654,573
Less accumulated depreciation	5,475,225	632,729	-	6,107,954
Total capital assets being depreciated	7,179,348	(632,729)	-	6,546,619
Capital Assets, Net	\$ 7,179,348	\$ 2,866,744	\$ -	\$ 10,046,092

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Financial Statements
December 31, 2015

4. RECEIVABLES

Notes Receivable

The HCHRA reports \$16,212,245 notes receivable. In 2011, the Board authorized participation in a project to construct the Northwest Family Service Center. The HCHRA's participation in this transaction allowed the HCHRA and partners to benefit from New Market Tax Credits. The County originally provided a \$14,175,000 loan for the project that flowed through the HCHRA to Northwest Family Service Center Lender LLC. At year-end, the HCHRA reports the remaining \$13,198,051 note receivable and a corresponding interfund payable to the County (see Note 5 below). The note charges a 6% interest rate and matures in June 2019. The HCHRA also provides Transit-oriented Development (TOD) loans and reports the \$4,018,926 notes receivable, net of \$1,004,732 allowance for uncollectibles, for net TOD notes receivable of \$3,014,194.

Deferred Long-term Loans Receivable

In 2000, the HCHRA Board of Commissioners established the Affordable Housing Incentive Fund (AHIF) Program to assist municipalities, government and nonprofit agencies, private and nonprofit housing developers, and lenders in the development of affordable housing throughout Hennepin County. As of December 31, 2015 there are 170 AHIF deferred loans outstanding, with original terms ranging from 10 to 45 years. All AHIF loans are reported as grant expenditures at issuance.

Loans totaling \$23,137,075 are underwritten with no interest payments, and will be forgiven at the end of the loan period if all program conditions are met. These "forgivable" loans will become grants at the end of the loan period. Given the nature of these loans, they are not reported as loans receivable in the financial statements.

Additional loans totaling \$27,721,305 are underwritten so that both interest and principal payments are deferred for the full term of the loans if all program conditions are met. These deferred loans are established with between zero and three percent simple interest. These "payable" deferred loans are expected to be repaid, or refinanced with extended terms as of their due date. Given the nature of these loans and the uncertainty of repayment, at the time of origination they were fully reserved resulting in a net carrying value of zero.

5. PAYABLES

Notes Payable

In 2006, the HCHRA received a zero interest, deferred repayment housing loan agreement from the MN Housing Finance Agency (MHFA) for the completion of the Veterans and Community Housing Development project. If the Veterans and Community Housing development continues to be owned by the HCHRA and used in compliance with the conditions of specific agreements through 2025, the loan will be forgiven and no repayment to MHFA will be required. The project is being depreciated over the term of the loan agreement. For the year ended December 31, 2015, the beginning loan balance was \$5,899,012 and \$518,092 was amortized as loan forgiveness through intergovernmental revenues, resulting in a remaining balance reported in the Statement of Net Position at year-end of \$5,380,920. In each year from 2016 to 2025, an additional \$518,092 loan forgiveness will be amortized through intergovernmental revenues. In 2026, the final \$200,000 will be amortized.

Due to Hennepin County

As disclosed in Note 4, in 2011 the HCHRA borrowed \$14,175,000 from the County in order to loan funds to Northwest Family Service Center Lender LLC. At December 31, 2015 the outstanding HCHRA amount payable to the County was \$13,198,051. The promissory note specifies that this amount, together with 6% interest, is to be repaid to the County in June 2019. Prepayment of principal is allowed at any time.

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Financial Statements
December 31, 2015

6. CONDUIT FINANCING

In support of housing, the HCHRA has issued, or acted as an agent for, various debt instruments (e.g., revenue bonds, refunding bonds, notes) for which the HCHRA has no legal obligation to make principal and interest payments. These conduit financings do not constitute an indebtedness of the HCHRA within the meaning of any state constitutional provision or statutory limitation.

Conduit financings are special limited obligations of the HCHRA payable solely from amounts pledged by the agencies shown in the table below.

Conduit Financing, Agreement Date	Original Balance	Balance December 31, 2014	Balance December 31, 2015
Opportunity Partners, Inc., September 2008	\$ 2,940,022	\$ 1,723,918	\$ 1,498,580
Loring Park Apartments LLC, December 2001	17,250,000	17,250,000	17,250,000
Minneapolis Stone Arch Partners, LLC, May 2002	20,120,000	20,120,000	20,120,000
Ebenezer York Assisted Living LLC December 2009	16,000,000	14,280,671	14,385,000
A-Mill Artist Lofts October 2013	55,000,000	55,000,000	55,000,000
A-Mill Artist Lofts November 2015	5,000,000	-	5,000,000
	<u>\$ 116,310,022</u>	<u>\$ 108,374,589</u>	<u>\$ 113,253,580</u>

7. RISK MANAGEMENT

The HCHRA is exposed to various risks of loss related to general and professional liability torts; and theft of, damage to, and destruction of assets. The HCHRA has chosen to retain the risk of torts. Commercial crime insurance and property insurance are purchased to cover the HCHRA's money and securities, as well as buildings and contents, subject to deductible amounts. Settled claims from insured losses have not exceeded commercial insurance coverage for the past three years.

8. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

In addition to unassigned fund balance, governmental fund balance classifications and the constraints imposed on the uses of those resources are shown in the table below. The classifications are described in greater detail in the Fund Balance and Net Position section of Note 1. Governmental fund balances consisted of the following:

Purpose	Classification and Amount at December 31, 2015			
	Nonspendable	Restricted For	Committed For	Assigned For
Land held for resale	\$6,583,789			
Prepays	269,343			
Veterans housing		\$581,801		
Affordable housing and transit oriented development			\$8,445,946	
Housing and redevelopment activities				\$35,730

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Financial Statements
December 31, 2015

9. NEW ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The requirements of this statement address comparability of financial statements among governments by requiring measurement of certain assets and liabilities using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement will be effective for the HCHRA on January 1, 2016.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This statement will be effective for the HCHRA on January 1, 2016.

The HCHRA's management has not yet determined the effect these GASB statements will have on the HCHRA's financial statements.

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
General Fund Balance Sheet
December 31, 2015 and December 31, 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Interest in County investment pool	\$ 8,564,272	\$ 9,387,794
Due from other governmental agencies	23,663	65,995
Accounts receivable	17,726	12,728
Prepaid items	269,343	274,732
Land held for resale	6,583,789	-
Notes receivable	16,212,245	14,964,946
Restricted cash and investments	<u>743,085</u>	<u>676,159</u>
Total Assets	<u>\$ 32,414,123</u>	<u>\$ 25,382,354</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts and contracts payable	\$ 770,490	\$ 1,233,359
Due to Hennepin County	13,198,051	13,198,051
Unearned revenue	<u>-</u>	<u>4,402</u>
Total Liabilities	<u>13,968,541</u>	<u>14,435,812</u>
Fund Balances:		
Nonspendable	6,853,132	274,732
Restricted	581,801	526,566
Committed	8,445,946	3,077,784
Assigned	35,730	6,409,442
Unassigned	<u>2,528,973</u>	<u>658,018</u>
Total Fund Balances	<u>18,445,582</u>	<u>10,946,542</u>
Total Liabilities and Fund Balances	<u>\$ 32,414,123</u>	<u>\$ 25,382,354</u>

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Schedule of General Fund Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Years Ended December 31, 2015 and December 31, 2014

	2015			2014		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
REVENUES						
Property taxes	\$ 7,066,307	\$ 7,108,006	\$ 41,699	\$ 11,868,629	\$ 6,899,157	\$ (4,969,472)
Intergovernmental	71,249,052	11,060,078	(60,188,974)	5,308,970	2,622,354	(2,686,616)
Investment earnings (losses)	106,900	64,845	(42,055)	110,600	90,878	(19,722)
Charges for services	1,040,000	1,851,347	811,347	691,689	2,151,998	1,460,309
Other	360,714	418,215	57,501	404,981	320,524	(84,457)
Total Revenues	<u>79,822,973</u>	<u>20,502,491</u>	<u>(59,320,482)</u>	<u>18,384,869</u>	<u>12,084,911</u>	<u>(6,299,958)</u>
EXPENDITURES						
General Government:						
Commodities	31,250	120	31,130	31,250	-	31,250
Contractual services	61,710,245	4,547,187	57,163,058	3,343,607	3,558,379	(214,772)
Capital outlay	-	3,499,473	(3,499,473)	-	-	-
Other charges	1,277,284	242,536	1,034,748	929,644	91,404	838,240
Grants	16,919,186	4,714,135	12,205,051	11,359,376	5,615,069	5,744,307
Total Expenditures	<u>79,937,965</u>	<u>13,003,451</u>	<u>66,934,514</u>	<u>15,663,877</u>	<u>9,264,852</u>	<u>6,399,025</u>
Net Change in Fund Balance	(114,992)	7,499,040	\$ <u>7,614,032</u>	2,720,992	2,820,059	\$ <u>99,067</u>
Fund Balance - Beginning	<u>10,946,542</u>	<u>10,946,542</u>		<u>8,126,483</u>	<u>8,126,483</u>	
Fund Balance - Ending	<u>\$ 10,831,550</u>	<u>\$ 18,445,582</u>		<u>\$ 10,847,475</u>	<u>\$ 10,946,542</u>	

