

AUSTIN/MOWER COUNTY HOME OWNERSHIP FUND
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021



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**AUSTIN/MOWER COUNTY HOME OWNERSHIP FUND
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INTRODUCTION SECTION

**AUSTIN/MOWER COUNTY HOME OWNERSHIP FUND
ORGANIZATION SCHEDULE
DECEMBER 31, 2022**

BOARD OF DIRECTORS

		Term Expires
Randy Queensland	Chairperson	December 31, 2023
Steve Leif	Vice-Chairperson	December 31, 2023
Jeff Austin	Secretary/Treasurer	December 31, 2022
Kris Heichel	Director	December 31, 2023
Mike Ankeny	Director	December 31, 2022
Terri Stough	Director	December 31, 2022
Paul Fischer	Director	December 31, 2024
Mary Lindgren	Director	December 31, 2024
Jeff Baldus	Director	December 31, 2024

EX-OFFICIO MEMBERS

Craig Clark	Austin City Administrator
Thomas Dankert	Austin Administrative Services Director
Holly Wallace	Austin Zoning Administrator
Trish Harren	Mower County Administrator
Crystal Peterson	Mower County Human Services Director
Angela Lipelt	Mower County Planner

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Austin/Mower County Home Ownership Fund
Austin, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Austin/Mower County Home Ownership Fund (the Fund), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Fund'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 financial position of the Fund, as of December 31, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, 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 Fund'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 Fund's ability to continue as a going concern for a reasonable period of time.

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

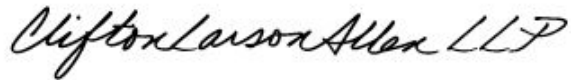
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the organization schedule but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Austin, Minnesota
May 6, 2023

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REQUIRED SUPPLEMENTARY INFORMATION

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**AUSTIN/MOWER COUNTY HOME OWNERSHIP FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021**

As management of the Austin/Mower County Home Ownership Fund (Fund), we offer readers of the Fund's financial statements this narrative overview and analysis of the financial activities of the Fund for the fiscal years ended December 31, 2022 and 2021. The information presented should be read in conjunction with the financial statements and the accompanying notes to the financial statements. The Fund was established via a joint powers agreement with Mower County and the City of Austin and is, therefore, not included in the financial statements of the sponsoring entities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Fund follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows.

The statement of net position provides information about the nature of assets and obligations (liabilities) of the Fund as of the end of the year. The statement of revenues, expenses, and changes in net position reports revenues and expenses for the current year. The statement of cash flows reports cash receipts, cash payments, and changes in cash resulting from operating, noncapital financing activities, and investing activities.

The basic proprietary fund financial statements can be found on pages 11-13 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 fund financial statements. The notes to the financial statements can be found on pages 14-19 of this report.

FINANCIAL HIGHLIGHTS

The majority of the Fund's net position is either invested in cash and cash equivalents (59%) or have been loaned out to the customers and users (41%) of the Fund's services. The requirement of the cash and cash equivalents to finance loan requests mandates the cash be maintained in liquid interest-bearing bank accounts. As loan repayments are made from our customers, more cash becomes available to make future loans.

The Fund struggled all year to garner loan applications as the lack of housing supply and a sudden rise in first mortgage rates squeezed many potential borrowers out of the market, approving a total of only 17 loans for \$99,700. Additionally, 90% of the loans applied for have been approved during the year ended December 31, 2022, with delinquencies in the Fund continuing to be minimal. At December 31, 2022 only three loans are delinquent in the entire portfolio, while the remaining loans are current. The 2022 loan applications approved of 17 is the lowest total approved since 2008.

**AUSTIN/MOWER COUNTY HOME OWNERSHIP FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021**

FINANCIAL HIGHLIGHTS (CONTINUED)

The operating revenues decreased significantly in 2022. The Fund had total operating revenues of \$5,843 for 2022 compared to \$7,507 in 2021. Investment income increased significantly, from \$63 in 2021 to \$3,690 in 2022 as a result of the sudden increase in the rates offered on liquid cash, in part due the federal government increasing interest rates at a fast pace to battle inflationary worries. On the expense side, the Fund had \$15,713 of expenses in 2022 compared to \$10,844 in 2021, a significant increase related to the need to increase the provision for loan loss. There were two loans charged off in both 2022 and 2021.

AUSTIN/MOWER COUNTY HOME OWNERSHIP FUND NET POSITION

The following tables summarize the financial position of the Austin/Mower County Home Ownership Fund as of December 31, 2022 and 2021:

Condensed Statement of Net Position

	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current Assets	\$ 460,780	\$ 420,680	\$ 40,100	9.53%
Long-Term and Other Assets	161,806	208,477	(46,671)	(22.39%)
Total Assets	<u>\$ 622,586</u>	<u>\$ 629,157</u>	<u>\$ (6,571)</u>	(1.04%)
Current Liabilities	\$ 6,220	\$ 6,651	\$ (431)	(6.48%)
Total Liabilities	<u>\$ 6,220</u>	<u>\$ 6,651</u>	<u>\$ (431)</u>	(6.48%)
Net Position:				
Unrestricted	\$ 616,366	\$ 622,506	\$ (6,140)	(0.99%)
Total Net Position	<u>\$ 616,366</u>	<u>\$ 622,506</u>	<u>\$ (6,140)</u>	(0.99%)
Total Liabilities and Net Position	<u>\$ 622,586</u>	<u>\$ 629,157</u>	<u>\$ (6,571)</u>	(1.04%)

Condensed statement of net position highlights are as follows for the year ended December 31, 2022:

- The assets of the Austin/Mower County Home Ownership Fund exceeded liabilities by \$616,366 (Net Position). This is a decrease of \$6,140 over the net position at the close of 2021.
- Current assets increased by \$40,100 primarily as a result of the shift in loan payments (more payments were made than loans issued). Current assets consist of cash and cash equivalents, interest receivable, and the current portion of loans receivable.
- Long-term assets decreased \$46,671 as more loans were being paid off in 2022 than were issued as noted above. Seventeen loans were issued for \$99,700 during 2022. This continues a downward trend in our program as housing inventory, price increases, and first mortgage interest rate increases have resulted in fewer applications. The loans approved in 2022 were the lowest number approved since 2008.
- Net position decreased \$6,140 primarily as a result of the need to increase the allowance for doubtful accounts.

**AUSTIN/MOWER COUNTY HOME OWNERSHIP FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021**

FINANCIAL HIGHLIGHTS (CONTINUED)

The following tables summarize the financial position of the Austin/Mower County Home Ownership Fund as of December 31, 2021 and 2020:

Condensed Statement of Net Position

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current Assets	\$ 420,680	\$ 363,980	\$ 56,700	15.58%
Long-Term and Other Assets	208,477	268,723	(60,246)	(22.42%)
Total Assets	<u>\$ 629,157</u>	<u>\$ 632,703</u>	<u>\$ (3,546)</u>	(0.56%)
Current Liabilities	\$ 6,651	\$ 6,923	\$ (272)	(3.93%)
Total Liabilities	<u>\$ 6,651</u>	<u>\$ 6,923</u>	<u>\$ (272)</u>	(3.93%)
Net Position:				
Unrestricted	<u>\$ 622,506</u>	<u>\$ 625,780</u>	<u>\$ (3,274)</u>	(0.52%)
Total Net Position	<u>\$ 622,506</u>	<u>\$ 625,780</u>	<u>\$ (3,274)</u>	(0.52%)
Total Liabilities and Net Position	<u>\$ 629,157</u>	<u>\$ 632,703</u>	<u>\$ (3,546)</u>	(0.56%)

Condensed statement of net position highlights are as follows for the year ended December 31, 2021:

- The assets of the Austin/Mower County Home Ownership Fund exceeded liabilities by \$622,506 (Net Position). This is a decrease of \$3,274 over the net position at the close of 2020.
- Current assets increased by \$56,700 primarily as a result of the shift in loan payments (more payments were made than loans issued). Current assets consist of cash and cash equivalents, interest receivable, and the current portion of loans receivable.
- Long-term assets decreased \$60,246 as more loans were being paid off in 2021 than were issued as noted above. Twenty-five loans were issued for \$118,300 during 2021. This continues a downward trend in our program as housing inventory and price increases have resulted in fewer applications. The loans approved in 2021 were the lowest number approved since 2010.
- Net position decreased \$3,274 primarily as a result of the need to increase the allowance for doubtful accounts and to reimburse the City of Austin for the staff time associated with administering the program.

**AUSTIN/MOWER COUNTY HOME OWNERSHIP FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021**

FINANCIAL HIGHLIGHTS (CONTINUED)

The following charts summarize operating revenues, expenses, and changes in net position of the Austin/Mower County Home Ownership Fund for the years ended December 31, 2022 and 2021:

Condensed Statements of Revenues, Expenses, and Changes in Net Position:

	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating Revenues:				
Interest Income on Loans	\$ 5,843	\$ 7,507	\$ (1,664)	(22.17%)
Total Operating Revenues	\$ 5,843	\$ 7,507	\$ (1,664)	(22.17%)
Operating Expenses:				
Provision for Loan Loss	\$ 7,813	\$ 2,500	\$ 5,313	N/A
Audit/Accounting	7,900	8,344	(444)	(5.32%)
Total Operating Expense	\$ 15,713	\$ 10,844	\$ 4,869	44.90%
Operating Income (Loss)	\$ (9,870)	\$ (3,337)	\$ (6,533)	195.77%
Non-Operating Revenues	3,730	63	3,667	5820.63%
Change in Net Position	<u>\$ (6,140)</u>	<u>\$ (3,274)</u>	<u>\$ (2,866)</u>	87.54%
Beginning Net Position	\$ 622,506	\$ 625,780	\$ (3,274)	(0.52%)
Change in Net Position	<u>(6,140)</u>	<u>(3,274)</u>	<u>(2,866)</u>	87.54%
Ending Net Position	<u>\$ 616,366</u>	<u>\$ 622,506</u>	<u>\$ (6,140)</u>	(0.99%)

Condensed statements of revenues, expenses, and changes in net position highlights are as follows for the year ended December 31, 2022:

- Interest income on loans decreased 22.17% and is a result of the waning number of loan applications. With the housing market prices outpacing the affordability for applicants, we have seen a considerable decrease in loans, resulting in lower interest income on those loans. There is a 2% interest rate that is charged on all outstanding loan balances.
- A provision for loan loss charge was needed in 2022 as two loans were charged off, plus the outstanding balance of the loan portfolio during the year has required increased monthly collection efforts to keep borrowers current on their loan payments. At December 31, 2022 there were two loans delinquent one payment, and one loan that were delinquent three payments. The other 122 loans were current on payments.
- Audit and accounting costs decreased 5.32% as a result of a slight decrease in the hours needed to manage the program. Not including the audit, \$6,220 (down from \$6,651 in 2021) was charged to the Fund for administration purposes.
- Nonoperating revenues increased significantly in 2022 as the Fund had a significant amount of liquid cash that started earning interest again with the bank rate increases. The Fund has historically only invested in money market accounts to ensure adequate liquidity in the event of a need for cash to loan out.

**AUSTIN/MOWER COUNTY HOME OWNERSHIP FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021**

FINANCIAL HIGHLIGHTS (CONTINUED)

The following charts summarize operating revenues, expenses, and changes in net position of the Austin/Mower County Home Ownership Fund for the years ended December 31, 2021 and 2020:

Condensed Statements of Revenues, Expenses, and Changes in Net Position:

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating Revenues:				
Interest Income on Loans	\$ 7,507	\$ 8,861	\$ (1,354)	(15.28%)
Total Operating Revenues	<u>\$ 7,507</u>	<u>\$ 8,861</u>	<u>\$ (1,354)</u>	<u>(15.28%)</u>
Operating Expenses:				
Provision for Loan Loss	\$ 2,500	\$ -	\$ 2,500	N/A
Audit/Accounting	8,344	8,612	(268)	(3.11%)
Total Operating Expense	<u>\$ 10,844</u>	<u>\$ 8,612</u>	<u>\$ 2,232</u>	<u>25.92%</u>
Operating Income (Loss)	<u>\$ (3,337)</u>	<u>\$ 249</u>	<u>\$ (3,586)</u>	<u>(1440.16%)</u>
Non-Operating Revenues	63	508	(445)	(87.60%)
Change in Net Position	<u>\$ (3,274)</u>	<u>\$ 757</u>	<u>\$ (4,031)</u>	<u>(532.50%)</u>
Beginning Net Position	\$ 625,780	\$ 625,023	\$ 757	0.12%
Change in Net Position	<u>(3,274)</u>	<u>757</u>	<u>(4,031)</u>	<u>(532.50%)</u>
Ending Net Position	<u>\$ 622,506</u>	<u>\$ 625,780</u>	<u>\$ (3,274)</u>	<u>(0.52%)</u>

Condensed statements of revenues, expenses, and changes in net position highlights are as follows for the year ended December 31, 2021:

- Interest income on loans decreased 15.28% and is a result of the waning number of loan applications. With the housing market prices outpacing the affordability for applicants, we have seen a considerable decrease in loans, resulting in lower interest income on those loans. There is a 2% interest rate that is charged on all outstanding loan balances.
- A provision for loan loss charge was needed in 2021 as two loans were charged off, plus the outstanding balance of the loan portfolio during the year has required increased monthly collection efforts to keep borrowers current on their loan payments. At December 31, 2021 there was one loan delinquent one payment, and two loans that were delinquent two payments each. The other 153 loans were current on payments.
- Audit and accounting costs decreased 3.11% as a result of a slight decrease in the hours needed to manage the program. Not including the audit, \$6,651 (down from \$6,923 in 2020) was charged to the Fund for administration purposes.
- Nonoperating revenues decreased significantly in 2021 as the Fund had a significant amount of liquid cash that was earning only a few basis points. Needing to keep the cash liquid compounded with a low-interest-rate environment results in minimal investment interest earnings. The Fund has historically only invested in money market accounts to ensure adequate liquidity in the event of a need for cash to loan out.

**AUSTIN/MOWER COUNTY HOME OWNERSHIP FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022 AND 2021**

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Austin/Mower County Home Ownership Fund's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Administrative Services, Austin/Mower County Home Ownership Fund, 500 4th Avenue NE, Austin, Minnesota 55912.

BASIC FINANCIAL STATEMENTS

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**AUSTIN/MOWER COUNTY HOME OWNERSHIP FUND
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021**

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 362,566	\$ 311,744
Loan Interest Receivable	466	530
Loans Receivable, Current Portion	97,748	108,406
Total Current Assets	\$ 460,780	\$ 420,680
LONG-TERM ASSETS (Net of Current Maturities)		
Loans Receivable, Net of Allowance of \$15,000 and \$10,116, Respectively, at December 31, 2022 and 2021	\$ 161,806	\$ 208,477
Total Assets	\$ 622,586	\$ 629,157
LIABILITIES AND NET POSITION		
LIABILITIES		
Accounts Payable	\$ 6,220	\$ 6,651
Total Liabilities	\$ 6,220	\$ 6,651
NET POSITION		
Unrestricted	\$ 616,366	\$ 622,506
Total Net Position	\$ 616,366	\$ 622,506
Total Liabilities and Net Position	\$ 622,586	\$ 629,157

See accompanying Notes to Financial Statements.

**AUSTIN/MOWER COUNTY HOME OWNERSHIP FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
OPERATING REVENUES		
Interest Income on Loans	\$ 5,843	\$ 7,507
Total Operating Revenues	\$ 5,843	\$ 7,507
OPERATING EXPENSES		
Provision for Loan Loss	\$ 7,813	\$ 2,500
Audit/Accounting	7,900	8,344
Total Operating Expenses	\$ 15,713	\$ 10,844
OPERATING LOSS	\$ (9,870)	\$ (3,337)
NONOPERATING REVENUES		
Investment Income	\$ 3,690	\$ 63
Miscellaneous Revenue	40	-
Total Nonoperating Revenues	\$ 3,730	\$ 63
CHANGE IN NET POSITION	\$ (6,140)	\$ (3,274)
Net Position - Beginning of Year	622,506	625,780
NET POSITION - END OF YEAR	\$ 616,366	\$ 622,506

See accompanying Notes to Financial Statements.

**AUSTIN/MOWER COUNTY HOME OWNERSHIP FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers and Users	\$ 5,883	\$ 7,507
Cash Paid to Suppliers	(8,331)	(8,616)
Net Cash Used by Operating Activities	\$ (2,448)	\$ (1,109)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	\$ 3,754	\$ 248
Loans Receivable Issued	(99,700)	(118,300)
Principal Received on Loans Receivable	149,216	216,117
Net Cash Provided by Investing Activities	\$ 53,270	\$ 98,065
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 50,822	\$ 96,956
Cash and Cash Equivalents - Beginning of Year	311,744	214,788
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 362,566	\$ 311,744
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (9,870)	\$ (3,337)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Miscellaneous Income	40	-
Increase in Provision for Loan Loss	7,813	2,500
Increase (Decrease) in:		
Accounts Payable	(431)	(272)
Net Cash Used by Operating Activities	\$ (2,448)	\$ (1,109)

See accompanying Notes to Financial Statements.

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**AUSTIN/MOWER COUNTY HOME OWNERSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of the Austin/Mower County Home Ownership Fund have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

B. Reporting Entity

The Austin/Mower County Home Ownership Fund (Fund) was created jointly by the City of Austin and Mower County in March 1997 pursuant to Minnesota Statute Section 471.59. The purpose of this jointly governed organization is to establish and administer a flexible revolving loan fund that will provide home ownership opportunities to families in Mower County with low and moderate income that are currently unable to purchase a home.

The Fund is governed by a nine-member Board of Directors. Directors are appointed and qualified as follows:

1. Two directors who are members of and are appointed by the Austin city council
2. Two directors who are members of and are appointed by the Mower County Board of Commissioners
3. One director who is a representative of the Development Corporation of Austin and is appointed by the Austin city council
4. One director who is a member of the Austin Board of Realtors and is appointed by the Austin city council
5. One director who is a representative of Mower County area mortgage lenders and is appointed by the Mower County Board of Commissioners
6. One director who is a resident of Mower County and is appointed by the Austin city council
7. One director who is a resident of Mower County and is appointed by the Mower County Board of Commissioners

**AUSTIN/MOWER COUNTY HOME OWNERSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

In addition to the directors, there are six ex-officio members of the Board of Directors. These ex-officio members are not entitled to vote, however, they are entitled to attend and participate in all Board of Directors' meetings. The ex-officio members of the Board of Directors are as follows:

1. Austin City Administrator
2. Austin Administrative Services Director
3. Austin Zoning Administrator
4. Mower County Administrator
5. Mower County Human Services Director
6. Mower County Planner

If a member of the Board of Directors, who is also a member of the Austin city council or the Mower County Board of Commissioners, ceases to be a member of the City Council or Board of Commissioners, then such member also ceases to be a member of the Fund's Board of Directors. The vacancy created will be filled by a member of the respective governing body for the remainder of the vacant director's unexpired term.

The Fund may be terminated at any time by the written agreement of its members, upon a majority vote of either the Austin city council or the Mower County Board of Commissioners. All funds remaining at the time of termination are to be distributed based on each entity's total contribution.

For financial reporting purposes, the Fund has included all funds, organizations, agencies, boards, commissions, and authorities. The Fund has also considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Fund are such that exclusion would cause the Fund's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the primary government. The Fund has no component units that meet the GASB criteria.

C. Basis of Accounting

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

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with GAAP. Revenues are recognized when earned and expenses are recorded when the related liability is incurred.

**AUSTIN/MOWER COUNTY HOME OWNERSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from other 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 revenue of the Fund is charges to customers for interest on loans fund that provide home ownership opportunities for families in Mower County. Operating expenses for proprietary funds include program administration, audit, and accounting fees, and loan charge-offs due to nonpayment of the loans. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Cash Equivalents

Cash and cash equivalents consist of funds deposited into checking accounts, a savings account, and the State of Minnesota's 4M Fund. All balances are reported at amortized cost as of December 31, 2022 and 2021.

E. Allowance for Loan Loss

The allowance for loan loss is estimated based on the Fund's evaluation of delinquencies and potential losses in the loan portfolio as of the balance sheet date. Because of uncertainties in the estimation process, the Fund's estimate of credit losses inherent in the portfolio and the related allowance may change in the near term.

F. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the basic 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 basic financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. All other net position that does not meet the definition of restricted or net investment in capital assets would be unrestricted net position. It would be normal policy of the Fund to apply restricted resources and then unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The fund only has unrestricted net position as of December 31, 2022 and 2021.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Funds' deposits may not be returned in full. The Fund does not have an investment policy but follows Minnesota Statutes for deposits.

**AUSTIN/MOWER COUNTY HOME OWNERSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

In accordance with Minnesota Statutes, the Fund maintains deposits at banks that are authorized by the Board of Directors.

Minnesota statutes require that all of the Fund's deposits be protected by insurance, surety bond, or collateral. The fair value of the collateral pledged must be equal to 110% of the deposits not covered by insurance or bonds. The Fund's collateral is included with the pledged collateral of the City of Austin.

Authorized collateral includes certain U.S. government securities, state or local government obligations, and other securities authorized by Minn. Stat. 118.A.03. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral.

The Fund's deposits at December 31, 2022 and 2021 were entirely covered by federal depository insurance or by collateral held by the Fund's custodial bank in the City's name.

Investments

The Fund may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rated "A" or better
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories
- Repurchase or reverse purchase agreements and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

**AUSTIN/MOWER COUNTY HOME OWNERSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Investment balances for the Fund are as follows at December 31:

	Amortized Cost	
	2022	2021
4M Fund	\$ 351,637	\$ 145,286

The 4M Fund is an external investment pool (Pool) that is not registered with the Securities Exchange Commission (SEC). The Pool elects to measure its investments at amortized cost in accordance with accounting statements issued by the Government Accounting Standards Board.

The Fund participates in the Liquid Asset class, which has no redemption requirements.

Interest Rate Risk – The Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The invested funds as of December 31, 2022 and 2021 consist of the Minnesota Municipal Money Market (4M Fund). This investment fund is not individually rated, but each underlying investment in the fund is allowable under Minnesota state statute and is top rated.

Concentration of Credit Risk – The Fund places no limit on the amount the Fund may invest in any one issuer. All of the Funds’ deposits are covered by Federal Deposit Insurance Corporation insurance in each financial institution.

Balance Sheet Presentation

The following is a reconciliation of deposits and investments to cash and cash equivalents reported on the balance sheets at December 31, 2022 and 2021:

	Carrying Amount	
	2022	2021
Deposits	\$ 10,929	\$ 166,458
Investments	351,637	145,286
Total Cash and Cash Equivalents	\$ 362,566	\$ 311,744

**AUSTIN/MOWER COUNTY HOME OWNERSHIP FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 3 LOANS RECEIVABLE

The Fund has 156 loans outstanding at December 31, 2022 and 2021. All loans of the Fund issued are at a stated interest rate of 2%. Loans receivable at December 31, 2022 and 2021 are comprised of the following:

	December 31,	
	2022	2021
Total Loans Receivable	\$ 274,554	\$ 326,999
Less: Current Portion	97,748	108,406
Less: Allowance for Loan Losses	15,000	10,116
Net Long-Term Loans Receivable	\$ 161,806	\$ 208,477

Participants in the program are allowed to prepay all or a portion of their balance at any time.

NOTE 4 RISK MANAGEMENT

The Fund is exposed to various risks of loss related to torts and errors and omissions. The Fund is included in the City of Austin's insurance policies, which handle any losses arising from these risks. During the year ended December 31, 2022, there were no significant changes in insurance coverage from the prior year. In addition, there have been no settlements in excess of the Fund's insurance coverage in any of the prior three years.



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