

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
A COMPONENT UNIT OF THE CITY OF BRAINERD  
BRAINERD, MINNESOTA**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2016**

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
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## **INTRODUCTORY SECTION**

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
ORGANIZATION  
DECEMBER 31, 2016**

NAME	POSITION	TERM EXPIRES
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**Board of Commissioners**

Rick Fargo	Chair	December 31, 2018
Dale Parks	Vice Chair	December 31, 2017
Eric Charpentier	Secretary	December 31, 2020
Marlee Larson	Commissioner	December 31, 2019
Patrick Wussow	Commissioner	December 31, 2020
Gabe Johnson	Commissioner	December 31, 2016
Nathan Steffenson	Resident Commissioner	December 31, 2016

Jennifer Bergman	Executive Director
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## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Housing and Redevelopment Authority of Brainerd  
Brainerd, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Housing and Redevelopment Authority of Brainerd (the Authority), a component unit of the City of Brainerd, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority'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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Trail Ridge II, a blended business-type component unit, which represents 17%, 7%, and 5%, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Trail Ridge II, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Trail Ridge II were not audited in accordance with *Government Auditing Standards*.

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

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

**Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Housing and Redevelopment Authority of Brainerd, a component unit of the City of Brainerd, Minnesota, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11, the schedule of funding progress – other postemployment benefits on page 42, and the budgetary comparison schedule – general fund and notes on pages 43 and 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The financial data schedule and the statement and certification of actual capital fund grant costs are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

**Other Matters (Continued)**

*Supplementary and Other Information (Continued)*

The financial data schedule and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statement and certification of actual capital fund grant costs have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Board of Commissioners  
Housing and Redevelopment Authority of Brainerd

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
March 29, 2017

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

As management of the Housing and Redevelopment Authority of Brainerd, Minnesota (the Authority), we offer the following narrative overview and analysis of the Authority's financial statements and activities for the fiscal year ended December 31, 2016:

**FINANCIAL HIGHLIGHTS**

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$4,311,016 (net position). The Authority shows unrestricted net position of \$366,376 at year-end.
- The Authority's total net position increased by \$266,207.
- At December 31, 2016, the Authority's governmental funds reported an ending fund balance of \$461,165, an increase of \$14,436 in comparison with the prior year. Of this total fund balance, \$183,857 is available for spending at the Authority's discretion.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. This Authority's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental 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, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases 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 some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Authority include general government and economic development. The business-type activities of the Authority include public housing, housing choice vouchers, bridges rental assistance, and Trail Ridge II operations.

The government-wide financial statements include not only the Authority itself (known as the primary government), but also Trail Ridge II for which the Authority is financially accountable. Financial information for this component unit is presented blended with the business-type activities of the financial information presented for the primary government.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**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. All of the funds of the Authority can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the Authority's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, downtown tax increment financing fund, and debt service fund. There are no nonmajor governmental funds.

The Authority adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

**Proprietary Funds** – 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 Public Housing, Housing Choice Vouchers, Bridges Rental Assistance, and Trail Ridge II operations.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Public Housing, Housing Choice Vouchers, Bridges Rental Assistance, and Trail Ridge II operations, which are all considered to be major funds of the Authority.

**Fiduciary Fund** – Fiduciary funds are used to account for resources held for the benefit of parties outside the Authority. Fiduciary funds are not reflected in the government-wide statements because the resources of the funds are not available to support the Authority's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**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, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 479,810	\$ 483,744	\$ 1,178,073	\$ 930,606	\$ 1,657,883	\$ 1,414,350
Capital Assets	77,400	77,400	4,208,258	4,079,436	4,285,658	4,156,836
Total Assets	557,210	561,144	5,386,331	5,010,042	5,943,541	5,571,186
Long-Term Liabilities Outstanding	551,575	583,720	633,040	628,886	1,184,615	1,212,606
Other Liabilities	31,042	49,876	416,868	263,895	447,910	313,771
Total Liabilities	582,617	633,596	1,049,908	892,781	1,632,525	1,526,377
Net Position						
Net Investment in Capital Assets	77,400	77,400	3,709,924	3,530,643	3,787,324	3,608,043
Restricted	-	-	157,316	107,757	157,316	107,757
Unrestricted	(102,807)	(149,852)	469,183	478,861	366,376	329,009
Total Net Position	\$ (25,407)	\$ (72,452)	\$ 4,336,423	\$ 4,117,261	\$ 4,311,016	\$ 4,044,809

**The Statement of Activities** presents information showing how the Authority's net position changed during the most recent fiscal year.

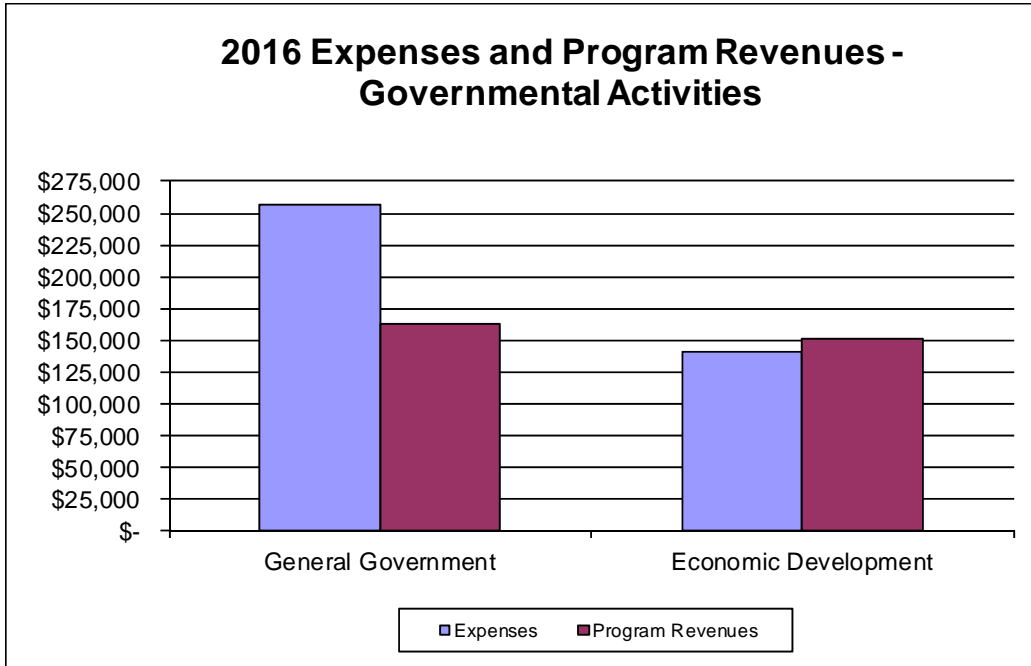
	Governmental		Business-		Total	
	Activities		Type Activities			
	2016	2015	2016	2015	2016	2015
Revenue						
Program Revenues						
Charges for Services	\$ 162,748	\$ 145,535	\$ 1,047,416	\$ 973,312	\$ 1,210,164	\$ 1,118,847
Operating Grants and Contributions	150,792	139,400	1,615,415	1,510,154	1,766,207	1,649,554
Capital Grants and Contributions	-	-	348,022	116,129	348,022	116,129
General Revenues						
Property Taxes	158,303	160,589	-	-	158,303	160,589
Grants and Contributions not Restricted to Specific Programs	5	5	-	-	5	5
Unrestricted Investment Earnings	-	26	(295)	(257)	(295)	(231)
Miscellaneous	1,987	239	237,535	211,192	239,522	211,431
Transfers	5,119	-	(5,119)	-	-	-
Total Revenues	478,954	445,794	3,242,974	2,810,530	3,721,928	3,256,324
Expenses						
General Government	257,164	256,067	-	-	257,164	256,067
Economic Development	140,469	91,846	-	-	140,469	91,846
Debt Service	34,276	36,034	-	-	34,276	36,034
Public Housing	-	-	1,372,710	1,315,690	1,372,710	1,315,690
Housing Choice Vouchers	-	-	1,460,430	1,390,497	1,460,430	1,390,497
Bridges Rental Assistance	-	-	54,360	72	54,360	72
Trail Ridge II	-	-	136,312	156,094	136,312	156,094
Total Expenses	431,909	383,947	3,023,812	2,862,353	3,455,721	3,246,300
Change in Net Position	47,045	61,847	219,162	(51,823)	266,207	10,024
Net Position (Deficits) - Beginning of Year	(72,452)	(134,299)	4,117,261	4,169,084	4,044,809	4,034,785
Net Position (Deficits) - End of Year	\$ (25,407)	\$ (72,452)	\$ 4,336,423	\$ 4,117,261	\$ 4,311,016	\$ 4,044,809

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

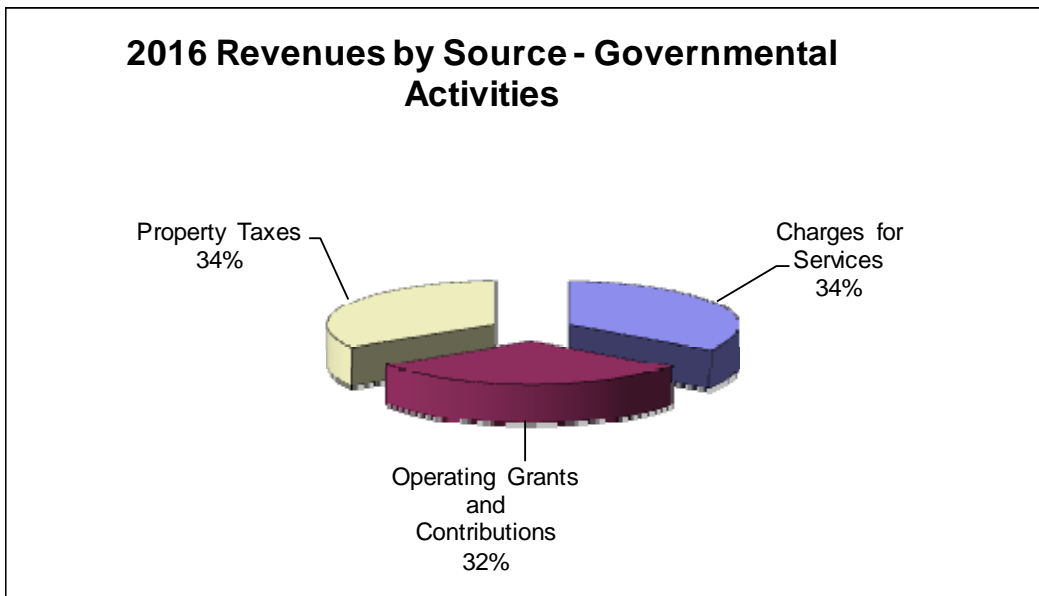
**FINANCIAL ANALYSIS**

**Governmental Activities**

Governmental activities increased the Authority's net position by \$47,045, and as shown below, revenues exceeded expenses of governmental activities programs.



As shown below, governmental activities are supported primarily by property taxes and operating grants.

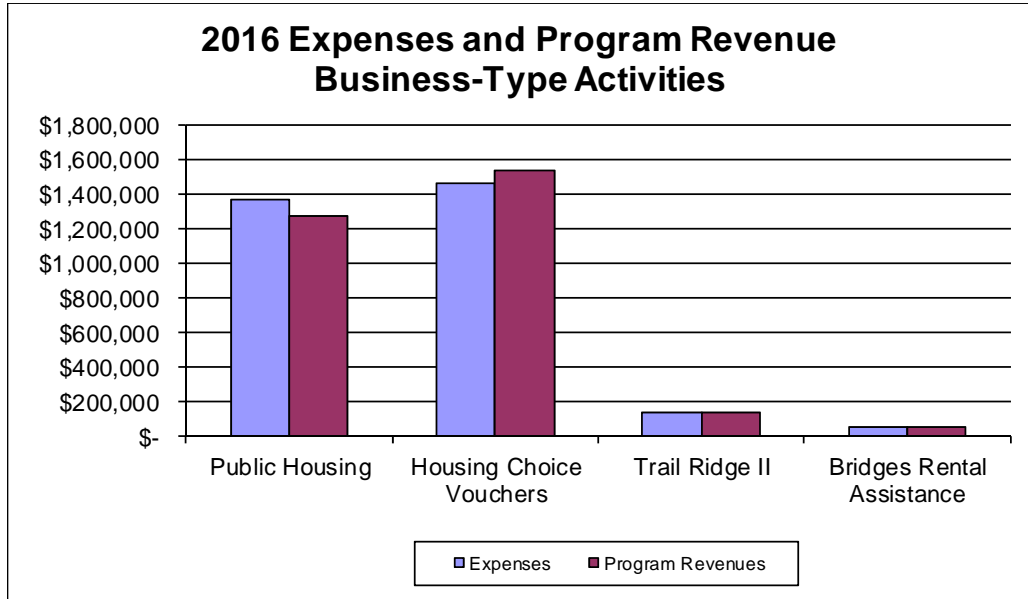


**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

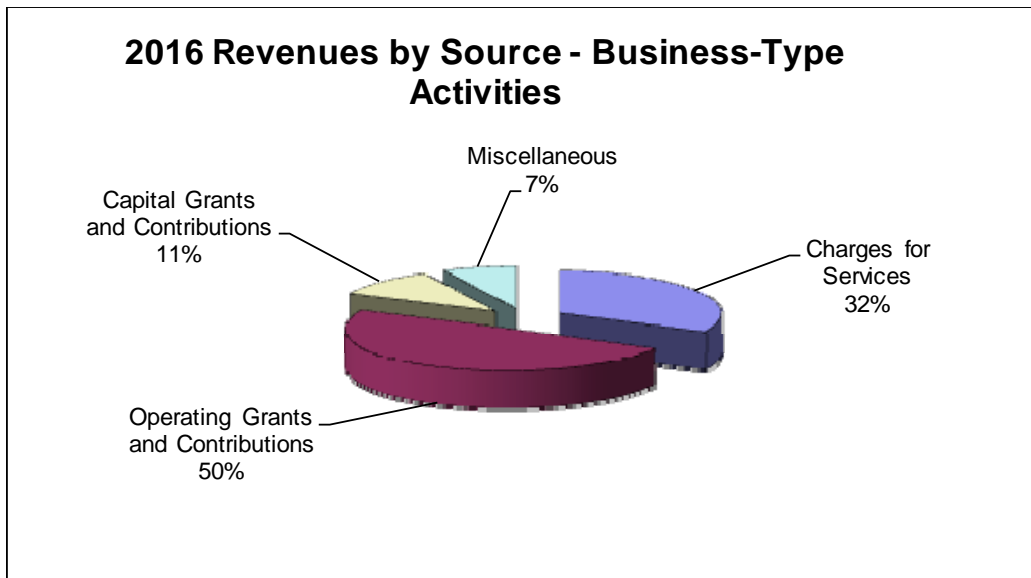
**FINANCIAL ANALYSIS (CONTINUED)**

**Business-Type Activities**

Business-Type Activities increased the Authority's net position by \$219,162. This increase is due to an increase in intergovernmental revenue in the Public Housing Fund.



As shown below, business-type activities are primarily supported by federal grants and residential rental revenue.



**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

**FINANCIAL ANALYSIS OF THE AUTHORITY AT THE FUND LEVEL**

**Governmental Funds**

As the Authority completed the year, its governmental funds reported a combined fund balance of \$461,165.

Revenues for the Authority's governmental funds were \$473,835, while total expenditures were \$464,518.

The General Fund's fund balance increased \$26,162 from the prior year. This is due primarily to the increase in grant revenues for housing projects, an increase in management fees in the current year and a college drive partnership distribution.

The Downtown TIF Fund's fund balance decreased \$11,726 from the prior year. This is due to the Authority not receiving enough collection of tax increments to pay for the debt payments.

**General Fund Budgetary Highlights**

Over the course of the year, the Authority did not revise the annual operating budget. Historically, the Authority has not made budget amendments during the year.

- Actual revenues were \$117,476 more than expected. This is primarily due to the Authority receiving more grant revenues than what was expected.
- The actual expenditures were \$57,753 more than budget, due to economic development expenditures related to the additional grants received.

**CAPITAL ASSET ACTIVITY**

The Authority's capital assets, net of accumulated depreciation at December 31, 2016, amounted to \$4,285,658. This investment in capital assets includes land, buildings and improvements, and furniture, fixtures, and equipment. Net capital assets increased in total by \$128,822. This increase in capital assets is due to asset additions of \$394,177 and an increase in accumulated depreciation of \$90,924. The Authority has land related to governmental activities.

	Governmental Activities	Business-Type Activities	Total
Land	\$ 77,400	\$ 374,262	\$ 451,662
Construction-in-Progress	-	278,478	278,478
Buildings and Improvements	-	3,478,086	3,478,086
Furniture, Fixtures, and Equipment	-	77,432	77,432
Total	\$ 77,400	\$ 4,208,258	\$ 4,285,658

Detailed information on the Authority's capital assets can be found in the notes to financial statements (Note 3.A.5, Capital Assets).

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

**LONG-TERM DEBT ACTIVITY**

**Long-Term Debt**

The Authority's long-term debt at December 31, 2016:

	Governmental Activities	Business-Type Activities
Revenue Bonds	\$ -	\$ 24,714
Tax Increment Note	414,000	-
Mortgage Notes	115,049	473,620
Total	\$ 529,049	\$ 498,334

Detailed information on the Authority's long-term debt can be found in the notes to financial statements (Note 3.B.1, Long-Term Debt).

**ECONOMIC FACTORS AND NEXT YEAR'S ITEMS**

Calendar year 2017 Housing Choice Voucher (HCV) Administrative Fees will be initially funded at approximately 80% which is less than the estimated 84% funding level for 2016. HCV Housing Assistance Payments will be initially funded at approximately 95% which is less than the 2016 funding level of 100%.

Calendar year 2017 Public Housing Operating Subsidy will be preliminarily funded at 85% with the final proration levels determined later in the year. This is a decrease from the final 2016 funding level of 90.21%.

The following initiatives will be pursued in 2017:

1. The Authority will continue the implementation of the Riverfront Partnership Plan and working with the Riverfront sub-committee.
2. The Authority will be administering the Small Cities Development Program in downtown Brainerd and also considering a potential application in greater Crow Wing County.
3. The Authority will continue to explore options for revitalization of downtown Brainerd.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have any questions regarding this report or need additional information, please contact the Housing and Redevelopment Authority of Brainerd's Accountant at 324 East River Road, Brainerd, Minnesota 56401 or call (218) 824-3423 or by e-mail at [karen@brainerdhra.org](mailto:karen@brainerdhra.org).



## **Basic Financial Statements**

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and Investments	\$ 387,261	\$ 641,068	\$ 1,028,329
Real Estate Tax and Insurance Escrow	-	548	548
Accounts Receivable (Net of Allowances for Uncollectibles)	21,501	114,425	135,926
Prepayments	1,832	50,914	52,746
Due from Other Governments	-	46,242	46,242
Internal Balances	64,216	(64,216)	-
Restricted Assets			
Cash and Investments	-	386,436	386,436
Total Current Assets	474,810	1,175,417	1,650,227
Noncurrent Assets			
Other Assets	-	2,656	2,656
Land Held for Resale	5,000	-	5,000
Capital Assets			
Land and Construction-in-Progress	77,400	652,740	730,140
Other Capital Assets, Net of Depreciation	-	3,555,518	3,555,518
Total Noncurrent Assets	82,400	4,210,914	4,293,314
Total Assets	557,210	5,386,331	5,943,541
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	9,040	36,735	45,775
Prepaid Rent	-	808	808
Accrued Liabilities	9,605	37,860	47,465
Accrued Interest Payable	12,397	85,562	97,959
Tenant Security Deposits	-	66,409	66,409
FSS Escrow	-	13,078	13,078
Due to Other Governments	-	24,494	24,494
Unearned Revenue	-	125,804	125,804
Contracts Payable	-	26,118	26,118
Total Current Liabilities	31,042	416,868	447,910
Noncurrent Liabilities			
Due within One Year	48,502	92,232	140,734
FSS Escrow	-	38,441	38,441
Other Postemployment Benefits	11,686	52,367	64,053
Due in More than One Year	491,387	450,000	941,387
Total Noncurrent Liabilities	551,575	633,040	1,184,615
Total Liabilities	582,617	1,049,908	1,632,525
<b>NET POSITION (DEFICIT)</b>			
Net Investment in Capital Assets	77,400	3,709,924	3,787,324
Restricted for HAP	-	67,763	67,763
Restricted for Security Deposit Refunds	-	3,993	3,993
Restricted for Reserve Requirements	-	85,560	85,560
Unrestricted	(102,807)	469,183	366,376
Total Net Position (Deficit)	\$ (25,407)	\$ 4,336,423	\$ 4,311,016

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Primary Government				
Governmental Activities				
General Government	\$ 257,164	\$ 162,748	\$ -	\$ -
Economic Development	140,469	-	150,792	-
Interest	34,276	-	-	-
Total Governmental Activities	<u>431,909</u>	<u>162,748</u>	<u>150,792</u>	<u>-</u>
Business-Type Activities				
Public Housing	1,372,710	658,757	267,597	348,022
Housing Choice Vouchers	1,460,430	243,340	1,287,706	-
Bridges Rental Assistance	54,360	-	60,112	-
Trail Ridge II	136,312	145,319	-	-
Total Business-Type Activities	<u>3,023,812</u>	<u>1,047,416</u>	<u>1,615,415</u>	<u>348,022</u>
Total Primary Government	<u>\$ 3,455,721</u>	<u>\$ 1,210,164</u>	<u>\$ 1,766,207</u>	<u>\$ 348,022</u>
General Revenues				
Property Taxes				
Grants and Contributions not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Miscellaneous				
Transfers				
Total General Revenues				
Change in Net Position				
Net Position (Deficit) - Beginning of Year				
Net Position (Deficit) - End of Year				

See accompanying Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (94,416)	\$ -	\$ (94,416)
10,323	-	10,323
<u>(34,276)</u>	-	<u>(34,276)</u>
(118,369)	-	(118,369)
-	(98,334)	(98,334)
-	70,616	70,616
-	5,752	5,752
-	9,007	9,007
-	<u>(12,959)</u>	<u>(12,959)</u>
(118,369)	(12,959)	(131,328)
158,303	-	158,303
5	-	5
-	(295)	(295)
1,987	237,535	239,522
5,119	<u>(5,119)</u>	-
<u>165,414</u>	<u>232,121</u>	<u>397,535</u>
47,045	219,162	266,207
(72,452)	4,117,261	4,044,809
<u>\$ (25,407)</u>	<u>\$ 4,336,423</u>	<u>\$ 4,311,016</u>

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

	General Fund	Downtown TIF Fund	Debt Service Fund	Totals
<b>ASSETS</b>				
Cash and Investments	\$ 387,261	\$ -	\$ -	\$ 387,261
Accounts Receivable	19,843	1,658	-	21,501
Prepayments	1,832	-	-	1,832
Advance to Other Funds	182,984	-	-	182,984
Land Held for Resale	5,000	-	-	5,000
Total Assets	\$ 596,920	\$ 1,658	\$ -	\$ 598,578
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 9,040	\$ -	\$ -	\$ 9,040
Accrued Expenses	9,605	-	-	9,605
Advance from Other Funds	-	118,768	-	118,768
Total Liabilities	18,645	118,768	-	137,413
<b>FUND BALANCES (DEFICITS)</b>				
Nonspendable				
Prepayments	1,832	-	-	1,832
Advance to Other Funds	182,984	-	-	182,984
Committed				
Scattered Sites Project	20,712	-	-	20,712
Housing Rehab	24,780	-	-	24,780
Assigned				
Housing	10,000	-	-	10,000
Matching Grant	10,000	-	-	10,000
Downtown Redevelopment	15,000	-	-	15,000
Downtown TIF Funding	12,000	-	-	12,000
Unassigned	300,967	(117,110)	-	183,857
Total Fund Balances	578,275	(117,110)	-	461,165
Total Liabilities and Fund Balances (Deficits)	\$ 596,920	\$ 1,658	\$ -	\$ 598,578

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2016**

Total Fund Balances for Governmental Funds \$ 461,165

Total net position reported for governmental activities in the statement of position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land 77,400

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is included in the statement of net position. (12,397)

Long-term liabilities that pertain to governmental funds are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position.

Bonds Payable	\$ (414,000)	
Notes Payable	(115,049)	
Other Postemployment Benefits	(11,686)	
Compensated Absences Payable	(10,840)	(551,575)

Total Net Position of Governmental Activities \$ (25,407)

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2016**

	General Fund	Downtown TIF Fund	Debt Service Fund	Totals
<b>REVENUES</b>				
Taxes	\$ 122,184	\$ 36,119	\$ -	\$ 158,303
Intergovernmental				
Federal	43,543	-	-	43,543
State				
Grant	106,953	-	-	106,953
Market Value Real Estate Credit	5	-	-	5
Management Fees	149,705	-	-	149,705
Miscellaneous	15,326	-	-	15,326
Total Revenues	<u>437,716</u>	<u>36,119</u>	<u>-</u>	<u>473,835</u>
<b>EXPENDITURES</b>				
Current				
General Government	249,232	-	-	249,232
Economic Development	145,482	100	-	145,582
Debt Service				
Principal	16,964	-	18,000	34,964
Interest	4,995	-	29,745	34,740
Total Expenditures	<u>416,673</u>	<u>100</u>	<u>47,745</u>	<u>464,518</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	21,043	36,019	(47,745)	9,317
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	5,119	-	47,745	52,864
Transfers Out	-	(47,745)	-	(47,745)
Total Other Financing Sources (Uses)	<u>5,119</u>	<u>(47,745)</u>	<u>47,745</u>	<u>5,119</u>
<b>NET CHANGE IN FUND BALANCE</b>	26,162	(11,726)	-	14,436
Fund Balance (Deficit) - Beginning of Year	<u>552,113</u>	<u>(105,384)</u>	<u>-</u>	<u>446,729</u>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ 578,275</u>	<u>\$ (117,110)</u>	<u>\$ -</u>	<u>\$ 461,165</u>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
YEAR ENDED DECEMBER 31, 2016**

Net Change in Fund Balances - Governmental Funds \$ 14,436

Amounts reported for governmental activities in the statement of activities are different because:

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing (repaying) debt increases (decreases) long-term liabilities and does not affect the statement of activities.

Payment of Note Principal	\$	16,964	
Repayment of Bond Principal		18,000	
Change in Accrued Interest Expense		464	
Other Postemployment Benefits		<u>(3,019)</u>	32,409

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. During 2016, compensated absences payable increased.

200

Change in Net Position of Governmental Activities \$ 47,045



**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2016**

	Business-Type Activities - Enterprise Funds				Totals
	Public Housing	Housing Choice Vouchers	Bridges Rental Assistance	Trail Ridge II	
<b>ASSETS</b>					
Current Assets					
Cash and Cash Equivalents	\$ 412,777	\$ 160,277	\$ 6,421	\$ 61,593	\$ 641,068
Real Estate Tax and Insurance Escrow	-	-	-	548	548
Accounts Receivable (Net of Allowances for Uncollectibles)	8,453	9,158	-	2,585	20,196
Accounts Receivable - Other	94,089	-	140	-	94,229
Due from Other Governmental Units	46,242	-	-	-	46,242
Prepayments	46,951	3,199	-	764	50,914
Restricted Assets					
Restricted Assets - Cash and Cash Equivalents	57,395	230,474	-	98,567	386,436
Total Current Assets	<u>665,907</u>	<u>403,108</u>	<u>6,561</u>	<u>164,057</u>	<u>1,239,633</u>
Noncurrent Assets					
Other Assets	-	-	-	2,656	2,656
Capital Assets					
Land and CIP	577,740	-	-	75,000	652,740
Other Capital Assets, Net of Depreciation	2,853,758	1,703	-	700,057	3,555,518
Total Noncurrent Assets	<u>3,431,498</u>	<u>1,703</u>	<u>-</u>	<u>777,713</u>	<u>4,210,914</u>
 Total Assets	 4,097,405	 404,811	 6,561	 941,770	 5,450,547
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable	16,565	-	6,000	14,170	36,735
Accrued Wages Payable	19,804	5,362	-	-	25,166
Contracts Payable	26,118	-	-	-	26,118
Prepaid Rent	-	-	-	808	808
Accrued Real Estate Taxes	-	-	-	12,694	12,694
Current Portion of Long-Term Debt	24,714	-	-	23,620	48,334
Due to Other Governmental Units	24,494	-	-	-	24,494
Tenants Security Deposits	56,941	-	-	9,468	66,409
FSS Escrow	-	13,078	-	-	13,078
Accrued Interest Payable	62	-	-	85,500	85,562
Compensated Absences	34,793	9,105	-	-	43,898
Total Current Liabilities	<u>203,491</u>	<u>27,545</u>	<u>6,000</u>	<u>146,260</u>	<u>383,296</u>
Noncurrent Liabilities					
Advances from Other Funds	-	-	-	64,216	64,216
FSS Escrow	-	38,441	-	-	38,441
Other Postemployment Benefits Payable	39,703	12,664	-	-	52,367
Unearned Revenues	-	125,804	-	-	125,804
Mortgage Notes Payable	-	-	-	450,000	450,000
Total Noncurrent Liabilities	<u>39,703</u>	<u>176,909</u>	<u>-</u>	<u>514,216</u>	<u>730,828</u>
 Total Liabilities	 243,194	 204,454	 6,000	 660,476	 1,114,124
<b>NET POSITION</b>					
Net Invested in Capital Assets	3,406,784	1,703	-	301,437	3,709,924
Restricted for HAP	-	67,763	-	-	67,763
Restricted for Security Deposit Refunds	454	-	-	3,539	3,993
Restricted for Reserve Requirements	-	-	-	85,560	85,560
Unrestricted	446,973	130,891	561	(109,242)	469,183
Total Net Position	<u>\$ 3,854,211</u>	<u>\$ 200,357</u>	<u>\$ 561</u>	<u>\$ 281,294</u>	<u>\$ 4,336,423</u>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2016**

	Business-Type Activities - Enterprise Funds				
	Public Housing	Housing Choice Vouchers	Bridges Rental Assistance	Trail Ridge II	Totals
<b>OPERATING REVENUES</b>					
Intergovernmental					
HUD Contributions	\$ 267,597	\$ 1,287,706	\$ 60,112	\$ -	\$ 1,615,415
Administrative Fees Earned	-	243,340	-	-	243,340
Total Intergovernmental Revenues	<u>267,597</u>	<u>1,531,046</u>	<u>60,112</u>	<u>-</u>	<u>1,858,755</u>
Rental Income					
Dwelling Income	655,537	-	-	-	655,537
Excess Utilities	3,220	-	-	-	3,220
Gross Potential Apartment Rents	-	-	-	146,445	146,445
Less Vacancies	-	-	-	(1,126)	(1,126)
Total Rental Income	<u>658,757</u>	<u>-</u>	<u>-</u>	<u>145,319</u>	<u>804,076</u>
Other Miscellaneous Income					
Tower Rental Income	57,839	-	-	-	57,839
CIP Funding	25,000	-	-	-	25,000
Maintenance Fees	15,000	-	-	-	15,000
Laundry Income	25,345	-	-	-	25,345
Miscellaneous	95,609	14,866	-	3,876	114,351
Total Other Miscellaneous Income	<u>218,793</u>	<u>14,866</u>	<u>-</u>	<u>3,876</u>	<u>237,535</u>
Total Operating Revenues	<u>1,145,147</u>	<u>1,545,912</u>	<u>60,112</u>	<u>149,195</u>	<u>2,900,366</u>
<b>OPERATING EXPENSES</b>					
Administration	474,627	207,703	348	27,418	710,096
Housing Assistance Payments	-	1,245,253	-	-	1,245,253
Rent Payments	-	-	54,012	-	54,012
Utilities	160,957	-	-	11,963	172,920
Ordinary Maintenance	-	-	-	-	-
Ordinary Maintenance and Operations	480,969	925	-	34,057	515,951
General Expense	24,914	6,258	-	21,385	52,557
Depreciation and Amortization	229,743	291	-	35,562	265,596
Total Operating Expenses	<u>1,371,210</u>	<u>1,460,430</u>	<u>54,360</u>	<u>130,385</u>	<u>3,016,385</u>
<b>OPERATING INCOME (LOSS)</b>	<b>(226,063)</b>	<b>85,482</b>	<b>5,752</b>	<b>18,810</b>	<b>(116,019)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest Income	(512)	14	-	203	(295)
Intergovernmental Revenue	348,022	-	-	-	348,022
Interest Expense	(1,500)	-	-	(5,927)	(7,427)
Total Nonoperating Revenues (Expenses)	<u>346,010</u>	<u>14</u>	<u>-</u>	<u>(5,724)</u>	<u>340,300</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>119,947</b>	<b>85,496</b>	<b>5,752</b>	<b>13,086</b>	<b>224,281</b>
Transfers Out	-	-	(5,119)	-	(5,119)
<b>CHANGE IN NET POSITION</b>	<b>119,947</b>	<b>85,496</b>	<b>633</b>	<b>13,086</b>	<b>219,162</b>
Net Position - Beginning of Year	3,734,264	114,861	(72)	268,208	4,117,261
<b>NET POSITION - END OF YEAR</b>	<b>\$ 3,854,211</b>	<b>\$ 200,357</b>	<b>\$ 561</b>	<b>\$ 281,294</b>	<b>\$ 4,336,423</b>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2016**

	Business-Type Activities - Enterprise Funds				Totals
	Public Housing	Housing Choice Vouchers	Bridges Rental Assistance	Trail Ridge II	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received from Rent	\$ 557,199	\$ -	\$ -	\$ -	\$ 557,199
Cash Received from Other Sources	222,013	-	-	146,826	368,839
Operating Subsidies - HUD	267,597	1,652,624	59,972	-	1,980,193
Cash Paid to Other Suppliers of Goods or Services	(565,949)	(1,279,330)	(48,360)	(83,473)	(1,977,112)
Cash Payments to Employees for Services	(553,855)	(157,485)	-	-	(711,340)
Net Cash Provided (Used) by Operating Activities	(72,995)	215,809	11,612	63,353	217,779
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital Grants Received	301,780	-	-	-	301,780
Due to Other Funds	-	-	(72)	-	(72)
Acquisition of Capital Assets	(355,067)	(1,994)	-	(10,998)	(368,059)
Interest and Fiscal Charges Paid	(1,566)	-	-	(1,427)	(2,993)
Repayment of Long-Term Debt	(26,109)	-	-	(24,350)	(50,459)
Net Cash Provided (Used) by Capital and Related Financing Activities	(80,962)	(1,994)	(72)	(36,775)	(119,803)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Paid to Tenant Security Deposits	(512)	-	-	-	(512)
Interest Received	-	14	-	203	217
Net Cash Provided (Used) by Investing Activities	(512)	14	-	203	(295)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(154,469)	213,829	6,421	26,781	92,562
Cash and Cash Equivalents - Beginning of Year	624,641	176,922	-	133,379	934,942
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 470,172</b>	<b>\$ 390,751</b>	<b>\$ 6,421</b>	<b>\$ 160,160</b>	<b>\$ 1,027,504</b>
<b>RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION</b>					
Cash and Cash Equivalents	\$ 412,777	\$ 160,277	\$ 6,421	\$ 61,593	\$ 641,068
Restricted Assets - Cash and Investments	57,395	230,474	-	98,567	386,436
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 470,172</b>	<b>\$ 390,751</b>	<b>\$ 6,421</b>	<b>\$ 160,160</b>	<b>\$ 1,027,504</b>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2016**

	Business-Type Activities - Enterprise Funds				Totals
	Public Housing	Housing Choice Vouchers	Bridges Rental Assistance	Trail Ridge II	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY</b>					
<b>OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ (226,063)	\$ 85,482	\$ 5,752	\$ 18,810	\$ (116,019)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	229,743	291	-	35,321	265,355
Amortization	-	-	-	241	241
(Increase) Decrease in Assets:					
Accounts Receivable	(98,338)	(5,024)	(140)	(2,149)	(105,651)
Prepayments	(2,584)	(302)	-	(74)	(2,960)
Other Assets	-	-	-	(1)	(1)
Increase (Decrease) in Liabilities:					
Accounts Payable	5,667	(610)	6,000	11,997	23,054
Prepaid Rent	-	-	-	-	-
Due to Other Governmental Units	2,598	-	-	-	2,598
Unearned Revenue	-	111,736	-	-	111,736
Tenants Security Deposits	2,242	-	-	364	2,606
FSS Escrow	-	19,211	-	-	19,211
Other Postemployment Benefits Payable	6,980	2,049	-	-	9,029
Accrued Expenses	6,760	2,976	-	(1,156)	8,580
Net Cash Provided (Used) by Operating Activities	<u>\$ (72,995)</u>	<u>\$ 215,809</u>	<u>\$ 11,612</u>	<u>\$ 63,353</u>	<u>\$ 217,779</u>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
DECEMBER 31, 2016**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and Investments	<u>\$ 737,830</u>
<b>LIABILITIES</b>	
Cash Held for Other Agencies	<u>\$ 737,830</u>

*See accompanying Notes to Financial Statements.*

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Housing and Redevelopment Authority of Brainerd (the Authority) was created by the City of Brainerd, Minnesota to carry out redevelopment of blighted areas and to establish safe and sanitary dwelling accommodations for veterans, persons of low income, and the elderly. The Authority was formed and operates pursuant to applicable Minnesota laws. The governing board consists of a six-member board and one resident commissioner appointed by the Mayor/City Council to serve five-year terms. The Authority is considered to be a component unit of the City of Brainerd.

The accounting policies of the Authority conform to generally accepted accounting principles.

**A. Financial Reporting Entity**

The Authority's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the Authority is considered to be financially accountable.

Component units are legally separate entities for which the Authority (Primary Government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the Primary Government misleading. The criteria used to determine if the Primary Government is financially accountable for a component unit include whether or not the Primary Government appoints a voting majority of an organization's governing body and has the ability to impose its will on the governing body; or there is a specific financial benefit or to impose a specific financial burden on the Primary Government.

The basic financial statements of the Authority include Trail Ridge II. Trail Ridge II is an entity legally separate from the Authority. The Authority reports Trail Ridge II as a blended component unit in accordance with GASB Statement No. 14, as amended, because the Authority's Board is the governance for Trail Ridge II and the Authority makes day to day decisions for this project. The Authority is the general partner in Trail Ridge II, Limited Partnership, a privately-owned housing project located in Brainerd, Minnesota. The Authority's ownership in the project is one-hundredth of a percent and its capital investment in the project is \$136,805 at December 31, 2016.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) include the financial activities of the overall Authority, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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

**B. Government-Wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of each function of the Authority's governmental activities and different business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus and Basis of Accounting**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Authority considers all revenues to be available if they are collected within 60 days after the end of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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

**C. Measurement Focus and Basis of Accounting (Continued)**

The Authority reports the following major governmental funds:

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

Downtown TIF Fund – The Downtown TIF Fund is used to account for the Downtown TIF District activity. This fund collects tax increments which are used to repay the debt related to the construction and subsequent sale of a downtown office building site.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal, interest and related costs of governmental funds.

The Authority reports the following major proprietary funds:

Public Housing Fund – The Public Housing Fund is used to account for the renting of HUD rental units to eligible persons and for grant monies received for major improvements to HUD properties.

Housing Choice Vouchers Fund – The Housing Choice Vouchers Fund is used to account for providing low income persons with rental assistance to private landlords.

Bridges Rental Assistance Fund – The Bridges Rental Assistance Fund is used to account for providing temporary rental assistance to people with serious mental illness while they are waiting to be enrolled in the housing choice vouchers program.

Trail Ridge II Fund – The Trail Ridge II Fund is a blended component unit of the Authority used to account for providing low income housing utilizing the housing tax credit program.

Additionally, the Authority reports the following fiduciary fund type:

Agency Fund – The Agency Fund is used to account for assets held by the Authority for other properties. The Agency Fund is custodial in nature (assets equal liabilities).



**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

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

**C. Measurement Focus and Basis of Accounting (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 revenue of the Authority's enterprise funds are charges to tenants for rent and housing assistance payments. 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.

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

**D. Assets, Liabilities, and Net Position or Equity**

**1. Cash and Investments**

Cash balances from all funds (including cash equivalents) are pooled and invested to the extent available in various securities as authorized by Minnesota Statutes.

Cash equivalents are considered to be short-term, highly-liquid investments that are readily convertible to cash and have original maturities of three months or less.

For the purposes of the statement of cash flows of the proprietary fund types, the Authority considers all cash and investments under the classifications current assets and restricted assets to be cash and cash equivalents. Cash and cash equivalents consist of checking and saving certificate accounts, cash on hand, and money market savings accounts.

**2. Restricted Assets**

The enterprise funds, based on certain laws and bond agreements, are required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments). The Authority maintains separate accounts for required tenant security deposits and bond proceeds.

**3. Accounts Receivable**

Accounts receivable in excess of 90 days after move out date is written-off as uncollectible. Bad debt expense of \$10,494 for 2016 was written off. Outstanding tenant balances related to fraud remaining unpaid 12 months following the tenant's move out will be moved to an allowance account. The balance will remain for 12 months in the allowance account and then will be written-off.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

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

**D. Assets, Liabilities, and Net Position or Equity (Continued)**

**4. Taxes Receivable**

Taxes which remain unpaid are classified as delinquent taxes receivable. Delinquent taxes represent the past seven years of uncollected tax years. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is unavailable because it is not known to be available to finance the operations of the Authority in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material.

**Property Tax Collection Calendar**

The City, on behalf of the Authority, levies its property tax for the subsequent year during the month of December. In Minnesota, the lien date and assessment date is January 2. The property tax is recorded as revenue when it becomes available. The County is the collecting agency for the levy and then remits the collections to the Authority. All taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The county auditor establishes the listing of all taxable property in the City, applying the applicable tax capacity rate to the tax capacity value of individual properties, to arrive at the actual tax for each property.

The county auditor turns over a list of taxes to be collected on each parcel of property to the county treasurer in January of each year. Property owners are required to pay one-half of their real estate taxes by May 15 and the balance by October 15.

Within 30 days after the May settlement, the county treasurer is required to pay 70% of the estimated collections of taxes to the Authority. The county treasurer must pay the balance to the Authority within 60 days after settlement, provided that after 45 days interest begins to accrue.

Within ten business days after November 15, the county treasurer shall pay to each taxing district, except any school district, 100% of the estimated collections arising from taxes levied by and belonging to each taxing district from May 20 to November 20.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

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

**D. Assets, Liabilities, and Net Position or Equity (Continued)**

**5. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the year ended December 31, 2016, there was no capitalized interest on capital assets.

Capital assets are depreciated using the straight line method over the estimated useful lives of the individual assets, which range from five to forty years.

**6. 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 governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

**7. Tenant Deposits**

Security deposits are collected from tenants and are held in separate interest bearing bank accounts. The related liability consists of actual deposits and includes any interest earned by tenants on deposits. Refunds are made when a tenant leaves. Any interest earned by the tenant is recorded as an increase of the tenant deposit interest liability.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

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

**D. Assets, Liabilities, and Net Position or Equity (Continued)**

**8. Equity**

Equity is divided into the following sections:

Net Position – Net position represent 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 Government-wide and Proprietary Fund financial statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Fund Balance – In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Nonspendable fund balance represents amounts that are inherently nonspendable or assets that are legally or contractually required to be maintained intact. Restricted fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties. Committed fund balance represents constraints on spending that the government imposes upon itself by high-level formal action prior to the close of the fiscal period. Assigned fund balance represents resources intended for spending for a purpose set by the government body itself or by some person or body delegated to exercise such authority in accordance with policy established by the Board. The Board has delegated the authority to assign fund balance to the Executive Director and Finance Director. Unassigned fund balance is the residual classification for the Authority's general fund and includes all spendable amounts not contained in the other classifications. When restricted, committed, assigned, and unassigned fund balance are all available for an expenditure, it is the Authority's policy to first use restricted, then committed, assigned and finally unassigned fund balance.

**E. Tax Status**

The Authority is exempt from property taxes. In lieu of property taxes, the Public Housing enterprise fund pays to Crow Wing County 5% of the total annual public housing rents less the total utilities.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

An annual budget is adopted for the General Fund. Budget appropriations lapse at the end of the year. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**B. Excess of Disbursements over Budgeted Appropriations**

The General Fund disbursements exceeded the budgeted appropriations by \$59,723 for the current year. The overage relates to contract costs associated with grant revenue that was received. None of these costs were budgeted for. All disbursements were approved by the Board.

**C. Deficit Fund Equity**

The Downtown TIF Fund had a deficit fund balance of \$117,110 as of December 31, 2016. The fund incurred expenditures that will be reimbursed by taxes collected or by a transfer from the General Fund.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits**

The Authority maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as "Cash and Investments." In accordance with Minnesota Statutes the Authority maintains deposits at financial institutions which are authorized by the Board of Commissioners.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits (Continued)**

Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The Authority's deposits in banks at December 31, 2016 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**2. Investments**

The Authority has an investment policy and is permitted to invest its 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 received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of thirteen months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rate "A" or better.
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement 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.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**2. Investments (Continued)**

The Authority had no investments as of December 31, 2016.

**3. Receivables**

Revenues of the Public Housing Authority are reported net of uncollectible amounts. There was no allowance for uncollectible accounts related to Public Housing rent as of December 31, 2016.

**4. Interfund Receivables, Payables, and Transfers**

At December 31, 2016, advance to/from other funds were as follows:

	Advance To:		
Advance From:	TIF Fund	Trail Ridge II	Total
General Fund	\$ 118,768	\$ 64,216	\$ 182,984

The General Fund made an advance to the TIF Fund during 2016 to fund current operations. The General Fund made a prior year advance to Trail Ridge II to meet various capital and operating requirements.

The interfund payable is related to the elimination of negative cash balance at year-end.

Transfers of current financial resources at the fund level for the year ended December 31, 2016 are as follows:

	Transfer In:		
Transfer Out:	Debt Service Fund	General Fund	Total
Bridges Fund	\$ -	\$ 5,119	\$ 5,119
Downtown TIF Fund	47,745	-	47,745
Total	\$ 47,745	\$ 5,119	\$ 52,864

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Interfund Receivables, Payables, and Transfers (Continued)**

The transfer from the Downtown TIF Fund to the Debt Service Fund was to cover principal and interest payments relating to the TIF Revenue Bond. The transfer from the Bridges Fund to the General Fund was to reimburse the General Fund for expenditures that were paid on behalf of the Bridges Fund.

**5. Capital Assets**

Capital asset activity for the Authority for the year ended December 31, 2016, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 77,400	\$ -	\$ -	\$ 77,400
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 374,262	\$ -	\$ -	\$ 374,262
Construction in Progress	11,191	267,287	-	278,478
Total Capital Assets, Not Being Depreciated	385,453	267,287	-	652,740
Capital Assets, Being Depreciated				
Buildings and Improvements	12,874,862	118,913	(173,060)	12,820,715
Furniture, Fixtures and Equipment	370,330	7,977	(1,371)	376,936
Total Capital Assets, Being Depreciated	13,245,192	126,890	(174,431)	13,197,651
Less Accumulated Depreciation For				
Buildings and Improvements	(9,264,872)	(250,817)	173,060	(9,342,629)
Furniture, Fixtures and Equipment	(286,337)	(14,538)	1,371	(299,504)
Total Accumulated Depreciation	(9,551,209)	(265,355)	174,431	(9,642,133)
Total Capital Assets, Being Depreciated, Net	3,693,983	(138,465)	-	3,555,518
Business-Type Activities Capital Assets, Net	\$ 4,079,436	\$ 128,822	\$ -	\$ 4,208,258

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

Business-Type Activities:	
Public Housing	\$ 229,743
Housing Choice Vouchers	291
Trail Ridge II	35,321
Total Depreciation Expense - Business-Type Activities	\$ 265,355



**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities**

**1. Long-Term Debt**

Public Facility Revenue Bonds

The Authority issued public facility revenue bonds in 2002 to finance the acquisition of a capital facility. Scheduled future net revenues from operations are dedicated to the retirement of these bonds. This bond was refinanced in December 2012 and now bears 3.95% interest and will mature December 9, 2017. The bonds are further secured by a combination mortgage, security agreement, and fixture financing statement.

Mortgage Note

The Authority entered into a \$250,000 long-term promissory note agreement to refinance a short-term note that was used to finance cash flow needs relating to the Brainerd Oaks housing development project, which is now being carried under the general fund of the Authority. This note was refinanced in December 2012 and now bears 3.95% interest and will mature December 9, 2017. The note is secured by a mortgage on the Authority's office building.

Taxable Tax Increment Note

The Authority issued a taxable tax increment note in 2005 to finance the redevelopment of a downtown commercial site. Future tax increment revenues will be used to retire the bonds, in addition to a conditional pledge of a portion of the Authority's special benefits taxes collected.

First Mortgage Payable

Trail Ridge II entered into a \$257,000 long-term mortgage payable dated February 1, 1998. Monthly payments of \$2,313, including interest at 9%, were due through February 1, 2013. On November 2, 2012, this mortgage was extended to November 1, 2017. Monthly payments of \$2,148, including interest at 3.8%, are due through November 1, 2017. The mortgage is secured by the Project.

Second Mortgage Payable

Trail Ridge II entered into their second mortgage (MHFA Affordable Rental Investment fund Loan) payable to Minnesota Housing Finance Agency (MHFA) in the original amount of \$450,000 dated January 12, 1998, with interest at 1%. Principal and interest are due January 28, 2028. The mortgage is secured by the Project.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (Continued)**

**1. Long-Term Debt (Continued)**

Bonds and notes currently outstanding for the Authority are as follows:

	Interest Rate	Amount Outstanding
2002B Public Facility Revenue Bonds	3.95 %	\$ 24,714
2005 Taxable Tax Increment Note	6.96	414,000
2007 Mortgage Note	3.95	115,049
MHFA - ARIF	1.00	450,000
Wells Fargo	3.80	23,620
Total Revenue Bonds and Notes		\$ 1,027,383

The summary of long-term debt transactions for the year ended December 31, 2016 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
Tax Increment Note	\$ 432,000	\$ -	\$ 18,000	\$ 414,000	\$ 20,000
Notes Payable	132,013	-	16,964	115,049	17,662
Compensated Absences Payable	11,040	10,596	10,796	10,840	10,840
Governmental Activities Long-Term Liabilities	\$ 575,053	\$ 10,596	\$ 45,760	\$ 539,889	\$ 48,502
<b>Business-Type Activities</b>					
Bonds Payable					
Revenue Bonds	\$ 50,823	\$ -	\$ 26,109	\$ 24,714	\$ 24,714
Mortgage Notes Payable	497,970	-	24,350	473,620	23,620
Compensated Absences Payable	36,755	33,040	25,897	43,898	43,898
Business-Type Activities Long-Term Liabilities	\$ 585,548	\$ 33,040	\$ 76,356	\$ 542,232	\$ 92,232

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Liabilities (Continued)**

**1. Long-Term Debt (Continued)**

Annual debt service requirements to maturity for bonds and notes of the Authority are as follows:

Notes Payable Governmental Activities			Tax Increment Note Governmental Activities			Revenue Bonds Business-Type Activities		
	Principal	Interest		Principal	Interest		Principal	Interest
2017	\$ 17,662	\$ 4,295	2017	\$ 20,000	\$ 28,466	2017	\$ 24,714	\$ 494
2018	97,387	-	2018	23,000	27,039	Total	\$ 24,714	\$ 494
Total	<u>\$ 115,049</u>	<u>\$ 4,295</u>	2019	26,000	25,369			
			2020	29,000	23,525			
			2021	32,000	21,437			
			2022-2026	225,000	66,919			
			2027	59,000	3,097			
			Total	<u>\$ 414,000</u>	<u>\$ 195,852</u>			

Mortgage Notes Payable Business-Type Activities		
	Principal	Interest
2017	\$ 23,620	\$ 4,951
2018	-	4,500
2019	-	4,500
2020	-	4,500
2021	-	4,500
2022-2026	-	22,500
2027-2028	450,000	9,000
Total	<u>\$ 473,620</u>	<u>\$ 54,451</u>

**2. Conduit Debt**

The Authority issued conduit debt to provide financial assistance for the development and modernization of low-rent housing units and for the acquisition and construction of facilities deemed to be in the public interest. The bonds for the development and modernization of low-rent public housing units are payable by HUD and secured by annual contributions. The facilities bonds are payable solely from payments received on the underlying lease and do not constitute a general obligation of the Authority. Upon repayment of the facilities bonds, ownership of the facilities transfers to the entity served by the bond issuance. None of these bonds constitutes a debt of the Authority; accordingly, they have not been reported as liabilities in the accompanying financial statements.

At December 31, 2016, the following conduit debt existed:

Lease Revenue Bonds	<u>\$ 1,625,000</u>
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**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**NOTE 4 DEFINED CONTRIBUTION PENSION PLAN**

**Plan Description**

Qualified employees of the Authority belong to the Housing Renewal and Local Agency Retirement Plan (the Plan), which is a defined contribution retirement plan. The retirement plan is a national plan with local or regional housing authorities and commissions, urban renewal agencies and other organizations eligible to participate. The Plan and Trust are qualified under Section 401(a) of the Internal Revenue Code and their income is exempt from taxation under Section 501(a) of the Code. Plan provisions and contribution requirements are established and amended by the Board of Trustees.

Terminated or retiring participants are entitled to certain benefits including the full amount of their contributions to the Plan as well as earnings on their contributions. In addition to the amount of their contribution, each participant is entitled to the portion of the employer's contributions in which he or she has a vested interest.

Detailed information concerning the Authority's pension plan is presented in its publicly available annual report for the year ended December 31, 2016. That report may be obtained by contacting the Authority.

**Plan Funding**

The Plan is funded by employer and employee contributions (7.5% and 5.5% of gross wages, respectively). The Authority's contributions for the year ended December 31, 2016, 2015, and 2014 were \$50,822, \$46,765, and \$48,243, respectively.

**NOTE 5 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

The Authority provides health insurance benefits for certain retired employees under the City of Brainerd's single-employer fully-insured plan. The Authority provides benefits for retirees as required by Minnesota Statutes §471.61 subdivision 2b. Active employees who retire from the Authority when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their spouse/partner under the Authority's health benefits program. Pursuant to the provisions of the plan, retirees are required to pay the full amount of the total premium cost. As of January 1, 2015, there were no Authority retirees receiving health benefits from the health plan; however, there were five retired employees from the City and two from Brainerd Public Utilities that were receiving health benefits from the health plan.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

**NOTE 5 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**A. Annual OPEB Cost and Net OPEB Obligation**

The Authority's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Authority's annual OPEB cost of 2016, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation:

Annual Required Contribution (ARC):	\$	14,623
Interest on Net OPEB Obligation		2,080
Adjustment to ARC		<u>(2,949)</u>
Annual OPEB Cost		13,754
Employer Contribution		<u>(1,706)</u>
Increase in Net OPEB Obligation		12,048
Net OPEB - Beginning of the Year		<u>52,005</u>
Net OPEB - End of the Year	\$	<u><u>64,053</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2014, 2015, and 2016 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2014	\$ 3,068	\$ 771	0.3 %	\$ 37,494
December 31, 2015	15,004	493	0.0	52,005
December 31, 2016	13,754	1,706	0.1	64,053

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

**NOTE 5 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**B. Funding Status**

The Authority currently has no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial value of assets is zero. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/15	\$ -	\$ 88,998	\$ 88,998	- %	\$ 728,639	12.2 %

**C. Actuarial Methods and Assumptions**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.00% discount rate, which is based on the estimated long-term investment yield on the general assets of the Authority. The annual healthcare cost trend rate as of 2015 was 7.25%, and will be reduced incrementally to an ultimate rate of 5.00% after nine years. The unfunded actuarial accrued liability is being amortized over thirty years on a closed basis.

**NOTE 6 RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; public official liability; and natural disasters for which the Authority carries commercial insurance policies. The Authority retains risk for the deductible portions of the insurance policies and for any exclusion from the insurance policies. These amounts are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

**NOTE 7 RELATED-PARTY TRANSACTIONS**

The Authority is a general partner in Trail Ridge, Limited Partnership, a privately-owned housing project located in Brainerd, Minnesota. The Authority's ownership in the project is 30% and its partner capital balance in the project is \$(212,170) at December 31, 2016. The Authority is a general partner in College Drive, Limited Partnership, a privately-owned housing project located in Brainerd, Minnesota. The Authority's ownership in the project is 0.00475% at December 31, 2016.

**NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS**

**Grants**

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

**NOTE 9 TAX ABATEMENTS**

The Authority collects increment for a City of Brainerd pay-as-you-go tax increment financing district with a local business to promote economic development within the City of Brainerd as authorized by Minnesota Statute 469.174. The Authority is currently collecting tax increments that are paid through the property tax collection process. The district stops collection in 2018. The requirement for the business to receive the excess tax increments from the Authority is to perform improvements on the owned property. The increment taxes are based on the increase of the property value after the improvements are made. The agreement calls for 90% of the property tax increments collected to be returned to developers. For the year ended December 31, 2016, the Authority paid excess tax increments in the amount of \$5,132. No other commitments were made by the Authority as a part of this agreement.

The Authority has a tax increment note that was used to finance a redevelopment district to promote economic development within the City of Brainerd as authorized by Minnesota Statute 469.174. The Authority is required to pay the principal and interest on the note, even if the tax increments collected are not enough. The district stops collections in 2030. The increment taxes are based on the increase of the property value after the improvements are made. The agreement calls for 100% of the property tax increments collected to be paid on the note. For the year ended December 31, 2016, the Authority collected and paid \$36,119. If the tax increment collected is insufficient to pay the principal and interest on the note, the authority will use a portion of its special benefit tax in an amount of up to \$12,000 annually.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFITS  
YEAR ENDED DECEMBER 31, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/15	\$ -	\$ 88,998	\$ 88,998	- %	\$ 728,639	12.2 %
01/01/12	-	62,728	62,728	-	647,900	9.7
01/01/09	-	34,814	34,814	-	563,483	6.2

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2016**

	Budget Original and Final	Actual	Variance With Budget Over (Under)
<b>REVENUES</b>			
Taxes	\$ 122,040	\$ 122,184	\$ 144
Intergovernmental			
Federal	40,000	43,543	3,543
State			
Grant	-	106,953	106,953
Market Value Real Estate Credit	-	5	5
Management Fees	148,900	149,705	805
Miscellaneous	9,300	15,326	6,026
Total Revenues	320,240	437,716	117,476
<b>EXPENDITURES</b>			
Current			
General Government			
Administrative	244,440	245,663	1,223
Maintenance	500	514	14
General Expenses	18,120	3,055	(15,065)
Economic Development	73,900	145,482	71,582
Debt Service			
Principal	16,980	16,964	(16)
Interest	4,980	4,995	15
Total Expenditures	358,920	416,673	57,753
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(38,680)	21,043	59,723
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	5,119	5,119
Transfers Out	(8,000)	-	8,000
Total Other Financing Sources (Uses)	(8,000)	5,119	13,119
<b>NET CHANGE IN FUND BALANCE</b>	\$ (46,680)	26,162	\$ 72,842
Fund Balance - Beginning of Year		552,113	
<b>FUND BALANCE - END OF YEAR</b>		\$ 578,275	

See accompanying Notes to Required Supplementary Information.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2016**

**NOTE 1 LEGAL COMPLIANCE – BUDGETS**

The budget is prepared using the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The General Fund disbursements exceeded the budgeted appropriations by \$59,723 for the current year. The overage relates to contract costs associated with grant revenue that was received. None of these costs were budgeted for. All disbursements were approved by the Board.

**NOTE 2 UNBUDGETED MAJOR SPECIAL REVENUE FUND**

The Authority has not adopted a budget for the Downtown TIF Fund. Thus, there is no budgetary comparison schedule included in the required supplementary information.

## **SUPPLEMENTARY INFORMATION**

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**FINANCIAL DATA SCHEDULE**  
**DECEMBER 31, 2016**

Line Item #	Account Description	Public Housing Low Rent 14,850	Housing Choice Vouchers 14,871	Bridges Rental Assistance
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
<b>CASH</b>				
111	Cash - Unrestricted	\$ 412,777	\$ 160,277	\$ 6,421
113	Cash - Other Restricted	-	217,396	-
114	Cash - Tenant Security Deposits	57,395	-	-
115	Cash - Restricted for Payment of Current Liabilities	-	13,078	-
100	Total Cash	<u>470,172</u>	<u>390,751</u>	<u>6,421</u>
<b>ACCOUNTS AND ACCOUNTS RECEIVABLE</b>				
122	Accounts Receivable - HUD Other Projects	46,242	-	140
124	Accounts Receivable - Other Government	-	-	-
125	Accounts Receivable - Miscellaneous - Other	94,089	-	-
126	Accounts Receivable - Tenants	6,773	9,158	-
127	Notes, Loans, & Mortgages Receivable - Current	1,680	-	-
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>148,784</u>	<u>9,158</u>	<u>140</u>
142	Prepaid Expenses and Other Assets	46,951	3,199	-
144	Interprogram - Due From	-	-	-
150	Total Current Assets	<u>665,907</u>	<u>403,108</u>	<u>6,561</u>
<b>NONCURRENT ASSETS</b>				
<b>FIXED ASSETS</b>				
161	Land	299,262	-	-
162	Buildings	11,289,257	-	-
163	Furniture, Equipment and Machinery - Dwellings	274,144	-	-
164	Furniture, Equipment and Machinery - Administration	58,705	5,244	-
166	Accumulated Depreciation	(8,768,348)	(3,541)	-
167	Construction in Progress	278,478	-	-
160	Total Fixed Assets, Net of Accumulated Depreciation	<u>3,431,498</u>	<u>1,703</u>	<u>-</u>
174	Other Assets	-	-	-
180	Total Noncurrent Assets	<u>3,431,498</u>	<u>1,703</u>	<u>-</u>
190	Total Assets	<u>\$ 4,097,405</u>	<u>\$ 404,811</u>	<u>\$ 6,561</u>

Trail Ridge II	Economic Development and Supporting Services	State/Local	Fiduciary Fund Agency	Total
\$ 61,593	\$ -	\$ 387,261	\$ 737,830	\$ 1,766,159
85,560	-	-	-	302,956
13,007	-	-	-	70,402
-	-	-	-	13,078
<u>160,160</u>	<u>-</u>	<u>387,261</u>	<u>737,830</u>	<u>2,152,595</u>
-	-	-	-	46,382
-	1,658	19,843	-	21,501
-	-	-	-	94,089
2,585	-	-	-	18,516
-	-	-	-	1,680
<u>2,585</u>	<u>1,658</u>	<u>19,843</u>	<u>-</u>	<u>182,168</u>
764	-	6,832	-	57,746
-	-	182,984	-	182,984
<u>163,509</u>	<u>1,658</u>	<u>596,920</u>	<u>737,830</u>	<u>2,575,493</u>
75,000	-	77,400	-	451,662
1,531,458	-	-	-	12,820,715
38,843	-	-	-	312,987
-	-	-	-	63,949
(870,244)	-	-	-	(9,642,133)
-	-	-	-	278,478
<u>775,057</u>	<u>-</u>	<u>77,400</u>	<u>-</u>	<u>4,285,658</u>
3,204	-	-	-	3,204
<u>778,261</u>	<u>-</u>	<u>77,400</u>	<u>-</u>	<u>4,288,862</u>
<u>\$ 941,770</u>	<u>\$ 1,658</u>	<u>\$ 674,320</u>	<u>\$ 737,830</u>	<u>\$ 6,864,355</u>

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
**DECEMBER 31, 2016**

Line Item #	Account Description	Public Housing Low Rent 14.850	Housing Choice Vouchers 14.871	Bridges Rental Assistance
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
312	Accounts Payable < 90 Days	\$ 32,487	\$ -	\$ -
313	Accounts Payable > 90 Days Past Due	-	-	6,000
321	Accrued Wage/Payroll Taxes Payable	19,804	5,362	-
322	Accrued Compensated Absences	34,793	9,105	-
325	Accrued Interest Payable	62	-	-
333	Accounts Payable - Other Government	24,494	-	-
341	Tenant Security Deposits	56,941	-	-
342	Unearned Revenue	-	125,804	-
343	Current Portion of Long-Term Debt - Capital Projects/ Mortgage Revenue Bonds	24,714	-	-
345	Other Current Liabilities	-	13,078	-
346	Accrued Liabilities - Other	10,196	-	-
347	Interprogram Due To	-	-	-
310	Total Current Liabilities	<u>203,491</u>	<u>153,349</u>	<u>6,000</u>
<b>NONCURRENT LIABILITIES</b>				
351	Long-Term Debt, Net of Current - Capital Projects/ Mortgage Revenue Bonds	-	-	-
353	Noncurrent Liabilities - Other	-	38,441	-
357	Accrued Pension and OPEB Liabilities	39,703	12,664	-
350	Total Noncurrent Liabilities	<u>39,703</u>	<u>51,105</u>	<u>-</u>
300	Total Liabilities	243,194	204,454	6,000
<b>NET POSITION</b>				
508.1	Net Investment in Capital Assets	3,406,784	1,703	-
511.1	Restricted Net Position	454	67,763	-
512.1	Unrestricted Net Position	446,973	130,891	561
513	Total Net Position	<u>3,854,211</u>	<u>200,357</u>	<u>561</u>
600	Total Liabilities and Net Position	<u>\$ 4,097,405</u>	<u>\$ 404,811</u>	<u>\$ 6,561</u>

Trail Ridge II	Economic Development and Supporting Services	State/Local	Fiduciary Fund Agency	Total
\$ 14,170	\$ -	\$ 9,040	\$ -	\$ 55,697
-	-	-	-	6,000
-	-	9,605	-	34,771
-	-	10,840	-	54,738
85,500	12,006	391	-	97,959
-	-	-	-	24,494
9,468	-	-	-	66,409
-	-	-	-	125,804
23,620	20,000	17,662	-	85,996
808	-	-	-	13,886
12,694	-	-	737,830	760,720
64,216	118,768	-	-	182,984
<u>210,476</u>	<u>150,774</u>	<u>47,538</u>	<u>737,830</u>	<u>1,509,458</u>
450,000	394,000	97,387	-	941,387
-	-	-	-	38,441
-	-	11,686	-	64,053
<u>450,000</u>	<u>394,000</u>	<u>109,073</u>	<u>-</u>	<u>1,043,881</u>
660,476	544,774	156,611	737,830	2,553,339
301,437	-	77,400	-	3,787,324
89,099	-	-	-	157,316
<u>(109,242)</u>	<u>(543,116)</u>	<u>440,309</u>	<u>-</u>	<u>366,376</u>
<u>281,294</u>	<u>(543,116)</u>	<u>517,709</u>	<u>-</u>	<u>4,311,016</u>
<u>\$ 941,770</u>	<u>\$ 1,658</u>	<u>\$ 674,320</u>	<u>\$ 737,830</u>	<u>\$ 6,864,355</u>



**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
FINANCIAL DATA SCHEDULE (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016**

Line Item #	Account Description	Public Housing Low Rent 14.850	Public Housing Capital Fund Program 14.872	Housing Choice Vouchers 14.871
<b>REVENUE</b>				
70300	Net Tenant Rental Revenue	\$ 666,031	\$ -	\$ -
70400	Tenant Revenue - Other	80,176	-	-
70500	Total Tenant Revenue	<u>746,207</u>	-	-
70600	HUD PHA Operating Grants	267,597	-	1,472,046
70610	Capital Grants	-	259,288	-
70800	Other Government Grants	-	-	-
70700	Total Fee Revenue	<u>267,597</u>	<u>259,288</u>	<u>1,472,046</u>
70800	Other Government Grants	88,734	-	-
71100	Unrestricted Investment Income	(512)	-	14
71400	Fraud Recovery	-	-	3,950
71500	Other Revenue	141,837	-	10,916
70000	Total Revenue	<u>1,243,863</u>	<u>259,288</u>	<u>1,486,926</u>
<b>EXPENSES</b>				
<u>Administrative</u>				
91100	Administrative Salaries	257,512	-	90,082
91200	Auditing Fees	10,200	-	3,500
91400	Advertising and Marketing	1,097	-	-
91500	Employee Benefit Contributions - Administrative	115,839	-	45,094
91600	Office Expenses	25,217	-	7,402
91700	Legal Expense	4,467	-	125
91800	Travel	1,957	-	2,500
91000	Total Operating - Administrative	<u>416,289</u>	-	<u>148,703</u>
<u>Tenant Services</u>				
92100	Tenant Services - Other	-	-	-
92300	Employee Benefit Contributions - Tenant Services	-	-	-
92500	Total Tenant Services	<u>-</u>	<u>-</u>	<u>-</u>
<u>Utilities</u>				
93100	Water	25,692	-	-
93200	Electricity	67,836	-	-
93300	Gas	32,731	-	-
93600	Sewer	34,698	-	-
93000	Total Utilities	<u>160,957</u>	-	<u>-</u>
<u>Ordinary Maintenance and Operation</u>				
94100	Ordinary Maintenance and Operations - Labor	175,926	-	-
94200	Ordinary Maintenance and Operations - Materials and Other	26,337	-	-
94300	Ordinary Maintenance and Operations - Contract Costs	189,138	-	925
94500	Employee Benefit Contributions - Ordinary Maintenance	88,480	-	-
94000	Total Maintenance	<u>479,881</u>	-	<u>925</u>
95200	Protective Services - Other Contract Costs	1,088	-	-
95000	Total Protective Services	<u>1,088</u>	-	<u>-</u>

FSS Program 14.896	Bridges Rental Assistance	Trail Ridge II	Economic Development and Supporting Services	State/Local	Total
\$ -	\$ -	\$ 145,319	\$ -	\$ -	\$ 811,350
-	-	-	-	-	80,176
-	-	145,319	-	-	891,526
59,000	-	-	-	-	1,798,643
-	-	-	-	-	259,288
-	-	-	-	-	-
59,000	-	-	-	-	2,057,931
-	60,112	-	-	150,496	299,342
-	-	203	-	-	(295)
-	-	-	-	-	3,950
-	-	3,876	36,119	287,220	479,968
59,000	60,112	149,398	36,119	437,716	3,732,422
-	-	-	-	187,452	535,046
-	-	6,500	-	6,700	26,900
-	-	1,286	-	557	2,940
-	-	-	-	72,401	233,334
-	-	18,263	100	10,874	61,856
-	-	1,369	-	2,499	8,460
-	348	-	-	2,350	7,155
-	348	27,418	100	282,833	875,691
37,170	-	-	-	-	37,170
21,830	-	-	-	-	21,830
59,000	-	-	-	-	59,000
-	-	3,991	-	-	29,683
-	-	2,583	-	-	70,419
-	-	5,389	-	-	38,120
-	-	-	-	-	34,698
-	-	11,963	-	-	172,920
-	-	9,724	-	-	185,650
-	-	8,605	-	-	34,942
-	-	15,713	-	105,557	311,333
-	-	-	-	-	88,480
-	-	34,042	-	105,557	620,405
-	-	-	-	-	1,088
-	-	-	-	-	1,088

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2016**

Line Item #	Account Description	Public Housing Low Rent 14.850	Public Housing Capital Fund Program 14.872	Housing Choice Vouchers 14.871
	<b>EXPENSES (CONTINUED)</b>			
	<u>General Expenses</u>			
96110	Property Insurance	\$ 38,656	\$ -	\$ 564
96120	Liability Insurance	8,306	-	1,597
96130	Workmen's Compensation	8,932	-	701
96140	All Other Insurance	2,444	-	1,027
96100	Total Insurance Premiums	<u>58,338</u>	-	<u>3,889</u>
96200	Other General Expenses	-	-	2,369
96300	Payments in Lieu of Taxes	24,914	-	-
96400	Bad Debt - Tenant Rents	10,494	-	-
96000	Total Other General Expenses	<u>35,408</u>	-	<u>2,369</u>
96710	Interest of Mortgage (or Bonds) Payable	1,500	-	-
96730	Amorization of Bond Issue Costs	-	-	-
96700	Total Interest Expense and Amortization Cost	<u>1,500</u>	-	-
96900	Total Operating Expenses	<u>1,153,461</u>	-	<u>155,886</u>
97000	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	90,402	259,288	1,331,040
	<u>Other Expenses</u>			
97300	Housing Assistance Payments	-	-	1,243,125
97350	HAP Portability-In	-	-	2,128
97400	Depreciation Expense	229,743	-	291
90000	Total Expenses	<u>1,383,204</u>	-	<u>1,401,430</u>
	<u>Other Financing Sources (Uses)</u>			
10010	Operating Transfers In	259,288	-	-
10020	Operating Transfers Out	-	(259,288)	-
10100	Total Other Financing Sources (Uses)	<u>259,288</u>	<u>(259,288)</u>	-
10000	<b>EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES</b>	<u>\$ 119,947</u>	<u>\$ -</u>	<u>\$ 85,496</u>
	<b><u>Memo Account Information</u></b>			
11020	Required Annual Debt Principal Payments	\$ 26,109	\$ -	\$ -
11030	Beginning Equity	3,734,264	-	114,861
11170	Administrative Fee Equity	-	-	137,348
11180	Housing Assistance Payments Equity	-	-	63,009
11190	Unit Months Available	2,424	-	3,840
11210	Number of Unit Months Leased	2,406	-	3,759

<u>FSS Program 14.896</u>	<u>Bridges Rental Assistance</u>	<u>Trail Ridge II</u>	<u>Economic Development and Supporting Services</u>	<u>State/Local</u>	<u>Total</u>
\$ -	\$ -	\$ 9,099	\$ -	\$ 753	\$ 49,072
-	-	-	-	318	10,221
-	-	722	-	926	11,281
-	-	-	-	1,064	4,535
-	-	9,821	-	3,061	75,109
-	-	11,580	-	5,511	19,460
-	-	-	-	571	25,485
-	-	-	-	-	10,494
-	-	11,580	-	6,082	55,439
-	-	5,927	29,223	5,053	41,703
-	-	241	-	-	241
-	-	6,168	29,223	5,053	41,944
<u>59,000</u>	<u>348</u>	<u>100,992</u>	<u>29,323</u>	<u>402,586</u>	<u>1,901,596</u>
-	59,764	48,406	6,796	35,130	1,830,826
-	54,012	-	-	-	1,297,137
-	-	-	-	-	2,128
-	-	35,320	-	-	265,354
-	<u>54,360</u>	<u>136,312</u>	<u>29,323</u>	<u>402,586</u>	<u>3,466,215</u>
-	-	-	-	-	259,288
-	<u>(5,119)</u>	<u>-</u>	<u>-</u>	<u>5,119</u>	<u>(259,288)</u>
-	<u>(5,119)</u>	<u>-</u>	<u>-</u>	<u>5,119</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 633</u>	<u>\$ 13,086</u>	<u>\$ 6,796</u>	<u>\$ 40,249</u>	<u>\$ 266,207</u>
\$ -	\$ -	\$ 24,382	\$ 18,000	\$ 16,964	\$ 85,455
-	(72)	268,208	(549,912)	477,460	4,044,809
-	-	-	-	-	137,348
-	-	-	-	-	63,009
-	-	240	-	-	6,504
-	-	236	-	-	6,401

## **OTHER INFORMATION**

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS  
YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

	<u>MN46P03250114</u>	<u>MN46P03250115</u>	<u>MN46P03250116</u>
The actual modernization costs are as follows:			
Funds Approved - Total Grant	\$ 204,321	\$ 206,905	\$ 214,987
Funds Expended - Grant Expenditures to Date	<u>204,321</u>	<u>54,967</u>	<u>-</u>
Excess of Funds Approved	<u>\$ -</u>	<u>\$ 151,938</u>	<u>\$ 214,987</u>
Funds Advanced - 2016	\$ 204,321	\$ 54,967	\$ -
Funds Expended - 2016	<u>204,321</u>	<u>54,967</u>	<u>-</u>
Excess of Funds Advanced	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Funds Received During Current Year	<u>\$ 204,321</u>	<u>\$ 54,967</u>	<u>\$ -</u>
Status	Complete	Not Complete	Not Complete

The distribution of costs by project as shown on the Final Performance and Evaluation Report accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the Authority's records.

All modernization costs have been paid and all related liabilities have been discharged through payment.

## **OTHER REPORTS SECTION**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Housing and Redevelopment Authority of Brainerd  
Brainerd, Minnesota

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Housing and Redevelopment Authority of Brainerd (the Authority), a component unit of the City of Brainerd, as of and for the year ended December 31, 2016, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 29, 2017. Our report includes a reference to other auditors who audited the financial statements of Trail Ridge II, as described in our report on the Housing and Redevelopment Authority of Brainerd. The financial statements of Trail Ridge II were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2016-001 that we consider to be a significant deficiency.



**Compliance and Other Matters**

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

**The Authority's Response to the Finding**

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
March 29, 2017

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

Board of Commissioners  
Housing and Redevelopment Authority of Brainerd  
Brainerd, Minnesota

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

We have audited the Housing and Redevelopment Authority of Brainerd's (the Authority) compliance with the types of requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2016. The Authority's major federal programs are identified in the Summary of Auditors' Results section of the accompanying schedule of findings and questioned costs. Our report includes a reference to other auditors who audited the financial statements of Trail Ridge II, as described in our report on the Authority. Trail Ridge II was not audited under the Uniform Guidance because it received no federal grant funding in 2016.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

**Report on Internal Control Over Compliance**

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

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

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

**Purpose of This Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
March 29, 2017

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2016**

Federal Agency/ Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed Through the City of Brainerd			
Community Development Block Grant	14.228	N/A	\$ 7,860
Passed Through the City of Crosby			
Community Development Block Grant	14.228	N/A	35,653
Direct:			
Public and Indian Housing - Operating Subsidy	14.850	N/A	267,597
Housing Choice Voucher Program	14.871	N/A	1,472,046
Family Self-Sufficiency Program	14.896	N/A	59,000
Public Housing Capital Fund Program	14.872	N/A	<u>259,288</u>
Total U.S. Department of Housing and Urban Development			<u>2,101,444</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,101,444</u></u>

Notes to the schedule of expenditures of federal awards:

1. The schedule of expenditures of federal awards presents the activity of federal award programs expended by the Housing and Redevelopment of Brainerd. The Authority's reporting entity is defined in Note 1 to the basic financial statements.
2. The expenditures on this schedule are on the accrual basis of accounting, which is described in Note 1 to the Authority's basic financial statements.
3. N/A - The pass-through entity identifying number is unknown or not applicable.
4. The Authority has not elected to use the 10-percent de-minimis indirect cost rate as allowed under the Uniform Guidance.
5. The total of CFDA #14.228 is \$43,513.
6. The Authority has no loans/loan guarantees.
7. The Authority received no non-cash assistance.
8. The Authority did not pass through any federal funding to subrecipients.



**INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE**

Board of Commissioners  
Housing and Redevelopment Authority of Brainerd  
Brainerd, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Housing and Redevelopment Authority of Brainerd (the Authority), a component unit of the City of Brainerd, as of December 31, 2016 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents and have issued our report thereon dated March 29, 2017. Our report includes a reference to other auditors who audited the financial statements of Trail Ridge II, as described in our report on the Housing and Redevelopment Authority of Brainerd's financial statements.

The Authority's basic financial statements include the operations of Trail Ridge II. Our audit, described below, did not include the operations of Trail Ridge II because it engaged for its own separate audit and it is not a Minnesota Political Subdivision.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, local government miscellaneous provisions, and tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as noted in the schedule of findings and questioned costs as 2016-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above referenced provisions.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
March 29, 2017

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2016**

**SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified?   X   yes \_\_\_\_\_ no

Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   no

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes   X   no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Choice Voucher Program

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

Auditee qualified as low-risk auditee?   X   yes \_\_\_\_\_ no

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016**

**SIGNIFICANT DEFICIENCY (FINANCIAL REPORTING)**

**2016-001 AUDIT ADJUSTMENTS**

**Criteria:** The Authority's management is responsible for establishing and maintaining internal controls for the proper recording of all the Authority's accounting transactions, including reporting of accruals.

**Condition:** As part of the audit, we proposed a significant adjustment for recording retainage payable and an offsetting accounts receivable.

**Context:** These entries were overlooked for the current reporting period.

**Cause:** Management overlooked these transactions due to the infrequency in nature.

**Effect:** Year-end contracts payable and accounts receivable were not correctly recorded.

**Recommendation:** We recommend Authority's management be constantly aware of all procedures and processes involved in recording transactions and accruals and develop internal control policies to ensure proper recording of these items.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The Authority will continue to explore and monitor effective ways to ensure all transactions are correctly recorded.

**Official Responsible for Ensuring CAP:**

The Authority's Board is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The CAP is ongoing.

**Plan to Monitor Completion of CAP:**

The Authority's Board will be monitoring this corrective action plan.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016**

**OTHER ITEMS FOR CONSIDERATION (LEGAL COMPLIANCE):**

**2016-002    PAYMENT OF SUBCONTRACTORS**

**Criteria:** Minnesota Statutes §471.425, Subd. 4a, requires that contracts between the Authority and a prime contractor require the prime contractor to pay subcontractors within 10 days of receipt of payment from the Authority or pay interest at a rate of 1.5% per month or any part of a month.

**Condition:** During our testing of contracts, it was noted that this requirement was not in the contracts between the Authority and the prime contractor.

**Cause:** The Authority was not aware of this requirement.

**Effect:** The Authority is not in compliance with Minnesota Statutes.

**Recommendation:** We recommend that the Authority establish procedures to ensure this statement appears in all contracts that the Authority enters into.

**Management Response:** The Authority will correct this going forward.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The Authority will create procedures in response to this finding to verify that all contracts going forward have the state required wording.

**Official Responsible for Ensuring CAP:**

The Authority's Board is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The CAP is ongoing.

**Plan to Monitor Completion of CAP:**

The Authority's Board will be monitoring this corrective action plan.

**PRIOR YEAR FINDINGS – INTERNAL CONTROL OVER FINANCIAL REPORTING**

None Noted.

**PRIOR YEAR FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None Noted.