

**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, 2017**

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**TABLE OF CONTENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**INTRODUCTORY SECTION**

Organization	1
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**FINANCIAL SECTION**

Independent Auditors' Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – Governmental Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Activities	18
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds	21
Statement of Fiduciary Net Position – Fiduciary Fund	23
Notes to Financial Statements	24

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Funding Progress – Other Postemployment Benefits	42
Budgetary Comparison Schedule – General Fund	43
Notes to the Required Supplementary Information	44

**SUPPLEMENTARY INFORMATION**

Financial Data Schedule	45
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**OTHER INFORMATION**

Statement and Certification of Actual Capital Fund Grant Costs	53
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**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**TABLE OF CONTENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2017**

**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 <i>Government Auditing Standards</i>	54
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	56
Schedule of Expenditures of Federal Awards	58
Independent Auditors' Report on Minnesota Legal Compliance	59
Schedule of Findings and Questioned Costs	60



## **INTRODUCTORY SECTION**



**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
ORGANIZATION  
DECEMBER 31, 2017**

NAME	POSITION	TERM EXPIRES
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**Board of Commissioners**

Patrick Wussow	Chair	December 31, 2020
Dale Parks	Vice Chair	December 31, 2017
Eric Charpentier	Secretary	December 31, 2020
Marlee Larson	Commissioner	December 31, 2019
Rick Fargo	Commissioner	December 31, 2018
Gabe Johnson	Commissioner	December 31, 2017
Krista Brodal	Resident Commissioner	December 31, 2021

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, 2017, 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 18%, 6%, 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 Authority'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 Authority'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, 2017, 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*

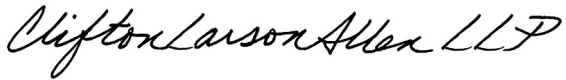
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The financial data schedule and the statement and certification of actual capital fund grant costs are presented for purposes of additional analysis 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.

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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2018 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 solely 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 the effectiveness of the Authority's 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 27, 2018

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**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

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, 2017:

**FINANCIAL HIGHLIGHTS**

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$4,463,655 (net position). The Authority shows unrestricted net position of \$414,585 at year-end.
- The Authority's total net position increased by \$152,639.
- At December 31, 2017, the Authority's governmental funds reported an ending fund balance of \$451,255, a decrease of \$9,910 in comparison with the prior year. Of this total fund balance, \$72,458 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, 2017**

**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, 2017**

**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 Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
	Current and Other Assets	\$ 460,272	\$ 479,810	\$ 1,121,843	\$ 1,178,073	\$ 1,582,115
Capital Assets	77,400	77,400	4,311,340	4,208,258	4,388,740	4,285,658
Total Assets	537,672	557,210	5,433,183	5,386,331	5,970,855	5,943,541
Long-Term Liabilities Outstanding	521,013	551,575	576,859	633,040	1,097,872	1,184,615
Other Liabilities	20,753	31,042	388,575	416,868	409,328	447,910
Total Liabilities	541,766	582,617	965,434	1,049,908	1,507,200	1,632,525
Net Position						
Net Investment in Capital Assets	77,400	77,400	3,861,340	3,709,924	3,938,740	3,787,324
Restricted	-	-	110,330	157,316	110,330	157,316
Unrestricted	(81,494)	(102,807)	496,079	469,183	414,585	366,376
Total Net Position	\$ (4,094)	\$ (25,407)	\$ 4,467,749	\$ 4,336,423	\$ 4,463,655	\$ 4,311,016

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

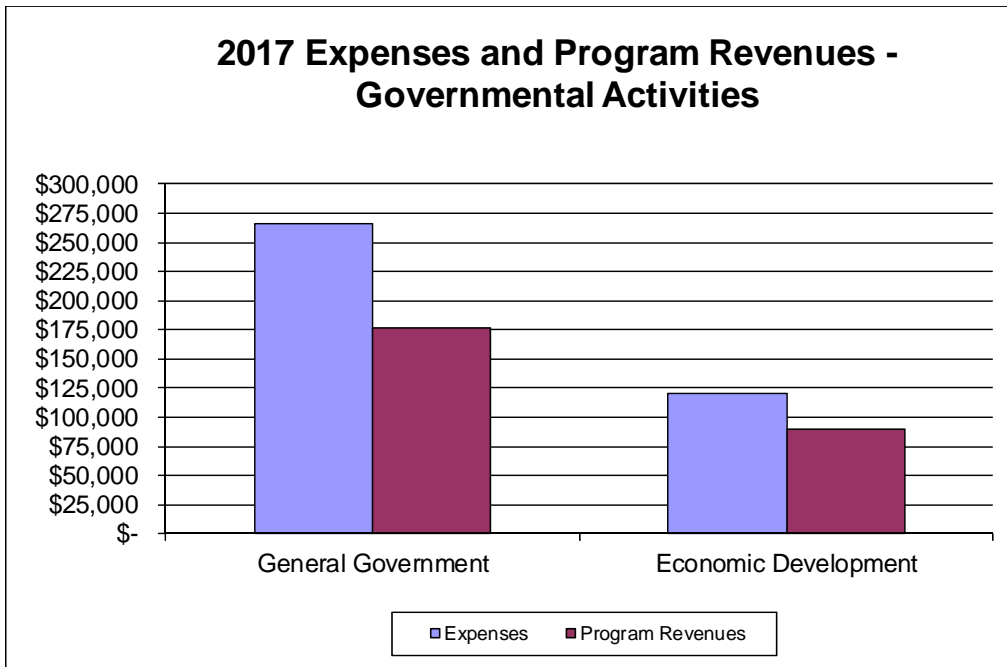
	Governmental Activities		Business- Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue						
Program Revenues						
Charges for Services	\$ 177,111	\$ 162,748	\$ 1,057,771	\$ 1,047,416	\$ 1,234,882	\$ 1,210,164
Operating Grants and Contributions	90,099	150,792	1,600,751	1,615,415	1,690,850	1,766,207
Capital Grants and Contributions	-	-	461,744	348,022	461,744	348,022
General Revenues						
Property Taxes	162,845	158,303	-	-	162,845	158,303
Grants and Contributions not Restricted to Specific Programs	5	5	-	-	5	5
Unrestricted Investment Earnings	-	-	(340)	(295)	(340)	(295)
Miscellaneous	482	1,987	277,449	237,535	277,931	239,522
Transfers	8,400	5,119	(8,400)	(5,119)	-	-
Total Revenues	438,942	478,954	3,388,975	3,242,974	3,827,917	3,721,928
Expenses						
General Government	265,660	257,164	-	-	265,660	257,164
Economic Development	119,887	140,469	-	-	119,887	140,469
Debt Service	32,082	34,276	-	-	32,082	34,276
Public Housing	-	-	1,437,670	1,372,710	1,437,670	1,372,710
Housing Choice Vouchers	-	-	1,579,997	1,460,430	1,579,997	1,460,430
Bridges Rental Assistance	-	-	86,644	54,360	86,644	54,360
Trail Ridge II	-	-	153,338	136,312	153,338	136,312
Total Expenses	417,629	431,909	3,257,649	3,023,812	3,675,278	3,455,721
Change in Net Position	21,313	47,045	131,326	219,162	152,639	266,207
Net Position (Deficits) - Beginning of Year	(25,407)	(72,452)	4,336,423	4,117,261	4,311,016	4,044,809
Net Position (Deficits) - End of Year	\$ (4,094)	\$ (25,407)	\$ 4,467,749	\$ 4,336,423	\$ 4,463,655	\$ 4,311,016

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

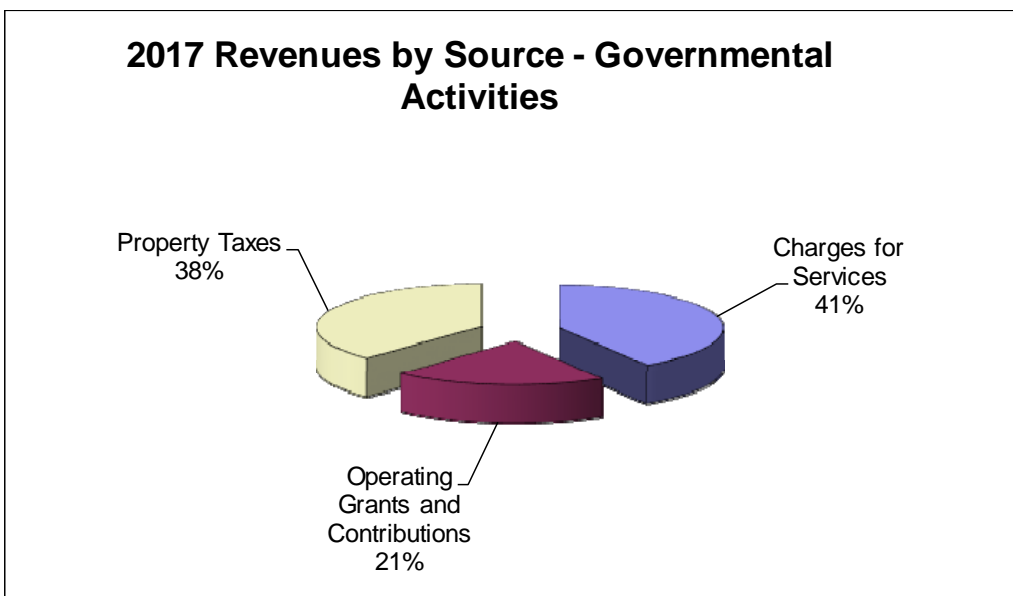
**FINANCIAL ANALYSIS**

**Governmental Activities**

Governmental activities increased the Authority's net position by \$21,313. Program expenses were more than program revenue, as shown below, however general revenues of property taxes and transfers increased the overall net position.



As shown below, governmental activities are supported primarily by property taxes and charges for services.

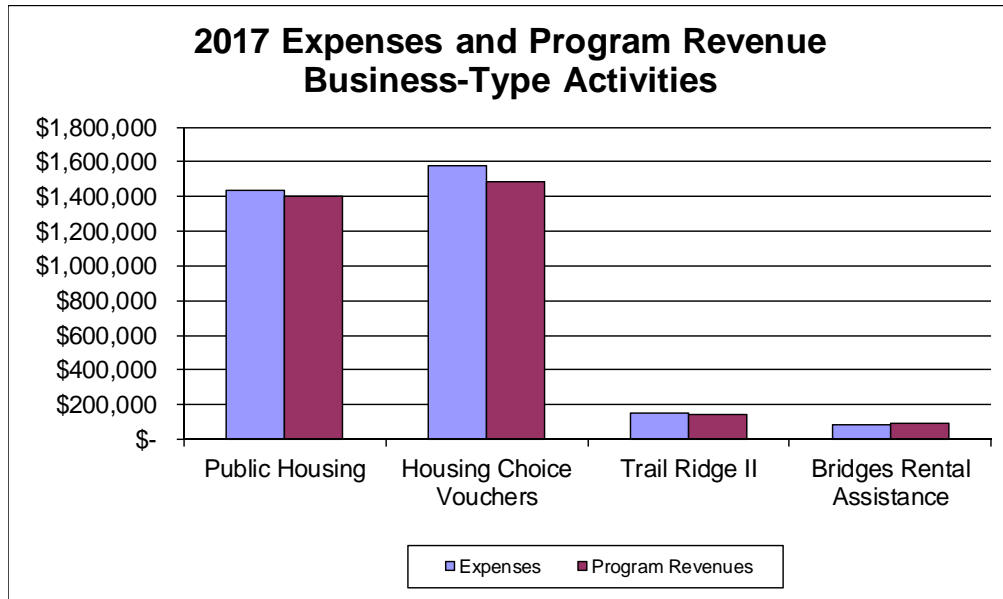


**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

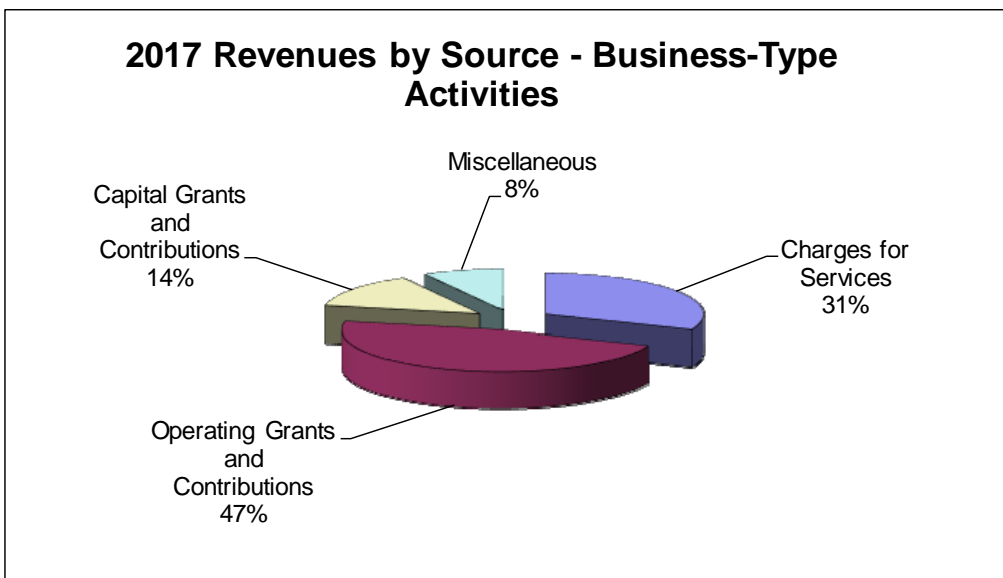
**FINANCIAL ANALYSIS (CONTINUED)**

**Business-Type Activities**

Business-Type Activities increased the Authority's net position by \$131,326. Program expenses were more than program revenues, as shown below, however, the increase in overall net position was due to miscellaneous income 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, 2017**

**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 \$451,255.

Revenues for the Authority's governmental funds were \$433,542, while total expenditures were \$451,852.

The General Fund's fund balance increased \$3,258 from the prior year. This is due primarily to the increase in management fees.

The Downtown TIF Fund's fund balance decreased \$13,168 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 \$105,954 less than expected. This is primarily due to the Authority receiving less grant revenues than what was expected.
- The actual expenditures were \$94,055 less than budget, due to a decrease in economic development expenditures related to less grants received.

**CAPITAL ASSET ACTIVITY**

The Authority's capital assets, net of accumulated depreciation at December 31, 2017, amounted to \$4,388,740. This investment in capital assets includes land, buildings and improvements, and furniture, fixtures, and equipment. Net capital assets increased in total by \$103,082. This increase in capital assets is due to asset additions of \$412,433, less disposals of \$47,553 and an increase in accumulated depreciation of \$261,798. The Authority has land related to governmental activities.

	Governmental Activities	Business-Type Activities	Total
Land	\$ 77,400	\$ 374,262	\$ 451,662
Construction-in-Progress	-	11,713	11,713
Buildings and Improvements	-	3,854,540	3,854,540
Furniture, Fixtures, and Equipment	-	70,825	70,825
Total	\$ 77,400	\$ 4,311,340	\$ 4,388,740

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, 2017**

**LONG-TERM DEBT ACTIVITY**

**Long-Term Debt**

The Authority's long-term debt at December 31, 2017:

	Governmental Activities	Business-Type Activities
Tax Increment Note	\$ 394,000	\$ -
Mortgage Notes	97,377	450,000
Total	\$ 491,377	\$ 450,000

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 2018 Housing Choice Voucher (HCV) Administrative Fees will be initially funded at approximately 77% which is close to the 76.5% funding level for 2017. HCV Housing Assistance Payments are estimated to be funded at approximately 100% which is more than the 2017 funding level of 97%.

Calendar year 2018 Public Housing Operating Subsidy will be preliminarily funded at 94% with the final proration levels determined later in the year. This is an increase from the final 2017 funding level of 93.10%.

The following initiatives will be pursued in 2018:

1. The Authority will be administering the Small Cities Development Program in downtown Brainerd and also submitting an application in the cities of Emily and northeast Brainerd.
2. The Authority will continue to explore options for revitalization of downtown Brainerd.
3. The Authority will be exploring new grants for rehab including Minnesota Housing's Rural Rental Deferred Loan Program and the Federal Home Loan Banks Affordable Housing Program.
4. The Authority will be pursuing the conveyance by the County to the Authority of at least one tax forfeited property.

**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).

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## **Basic Financial Statements**





**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and Investments	\$ 395,043	\$ 736,837	\$ 1,131,880
Real Estate Tax and Insurance Escrow	-	548	548
Accounts Receivable (Net of Allowances for Uncollectibles)	3,763	136,124	139,887
Prepayments	2,250	59,176	61,426
Internal Balances	59,216	(59,216)	-
Restricted Assets			
Cash and Investments	-	245,959	245,959
Total Current Assets	460,272	1,119,428	1,579,700
Noncurrent Assets			
Other Assets	-	2,415	2,415
Capital Assets			
Land and Construction-in-Progress	77,400	385,975	463,375
Other Capital Assets, Net of Depreciation	-	3,925,365	3,925,365
Total Noncurrent Assets	77,400	4,313,755	4,391,155
Total Assets	537,672	5,433,183	5,970,855
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	73	116,388	116,461
Prepaid Rent	-	1,724	1,724
Accrued Liabilities	8,944	39,005	47,949
Accrued Interest Payable	11,736	90,000	101,736
Tenant Security Deposits	-	64,280	64,280
FSS Escrow	-	27,485	27,485
Due to Other Governments	-	25,625	25,625
Unearned Revenue	-	24,068	24,068
Total Current Liabilities	20,753	388,575	409,328
Noncurrent Liabilities			
Due within One Year	135,698	47,385	183,083
FSS Escrow	-	19,696	19,696
Other Postemployment Benefits	14,315	59,778	74,093
Due in More than One Year	371,000	450,000	821,000
Total Noncurrent Liabilities	521,013	576,859	1,097,872
Total Liabilities	541,766	965,434	1,507,200
<b>NET POSITION (DEFICIT)</b>			
Net Investment in Capital Assets	77,400	3,861,340	3,938,740
Restricted for HAP	-	11,155	11,155
Restricted for Security Deposit Refunds	-	5,080	5,080
Restricted for Reserve Requirements	-	94,095	94,095
Unrestricted	(81,494)	496,079	414,585
Total Net Position (Deficit)	\$ (4,094)	\$ 4,467,749	\$ 4,463,655

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
<b>Primary Government</b>				
Governmental Activities				
General Government	\$ 265,660	\$ 177,048	\$ -	\$ -
Economic Development	119,887	63	90,099	-
Interest	32,082	-	-	-
Total Governmental Activities	<u>417,629</u>	<u>177,111</u>	<u>90,099</u>	<u>-</u>
Business-Type Activities				
Public Housing	1,437,670	692,796	243,569	461,744
Housing Choice Vouchers	1,579,997	222,509	1,262,599	-
Bridges Rental Assistance	86,644	-	94,583	-
Trail Ridge II	153,338	142,466	-	-
Total Business-Type Activities	<u>3,257,649</u>	<u>1,057,771</u>	<u>1,600,751</u>	<u>461,744</u>
Total Primary Government	<u>\$ 3,675,278</u>	<u>\$ 1,234,882</u>	<u>\$ 1,690,850</u>	<u>\$ 461,744</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>
\$ (88,612)	\$ -	\$ (88,612)
(29,725)	-	(29,725)
<u>(32,082)</u>	-	<u>(32,082)</u>
(150,419)	-	(150,419)
-	(39,561)	(39,561)
-	(94,889)	(94,889)
-	7,939	7,939
-	(10,872)	(10,872)
<u>-</u>	<u>(137,383)</u>	<u>(137,383)</u>
(150,419)	(137,383)	(287,802)
162,845	-	162,845
5	-	5
-	(340)	(340)
482	277,449	277,931
8,400	(8,400)	-
<u>171,732</u>	<u>268,709</u>	<u>440,441</u>
21,313	131,326	152,639
(25,407)	4,336,423	4,311,016
<u>\$ (4,094)</u>	<u>\$ 4,467,749</u>	<u>\$ 4,463,655</u>

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

	General Fund	Downtown TIF Fund	Debt Service Fund	Totals
<b>ASSETS</b>				
Cash and Investments	\$ 395,043	\$ -	\$ -	\$ 395,043
Accounts Receivable	3,421	342		3,763
Prepayments	2,250	-	-	2,250
Advance to Other Funds	189,836	-	-	189,836
Total Assets	<u>\$ 590,550</u>	<u>\$ 342</u>	<u>\$ -</u>	<u>\$ 590,892</u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 73	\$ -	\$ -	\$ 73
Accrued Expenses	8,944	-	-	8,944
Advance from Other Funds	-	130,620	-	130,620
Total Liabilities	<u>9,017</u>	<u>130,620</u>	<u>-</u>	<u>139,637</u>
<b>FUND BALANCES (DEFICITS)</b>				
Nonspendable				
Prepayments	2,250	-	-	2,250
Advance to Other Funds	189,836	-	-	189,836
Committed				
Scattered Sites Project	21,329	-	-	21,329
Housing Rehab	28,642	-	-	28,642
Assigned				
Retirement of General Fund Mortgage	98,100	-	-	98,100
Budgeted Stabilization	23,640	-	-	23,640
Downtown Redevelopment	15,000	-	-	15,000
Unassigned	202,736	(130,278)	-	72,458
Total Fund Balances	<u>581,533</u>	<u>(130,278)</u>	<u>-</u>	<u>451,255</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 590,550</u>	<u>\$ 342</u>	<u>\$ -</u>	<u>\$ 590,892</u>

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, 2017**

Total Fund Balances for Governmental Funds	\$ 451,255
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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.	(11,736)
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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	\$ (394,000)	
Notes Payable	(97,377)	
Other Postemployment Benefits	(14,315)	
Compensated Absences Payable	(15,321)	(521,013)

Total Net Position of Governmental Activities	\$ (4,094)
---	------------

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

	General Fund	Downtown TIF Fund	Debt Service Fund	Totals
<b>REVENUES</b>				
Taxes	\$ 127,456	\$ 35,389	\$ -	\$ 162,845
Intergovernmental				
Federal	53,510	-	-	53,510
State				
Market Value Real Estate Credit	5	-	-	5
Management Fees	170,197	-	-	170,197
Miscellaneous	46,985	-	-	46,985
Total Revenues	<u>398,153</u>	<u>35,389</u>	<u>-</u>	<u>433,542</u>
<b>EXPENDITURES</b>				
Current				
General Government	261,328	-	-	261,328
Economic Development	120,010	99	-	120,109
Debt Service				
Principal	17,672	-	20,000	37,672
Interest	4,285	-	28,458	32,743
Total Expenditures	<u>403,295</u>	<u>99</u>	<u>48,458</u>	<u>451,852</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(5,142)	35,290	(48,458)	(18,310)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	8,400	-	48,458	56,858
Transfers Out	-	(48,458)	-	(48,458)
Total Other Financing Sources (Uses)	<u>8,400</u>	<u>(48,458)</u>	<u>48,458</u>	<u>8,400</u>
<b>NET CHANGE IN FUND BALANCE</b>	3,258	(13,168)	-	(9,910)
Fund Balance (Deficit) - Beginning of Year	<u>578,275</u>	<u>(117,110)</u>	<u>-</u>	<u>461,165</u>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ 581,533</u>	<u>\$ (130,278)</u>	<u>\$ -</u>	<u>\$ 451,255</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, 2017**

Net Change in Fund Balances - Governmental Funds \$ (9,910)

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	\$	17,672	
Repayment of Bond Principal		20,000	
Change in Accrued Interest Expense		661	
Other Postemployment Benefits		<u>(2,629)</u>	35,704

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 2017, compensated absences payable increased.

(4,481)

Change in Net Position of Governmental Activities

\$ 21,313

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2017**

	Business-Type Activities - Enterprise Funds				
	Public	Housing	Bridges	Trail	Totals
	Housing	Choice Vouchers	Rental Assistance	Ridge II	
<b>ASSETS</b>					
Current Assets					
Cash and Cash Equivalents	\$ 566,088	\$ 127,412	\$ -	\$ 43,337	\$ 736,837
Real Estate Tax and Insurance Escrow	-	-	-	548	548
Accounts Receivable (Net of Allowances for Uncollectibles)	2,719	10,245	-	9,554	22,518
Accounts Receivable - Other	3,604	-	-	110,002	113,606
Prepayments	54,696	3,677	-	803	59,176
Restricted Assets					
Restricted Assets - Cash and Cash Equivalents	55,849	72,404	10,100	107,606	245,959
Total Current Assets	682,956	213,738	10,100	271,850	1,178,644
Noncurrent Assets					
Other Assets	-	-	-	2,415	2,415
Capital Assets					
Land and CIP	310,975	-	-	75,000	385,975
Other Capital Assets, Net of Depreciation	3,257,369	3,951	-	664,045	3,925,365
Total Noncurrent Assets	3,568,344	3,951	-	741,460	4,313,755
Total Assets	4,251,300	217,689	10,100	1,013,310	5,492,399
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable	3,518	-	-	112,870	116,388
Accrued Wages Payable	19,924	6,303	-	-	26,227
Prepaid Rent	-	-	-	1,724	1,724
Accrued Real Estate Taxes	-	-	-	12,778	12,778
Due to Other Governmental Units	25,625	-	-	-	25,625
Tenants Security Deposits	54,239	-	-	10,041	64,280
FSS Escrow	-	27,485	-	-	27,485
Accrued Interest Payable	-	-	-	90,000	90,000
Unearned Revenues	-	14,068	10,000	-	24,068
Compensated Absences	34,816	12,569	-	-	47,385
Total Current Liabilities	138,122	60,425	10,000	227,413	435,960
Noncurrent Liabilities					
Advances from Other Funds	-	-	-	59,216	59,216
FSS Escrow	-	19,696	-	-	19,696
Other Postemployment Benefits Payable	45,321	14,457	-	-	59,778
Mortgage Notes Payable	-	-	-	450,000	450,000
Total Noncurrent Liabilities	45,321	34,153	-	509,216	588,690
Total Liabilities	183,443	94,578	10,000	736,629	1,024,650
<b>NET POSITION</b>					
Net Invested in Capital Assets	3,568,344	3,951	-	289,045	3,861,340
Restricted for HAP	-	11,155	-	-	11,155
Restricted for Security Deposit Refunds	1,610	-	-	3,470	5,080
Restricted for Reserve Requirements	-	-	-	94,095	94,095
Unrestricted	497,903	108,005	100	(109,929)	496,079
Total Net Position	\$ 4,067,857	\$ 123,111	\$ 100	\$ 276,681	\$ 4,467,749

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, 2017**

	Business-Type Activities - Enterprise Funds				
	Public Housing	Housing Choice Vouchers	Bridges Rental Assistance	Trail Ridge II	Totals
<b>OPERATING REVENUES</b>					
Intergovernmental					
HUD Contributions	\$ 243,569	\$ 1,262,599	\$ 94,583	\$ -	\$ 1,600,751
Administrative Fees Earned	-	222,509	-	-	222,509
Total Intergovernmental Revenues	243,569	1,485,108	94,583	-	1,823,260
Rental Income					
Dwelling Income	689,784	-	-	-	689,784
Excess Utilities	3,012	-	-	-	3,012
Gross Potential Apartment Rents	-	-	-	149,964	149,964
Less Vacancies	-	-	-	(7,498)	(7,498)
Total Rental Income	692,796	-	-	142,466	835,262
Other Miscellaneous Income					
Tower Rental Income	63,142	-	-	-	63,142
CIP Funding	25,000	-	-	-	25,000
Laundry Income	23,485	-	-	-	23,485
Miscellaneous	142,152	17,629	-	6,041	165,822
Total Other Miscellaneous Income	253,779	17,629	-	6,041	277,449
Total Operating Revenues	1,190,144	1,502,737	94,583	148,507	2,935,971
<b>OPERATING EXPENSES</b>					
Administration	490,388	237,927	711	25,318	754,344
Housing Assistance Payments	-	1,331,353	-	-	1,331,353
Rent Payments	-	-	85,933	-	85,933
Utilities	162,118	-	-	13,175	175,293
Ordinary Maintenance and Operations	485,439	2,868	-	53,149	541,456
General Expense	36,241	7,256	-	20,477	63,974
Depreciation and Amortization	263,051	593	-	36,253	299,897
Total Operating Expenses	1,437,237	1,579,997	86,644	148,372	3,252,250
<b>OPERATING INCOME (LOSS)</b>	(247,093)	(77,260)	7,939	135	(316,279)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest Income	(572)	14	-	218	(340)
Intergovernmental Revenue	461,744	-	-	-	461,744
Interest Expense	(433)	-	-	(4,966)	(5,399)
Total Nonoperating Revenues (Expenses)	460,739	14	-	(4,748)	456,005
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	213,646	(77,246)	7,939	(4,613)	139,726
Transfers Out	-	-	(8,400)	-	(8,400)
<b>CHANGE IN NET POSITION</b>	213,646	(77,246)	(461)	(4,613)	131,326
Net Position - Beginning of Year	3,854,211	200,357	561	281,294	4,336,423
<b>NET POSITION - END OF YEAR</b>	<u>\$ 4,067,857</u>	<u>\$ 123,111</u>	<u>\$ 100</u>	<u>\$ 276,681</u>	<u>\$ 4,467,749</u>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

	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	\$ 786,003	\$ -	\$ -	\$ -	\$ 786,003
Cash Received from Other Sources	256,791	-	-	32,672	289,463
Operating Subsidies - HUD	243,569	1,389,914	104,723	-	1,738,206
Cash Paid to Other Suppliers of Goods or Services	(628,954)	(1,421,710)	(92,644)	(13,021)	(2,156,329)
Cash Payments to Employees for Services	(561,834)	(156,312)	-	-	(718,146)
Net Cash Provided (Used) by Operating Activities	95,575	(188,108)	12,079	19,651	(60,803)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from (to) Other Funds	-	-	(8,400)	-	(8,400)
Net Cash Provided by Noncapital Financing Activities	-	-	(8,400)	-	(8,400)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital Grants Received	507,986	-	-	-	507,986
Acquisition of Capital Assets	(426,015)	(2,841)	-	-	(428,856)
Interest and Fiscal Charges Paid	(495)	-	-	(466)	(961)
Repayment of Long-Term Debt	(24,714)	-	-	(28,620)	(53,334)
Net Cash Provided (Used) by Capital and Related Financing Activities	56,762	(2,841)	-	(29,086)	24,835
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Paid to Tenant Security Deposits	(514)	-	-	-	(514)
Interest Received	(58)	14	-	218	174
Net Cash Provided (Used) by Investing Activities	(572)	14	-	218	(340)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	151,765	(190,935)	3,679	(9,217)	(44,708)
Cash and Cash Equivalents - Beginning of Year	470,172	390,751	6,421	160,160	1,027,504
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 621,937</u>	<u>\$ 199,816</u>	<u>\$ 10,100</u>	<u>\$ 150,943</u>	<u>\$ 982,796</u>
<b>RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION</b>					
Cash and Cash Equivalents	\$ 566,088	\$ 127,412	\$ -	\$ 43,337	\$ 736,837
Restricted Assets - Cash and Investments	55,849	72,404	10,100	107,606	245,959
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 621,937</u>	<u>\$ 199,816</u>	<u>\$ 10,100</u>	<u>\$ 150,943</u>	<u>\$ 982,796</u>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2017**

	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 OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ (247,093)	\$ (77,260)	\$ 7,939	\$ 135	\$ (316,279)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	263,051	593	-	36,012	299,656
Amortization	-	-	-	241	241
(Increase) Decrease in Assets:					
Accounts Receivable	96,219	(1,087)	140	(117,191)	(21,919)
Prepayments	(7,745)	(478)	-	(39)	(8,262)
Increase (Decrease) in Liabilities:					
Accounts Payable	(13,047)	-	(6,000)	98,700	79,653
Prepaid Rent	-	-	-	1,136	1,136
Due to Other Governmental Units	1,131	-	-	-	1,131
Unearned Revenue	-	(111,736)	10,000	-	(101,736)
Tenants Security Deposits	(2,702)	-	-	573	(2,129)
FSS Escrow	-	(4,338)	-	-	(4,338)
Other Postemployment Benefits Payable	5,618	1,793	-	-	7,411
Accrued Expenses	143	4,405	-	84	4,632
Net Cash Provided (Used) by Operating Activities	<u>\$ 95,575</u>	<u>\$ (188,108)</u>	<u>\$ 12,079</u>	<u>\$ 19,651</u>	<u>\$ (60,803)</u>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
DECEMBER 31, 2017**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and Investments	<u>\$ 983,927</u>
<b>LIABILITIES</b>	
Cash Held for Other Agencies	<u>\$ 983,927</u>

*See accompanying Notes to Financial Statements.*

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**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 99% and its capital investment in the project is \$132,238 at December 31, 2017.

**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, 2017**

**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, 2017**

**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, 2017**

**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 \$9,710 for 2017 was written off in the Public Housing Fund. 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, 2017**

**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, 2017**

**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, 2017, 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, 2017**

**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, 2017**

**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. Deficit Fund Equity**

The Downtown TIF Fund had a deficit fund balance of \$130,278 as of December 31, 2017. 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, 2017**

**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, 2017 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, 2017**

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

**A. Assets (Continued)**

**2. Investments (Continued)**

The Authority had no investments as of December 31, 2017.

**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, 2017.

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

At December 31, 2017, advance to/from other funds were as follows:

	Advance To:		
Advance From:	TIF Fund	Trail Ridge II	Total
General Fund	\$ 130,620	\$ 59,216	\$ 189,836
	\$ 130,620	\$ 59,216	\$ 189,836

The General Fund made an advance to the TIF Fund during 2017 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, 2017 are as follows:

	Transfer In:		
	Debt Service Fund	General Fund	Total
Transfer Out: Bridges Fund	\$ -	\$ 8,400	\$ 8,400
Downtown TIF Fund	48,458	-	48,458
Total	\$ 48,458	\$ 8,400	\$ 56,858
	\$ 48,458	\$ 8,400	\$ 56,858

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**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, 2017, 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	278,478	277,478	(544,243)	11,713
Total Capital Assets, Not Being Depreciated	652,740	277,478	(544,243)	385,975
Capital Assets, Being Depreciated				
Buildings and Improvements	12,820,715	673,517	(24,078)	13,470,154
Furniture, Fixtures and Equipment	376,936	5,681	(23,475)	359,142
Total Capital Assets, Being Depreciated	13,197,651	679,198	(47,553)	13,829,296
Less Accumulated Depreciation For				
Buildings and Improvements	(9,342,629)	(287,367)	14,382	(9,615,614)
Furniture, Fixtures and Equipment	(299,504)	(12,288)	23,475	(288,317)
Total Accumulated Depreciation	(9,642,133)	(299,655)	37,857	(9,903,931)
Total Capital Assets, Being Depreciated, Net	3,555,518	379,543	(9,696)	3,925,365
Business-Type Activities Capital Assets, Net	\$ 4,208,258	\$ 657,021	\$ (553,939)	\$ 4,311,340

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

Business-Type Activities:	
Public Housing	\$ 263,050
Housing Choice Vouchers	593
Trail Ridge II	36,012
Total Depreciation Expense - Business-Type Activities	\$ 299,655

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

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

**B. Liabilities**

**1. Long-Term Debt**

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, 2018. 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.

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, 2017**

**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
2005 Taxable Tax Increment Note	6.96 %	\$ 394,000
2007 Mortgage Note	3.95	97,377
MHFA - ARIF	1.00	450,000
Total Revenue Bonds and Notes		\$ 941,377

The summary of long-term debt transactions for the year ended December 31, 2017 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
Tax Increment Note	\$ 414,000	\$ -	\$ 20,000	\$ 394,000	\$ 23,000
Notes Payable	115,049	-	17,672	97,377	97,377
Compensated Absences Payable	10,840	14,241	9,760	15,321	15,321
Governmental Activities Long-Term Liabilities	\$ 539,889	\$ 14,241	\$ 47,432	\$ 506,698	\$ 135,698
<b>Business-Type Activities</b>					
Bonds Payable					
Revenue Bonds	\$ 24,714	\$ -	\$ 24,714	\$ -	\$ -
Mortgage Notes Payable	473,620	-	23,620	450,000	-
Compensated Absences Payable	43,898	38,214	34,727	47,385	47,385
Business-Type Activities Long-Term Liabilities	\$ 542,232	\$ 38,214	\$ 83,061	\$ 497,385	\$ 47,385

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**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			Mortgage Notes Payable Business-Type Activities		
	Principal	Interest		Principal	Interest		Principal	Interest
2018	\$ 97,377	\$ -	2018	\$ 23,000	\$ 27,039	2018	\$ -	\$ 4,500
			2019	26,000	25,369	2019	-	4,500
			2020	29,000	23,525	2020	-	4,500
			2021	32,000	21,437	2021	-	4,500
			2022	36,000	19,140	2022	-	4,500
			2023-2027	248,000	50,876	2023-2027	-	22,500
			Total	<u>\$ 394,000</u>	<u>\$ 167,386</u>	2028	450,000	4,500
						Total	<u>\$ 450,000</u>	<u>\$ 49,500</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, 2017, the following conduit debt existed:

Total	\$ 1,355,000
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**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**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, 2017. 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, 2017, 2016, and 2015 were \$57,480, \$50,822, and \$46,765, 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, 2017**

**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 2017, 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		2,562
Adjustment to ARC		<u>(3,632)</u>
Annual OPEB Cost		13,553
Contributions During the Year		<u>(3,513)</u>
Increase in Net OPEB Obligation		10,040
Net OPEB - Beginning of the Year		64,053
Net OPEB - End of the Year	\$	<u><u>74,093</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015, 2016, and 2017 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2015	\$ 15,004	\$ 493	0.0 %	\$ 52,005
December 31, 2016	13,754	1,706	0.1	64,053
December 31, 2017	13,553	3,513	0.3	74,093

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**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, 2017**

**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 \$(196,296) at December 31, 2017. 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 42.5% of the .01% of College Drive LLC at December 31, 2017.

**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 Statutes §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, 2017, the Authority paid excess tax increments in the amount of \$5,321. 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 Statutes §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, 2017, the Authority collected and paid \$35,389. 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, 2017**

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, 2017**

	Budget Original and Final	Actual	Variance With Budget Over (Under)
<b>REVENUES</b>			
Taxes	\$ 127,107	\$ 127,456	\$ 349
Intergovernmental			
Federal	28,800	53,510	24,710
State			
Grant	33,000	5,000	(28,000)
Market Value Real Estate Credit	-	5	5
Management Fees	169,000	170,197	1,197
Miscellaneous	146,200	41,985	(104,215)
Total Revenues	<u>504,107</u>	<u>398,153</u>	<u>(105,954)</u>
<b>EXPENDITURES</b>			
Current			
General Government			
Administrative	245,960	236,261	(9,699)
Maintenance	16,020	14,545	(1,475)
General Expenses	23,300	10,522	(12,778)
Economic Development	190,115	120,010	(70,105)
Debt Service			
Principal	17,660	17,672	12
Interest	4,295	4,285	(10)
Total Expenditures	<u>497,350</u>	<u>403,295</u>	<u>(94,055)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	6,757	(5,142)	(11,899)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	8,400	8,400
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 6,757</u>	3,258	<u>\$ (3,499)</u>
Fund Balance - Beginning of Year		<u>578,275</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 581,533</u>	

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, 2017**

**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.

**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.

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## **SUPPLEMENTARY INFORMATION**

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**FINANCIAL DATA SCHEDULE**  
**DECEMBER 31, 2017**

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	\$ 566,088	\$ 127,412	\$ -
113	Cash - Other Restricted	-	44,919	10,100
114	Cash - Tenant Security Deposits	55,849	-	-
115	Cash - Restricted for Payment of Current Liabilities	-	27,485	-
100	Total Cash	<u>621,937</u>	<u>199,816</u>	<u>10,100</u>
<b>ACCOUNTS AND ACCOUNTS RECEIVABLE</b>				
122	Accounts Receivable - HUD Other Projects	-	-	-
124	Accounts Receivable - Other Government	1,849	-	-
125	Accounts Receivable - Miscellaneous - Other	1,755	398	-
126	Accounts Receivable - Tenants	1,767	9,847	-
127	Notes, Loans, & Mortgages Receivable - Current	952	-	-
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>6,323</u>	<u>10,245</u>	<u>-</u>
142	Prepaid Expenses and Other Assets	54,696	3,677	-
144	Interprogram - Due From	-	-	-
150	Total Current Assets	<u>682,956</u>	<u>213,738</u>	<u>10,100</u>
<b>NONCURRENT ASSETS</b>				
<b>FIXED ASSETS</b>				
161	Land	299,262	-	-
162	Buildings	11,938,696	-	-
163	Furniture, Equipment and Machinery - Dwellings	253,919	-	-
164	Furniture, Equipment and Machinery - Administration	61,545	4,835	-
166	Accumulated Depreciation	(8,996,791)	(884)	-
167	Construction in Progress	11,713	-	-
160	Total Fixed Assets, Net of Accumulated Depreciation	<u>3,568,344</u>	<u>3,951</u>	<u>-</u>
174	Other Assets	-	-	-
180	Total Noncurrent Assets	<u>3,568,344</u>	<u>3,951</u>	<u>-</u>
190	Total Assets	<u>\$ 4,251,300</u>	<u>\$ 217,689</u>	<u>\$ 10,100</u>

Trail Ridge II	Economic Development and Supporting Services	State/Local	Fiduciary Fund Agency	Total
\$ 43,337	\$ -	\$ 395,043	\$ 256,256	\$ 1,388,136
94,643	-	-	703,642	853,304
13,511	-	-	24,029	93,389
-	-	-	-	27,485
<u>151,491</u>	<u>-</u>	<u>395,043</u>	<u>983,927</u>	<u>2,362,314</u>
-	-	-	-	-
-	342	2,221	-	4,412
110,002	-	1,200	-	113,355
9,554	-	-	-	21,168
-	-	-	-	952
<u>119,556</u>	<u>342</u>	<u>3,421</u>	<u>-</u>	<u>139,887</u>
803	-	2,250	-	61,426
-	-	189,836	-	189,836
<u>271,850</u>	<u>342</u>	<u>590,550</u>	<u>983,927</u>	<u>2,753,463</u>
75,000	-	77,400	-	451,662
1,531,458	-	-	-	13,470,154
38,843	-	-	-	292,762
-	-	-	-	66,380
(906,256)	-	-	-	(9,903,931)
-	-	-	-	11,713
<u>739,045</u>	<u>-</u>	<u>77,400</u>	<u>-</u>	<u>4,388,740</u>
2,415	-	-	-	2,415
<u>741,460</u>	<u>-</u>	<u>77,400</u>	<u>-</u>	<u>4,391,155</u>
<u>\$ 1,013,310</u>	<u>\$ 342</u>	<u>\$ 667,950</u>	<u>\$ 983,927</u>	<u>\$ 7,144,618</u>

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD**  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
**DECEMBER 31, 2017**

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	\$ 700	\$ -	\$ -
313	Accounts Payable > 90 Days Past Due	-	-	-
321	Accrued Wage/Payroll Taxes Payable	19,924	6,303	-
322	Accrued Compensated Absences	34,816	12,569	-
325	Accrued Interest Payable	-	-	-
333	Accounts Payable - Other Government	25,625	-	-
341	Tenant Security Deposits	54,239	-	-
342	Unearned Revenue	-	14,068	10,000
343	Current Portion of Long-Term Debt - Capital Projects/ Mortgage Revenue Bonds	-	-	-
345	Other Current Liabilities	-	27,485	-
346	Accrued Liabilities - Other	2,818	-	-
347	Interprogram Due To	-	-	-
310	Total Current Liabilities	<u>138,122</u>	<u>60,425</u>	<u>10,000</u>
<b>NONCURRENT LIABILITIES</b>				
351	Long-Term Debt, Net of Current - Capital Projects/ Mortgage Revenue Bonds	-	-	-
353	Noncurrent Liabilities - Other	-	19,696	-
357	Accrued Pension and OPEB Liabilities	45,321	14,457	-
350	Total Noncurrent Liabilities	<u>45,321</u>	<u>34,153</u>	<u>-</u>
300	Total Liabilities	183,443	94,578	10,000
<b>NET POSITION</b>				
508.1	Net Investment in Capital Assets	3,568,344	3,951	-
511.1	Restricted Net Position	1,610	11,155	-
512.1	Unrestricted Net Position	<u>497,903</u>	<u>108,005</u>	<u>100</u>
513	Total Net Position	<u>4,067,857</u>	<u>123,111</u>	<u>100</u>
600	Total Liabilities and Net Position	<u>\$ 4,251,300</u>	<u>\$ 217,689</u>	<u>\$ 10,100</u>



Trail Ridge II	Economic Development and Supporting Services	State/Local	Fiduciary Fund Agency	Total
\$ 112,870	\$ -	\$ 73	\$ -	\$ 113,643
-	-	-	-	-
-	-	8,944	-	35,171
-	-	15,321	-	62,706
90,000	11,426	310	-	101,736
-	-	-	-	25,625
10,041	-	-	-	64,280
-	-	-	-	24,068
-	23,000	97,377	-	120,377
1,724	-	-	-	29,209
12,778	-	-	983,927	999,523
59,216	130,620	-	-	189,836
<u>286,629</u>	<u>165,046</u>	<u>122,025</u>	<u>983,927</u>	<u>1,766,174</u>
450,000	371,000	-	-	821,000
-	-	-	-	19,696
-	-	14,315	-	74,093
<u>450,000</u>	<u>371,000</u>	<u>14,315</u>	<u>-</u>	<u>914,789</u>
736,629	536,046	136,340	983,927	2,680,963
289,045	-	77,400	-	3,938,740
97,565	-	-	-	110,330
<u>(109,929)</u>	<u>(535,704)</u>	<u>454,210</u>	<u>-</u>	<u>414,585</u>
<u>276,681</u>	<u>(535,704)</u>	<u>531,610</u>	<u>-</u>	<u>4,463,655</u>
<u>\$ 1,013,310</u>	<u>\$ 342</u>	<u>\$ 667,950</u>	<u>\$ 983,927</u>	<u>\$ 7,144,618</u>

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
FINANCIAL DATA SCHEDULE (CONTINUED)  
YEAR ENDED DECEMBER 31, 2017**

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	\$ 699,494	\$ -	\$ -
70400	Tenant Revenue - Other	68,519	-	-
70500	Total Tenant Revenue	<u>768,013</u>	-	-
70600	HUD PHA Operating Grants	243,569	-	1,426,108
70610	Capital Grants	-	195,645	-
70800	Other Government Grants	-	-	-
70700	Total Fee Revenue	<u>243,569</u>	<u>195,645</u>	<u>1,426,108</u>
70800	Other Government Grants	266,099	-	-
71100	Unrestricted Investment Income	(572)	-	14
71400	Fraud Recovery	-	-	3,113
71500	Other Revenue	188,272	-	14,516
70000	Total Revenue	<u>1,465,381</u>	<u>195,645</u>	<u>1,443,751</u>
<b>EXPENSES</b>				
<u>Administrative</u>				
91100	Administrative Salaries	277,333	-	108,873
91200	Auditing Fees	10,200	-	3,500
91400	Advertising and Marketing	416	-	29
91500	Employee Benefit Contributions - Administrative	113,110	-	54,706
91600	Office Expenses	19,356	-	8,189
91700	Legal Expense	6,174	-	315
91800	Travel	1,772	-	3,315
91000	Total Operating - Administrative	<u>428,361</u>	-	<u>178,927</u>
<u>Tenant Services</u>				
92400	Tenant Services - Other	192	-	-
92300	Employee Benefit Contributions - Tenant Services	-	-	-
92500	Total Tenant Services	<u>192</u>	-	-
<u>Utilities</u>				
93100	Water	26,267	-	-
93200	Electricity	71,162	-	-
93300	Gas	29,104	-	-
93600	Sewer	35,585	-	-
93000	Total Utilities	<u>162,118</u>	-	-
<u>Ordinary Maintenance and Operation</u>				
94100	Ordinary Maintenance and Operations - Labor	180,362	-	-
94200	Ordinary Maintenance and Operations - Materials and Other	22,730	-	-
94300	Ordinary Maintenance and Operations - Contract Costs	191,577	-	2,868
94500	Employee Benefit Contributions - Ordinary Maintenance	90,770	-	-
94000	Total Maintenance	<u>485,439</u>	-	<u>2,868</u>

FSS Program 14.896	Bridges Rental Assistance	Trail Ridge II	Economic Development and Supporting Services	State/Local	Total
\$ -	\$ -	\$ 142,466	\$ -	\$ -	\$ 841,960
-	-	-	-	-	68,519
-	-	142,466	-	-	910,479
59,000	-	-	-	-	1,728,677
-	-	-	-	-	195,645
-	-	-	-	-	-
59,000	-	-	-	-	1,924,322
-	94,583	-	-	53,510	414,192
-	-	218	-	-	(340)
-	-	-	-	-	3,113
-	-	6,041	35,389	344,643	588,861
59,000	94,583	148,725	35,389	398,153	3,840,627
-	-	-	-	203,853	590,059
-	-	6,500	-	6,700	26,900
-	-	457	-	43	945
-	-	-	-	88,889	256,705
-	299	17,990	99	13,575	59,508
-	-	371	-	2,553	9,413
-	412	-	-	1,255	6,754
-	711	25,318	99	316,868	950,284
37,170	-	-	-	-	37,362
21,830	-	-	-	-	21,830
59,000	-	-	-	-	59,192
-	-	4,047	-	-	30,314
-	-	2,837	-	-	73,999
-	-	6,291	-	-	35,395
-	-	-	-	-	35,585
-	-	13,175	-	-	175,293
-	-	9,836	-	10,372	200,570
-	-	43,313	-	-	66,043
-	-	-	-	40,913	235,358
-	-	-	-	4,173	94,943
-	-	53,149	-	55,458	596,914

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
FINANCIAL DATA SCHEDULE (CONTINUED)  
YEAR ENDED DECEMBER 31, 2017**

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	\$ 40,998	\$ -	\$ 698
96120	Liability Insurance	8,849	-	1,796
96130	Workmen's Compensation	9,909	-	749
96140	All Other Insurance	2,079	-	1,040
96100	Total Insurance Premiums	<u>61,835</u>	-	<u>4,283</u>
96200	Other General Expenses	10,196	-	2,973
96300	Payments in Lieu of Taxes	26,045	-	-
96400	Bad Debt - Tenant Rents	9,710	-	-
96000	Total Other General Expenses	<u>45,951</u>	-	<u>2,973</u>
96710	Interest of Mortgage (or Bonds) Payable	433	-	-
96730	Amortization of Bond Issue Costs	-	-	-
96700	Total Interest Expense and Amortization Cost	<u>433</u>	-	<u>-</u>
96900	Total Operating Expenses	1,184,329	-	189,051
97000	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	281,052	195,645	1,254,700
	<u>Other Expenses</u>			
97300	Housing Assistance Payments	-	-	1,331,353
97350	HAP Portability-In	-	-	-
97400	Depreciation Expense	263,051	-	593
90000	Total Expenses	<u>1,447,380</u>	-	<u>1,520,997</u>
	<u>Other Financing Sources (Uses)</u>			
10010	Operating Transfers In	195,645	-	-
10020	Operating Transfers Out	-	(195,645)	-
10100	Total Other Financing Sources (Uses)	<u>195,645</u>	<u>(195,645)</u>	<u>-</u>
10000	<b>EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES</b>	<u>\$ 213,646</u>	<u>\$ -</u>	<u>\$ (77,246)</u>
	<b><u>Memo Account Information</u></b>			
11020	Required Annual Debt Principal Payments	\$ -	\$ -	\$ -
11030	Beginning Equity	3,854,211	-	200,357
11170	Administrative Fee Equity	-	-	137,348
11180	Housing Assistance Payments Equity	-	-	63,009
11190	Unit Months Available	2,410	-	3,840
11210	Number of Unit Months Leased	2,414	-	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>
\$ -	\$ -	\$ -	\$ -	\$ 944	\$ 42,640
-	-	-	-	367	11,012
-	-	-	-	991	11,649
-	-	7,790	-	1,040	11,949
-	-	7,790	-	3,342	77,250
-	-	12,687	-	12,765	38,621
-	-	-	-	15	26,060
-	-	-	-	-	9,710
-	-	12,687	-	12,780	74,391
-	-	4,966	27,878	4,204	37,481
-	-	241	-	-	241
-	-	5,207	27,878	4,204	37,722
59,000	711	117,326	27,977	392,652	1,971,046
-	93,872	31,399	7,412	5,501	1,869,581
-	85,933	-	-	-	1,417,286
-	-	-	-	-	-
-	-	36,012	-	-	299,656
59,000	86,644	153,338	27,977	392,652	3,687,988
-	-	-	-	8,400	204,045
-	(8,400)	-	-	-	(204,045)
-	(8,400)	-	-	8,400	-
<u>\$ (59,000)</u>	<u>\$ (461)</u>	<u>\$ (4,613)</u>	<u>\$ 7,412</u>	<u>\$ 13,901</u>	<u>\$ 152,639</u>
\$ -	\$ -	\$ -	\$ 23,000	\$ 97,377	\$ 120,377
-	561	281,294	(543,116)	517,709	4,311,016
-	-	-	-	-	137,348
-	-	-	-	-	63,009
-	-	-	-	-	6,250
-	-	-	-	-	6,173

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## **OTHER INFORMATION**





**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS  
YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

	<u>MN46P03250115</u>	<u>MN46P03250116</u>	<u>MN46P03250117</u>
The actual modernization costs are as follows:			
Funds Approved - Total Grant	\$ 206,905	\$ 214,984	\$ 220,201
Funds Expended - Grant Expenditures to Date	<u>206,905</u>	<u>32,323</u>	<u>11,384</u>
Excess of Funds Approved	<u>\$ -</u>	<u>\$ 182,661</u>	<u>\$ 208,817</u>
Funds Advanced - 2017	\$ 151,938	\$ 32,323	\$ 11,384
Funds Expended - 2017	<u>151,938</u>	<u>32,323</u>	<u>11,384</u>
Excess of Funds Advanced	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Funds Received During Current Year	<u>\$ 151,938</u>	<u>\$ 32,323</u>	<u>\$ 11,384</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.

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## **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, 2017, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 27, 2018. 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.

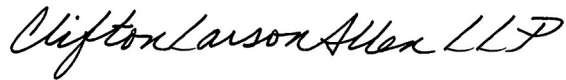
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

**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 27, 2018

**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, 2017. 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 2017.

**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, 2017.

**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 a 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 27, 2018

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**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2017**

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	\$ 47,334
Passed Through the City of Crosby			
Community Development Block Grant	14.228	N/A	6,115
Direct:			
Public and Indian Housing - Operating Subsidy	14.850	N/A	243,569
Housing Choice Voucher Program	14.871	N/A	1,426,108
Family Self-Sufficiency Program	14.896	N/A	59,000
Public Housing Capital Fund Program	14.872	N/A	<u>195,645</u>
Total U.S. Department of Housing and Urban Development			<u>1,977,771</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,977,771</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 \$53,449.
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.

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**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, 2017 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 27, 2018. 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 Other 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 Other Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above referenced provisions.

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

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
March 27, 2018

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2017**

**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? \_\_\_\_\_ yes   X   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, 2017**

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

None noted.

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

None noted.