

**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, 2018

HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
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YEAR ENDED DECEMBER 31, 2018

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INTRODUCTORY SECTION

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
ORGANIZATION
DECEMBER 31, 2018**

NAME	POSITION	TERM EXPIRES
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Board of Commissioners

Marlee Larson	Chair	December 31, 2019
Patrick Wussow	Vice Chair	December 31, 2020
Eric Charpentier	Treasurer	December 31, 2020
Gabe Johnson	Commissioner	December 31, 2019
Ashley Storm	Commissioner	December 31, 2022
Rebekah Kent	Commissioner	December 31, 2023
Krista Brodal	Resident Commissioner	December 31, 2021
Jennifer Bergman	Executive Director	

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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Trail Ridge II, a blended business-type component unit, which represents 17%, 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 Authority, as of December 31, 2018, 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.

Emphasis of a Matter

During the year ended December 31, 2018, the Authority adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of this standard, the Authority reported a restatement for a change in accounting principle (see Note 10). Our auditors' opinion was not modified with respect to the restatement.

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 changes in the Authority's OPEB liability and related ratios on page 42, and the budgetary comparison schedules – general fund, downtown TIF fund and notes on pages 43 to 45 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 April 4, 2019 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
April 4, 2019

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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, 2018:

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$4,589,650 (net position). The Authority shows unrestricted net position of \$577,003 at year-end.
- The Authority's total net position increased by \$123,107.
- At December 31, 2018, the Authority's governmental funds reported an ending fund balance of \$485,453, an increase of \$34,198 in comparison with the prior year. Of this total fund balance, \$131,367 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, 2018**

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, debt service fund, tax forfeiture, and Brainerd revolving loan fund. There are no nonmajor governmental funds.

The Authority adopts an annual appropriated budget for its General Fund and Downtown TIF 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, 2018**

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	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 498,732	\$ 460,272	\$ 1,021,202	\$ 1,121,843	\$ 1,519,934	\$ 1,582,115
Capital Assets	77,400	77,400	4,277,155	4,311,340	4,354,555	4,388,740
Total Assets	576,132	537,672	5,298,357	5,433,183	5,874,489	5,970,855
Deferred Outflows of Resources	427	-	1,255	-	1,682	-
Long-Term Liabilities Outstanding	404,830	521,013	578,510	576,859	983,340	1,097,872
Other Liabilities	21,445	20,753	281,736	388,575	303,181	409,328
Total Liabilities	426,275	541,766	860,246	965,434	1,286,521	1,507,200
Net Position						
Net Investment in Capital Assets	77,400	77,400	3,732,655	3,861,340	3,810,055	3,938,740
Restricted	99,077	-	103,515	106,035	202,592	106,035
Unrestricted	(26,193)	(81,494)	603,196	500,374	577,003	418,880
Total Net Position	\$ 150,284	\$ (4,094)	\$ 4,439,366	\$ 4,467,749	\$ 4,589,650	\$ 4,463,655

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

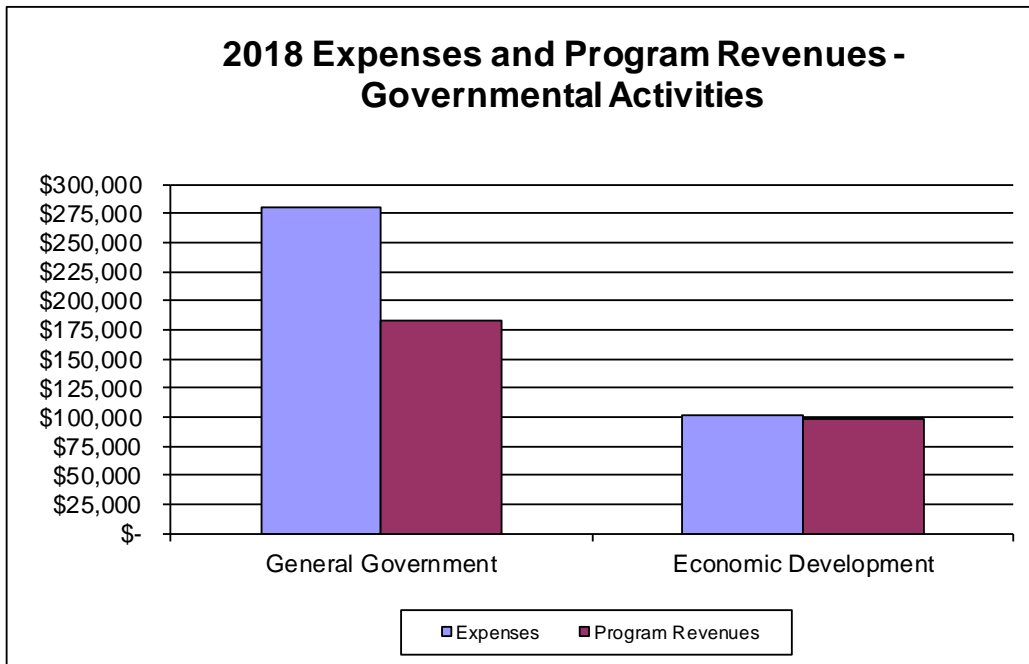
	Governmental Activities		Business- Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue						
Program Revenues						
Charges for Services	\$ 183,530	\$ 177,111	\$ 1,096,933	\$ 1,057,771	\$ 1,280,463	\$ 1,234,882
Operating Grants and Contributions	97,611	90,099	1,663,654	1,600,751	1,761,265	1,690,850
Capital Grants and Contributions	-	-	368,130	461,744	368,130	461,744
General Revenues						
Property Taxes	170,415	162,845	-	-	170,415	162,845
Grants and Contributions not Restricted to Specific Programs	4	5	-	-	4	5
Unrestricted Investment Earnings	-	-	(4,659)	(340)	(4,659)	(340)
Miscellaneous	103,410	482	290,036	277,449	393,446	277,931
Transfers	6,800	8,400	(6,800)	(8,400)	-	-
Total Revenues	561,770	438,942	3,407,294	3,388,975	3,969,064	3,827,917
Expenses						
General Government	279,668	265,660	-	-	279,668	265,660
Economic Development	101,747	119,887	-	-	101,747	119,887
Debt Service	26,710	32,082	-	-	26,710	32,082
Public Housing	-	-	1,615,633	1,437,670	1,615,633	1,437,670
Housing Choice Vouchers	-	-	1,594,075	1,579,997	1,594,075	1,579,997
Bridges Rental Assistance	-	-	65,169	86,644	65,169	86,644
Trail Ridge II	-	-	162,955	153,338	162,955	153,338
Total Expenses	408,125	417,629	3,437,832	3,257,649	3,845,957	3,675,278
Change in Net Position	153,645	21,313	(30,538)	131,326	123,107	152,639
Net Position (Deficits) - Beginning of Year	(4,094)	(25,407)	4,467,749	4,336,423	4,463,655	4,311,016
Change in Accounting Principle	733	-	2,155	-	2,888	-
Net Position (Deficits) - Beginning of Year, as Restated	(3,361)	(25,407)	4,469,904	4,336,423	4,466,543	4,311,016
Net Position (Deficits) - End of Year	\$ 150,284	\$ (4,094)	\$ 4,439,366	\$ 4,467,749	\$ 4,589,650	\$ 4,463,655

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

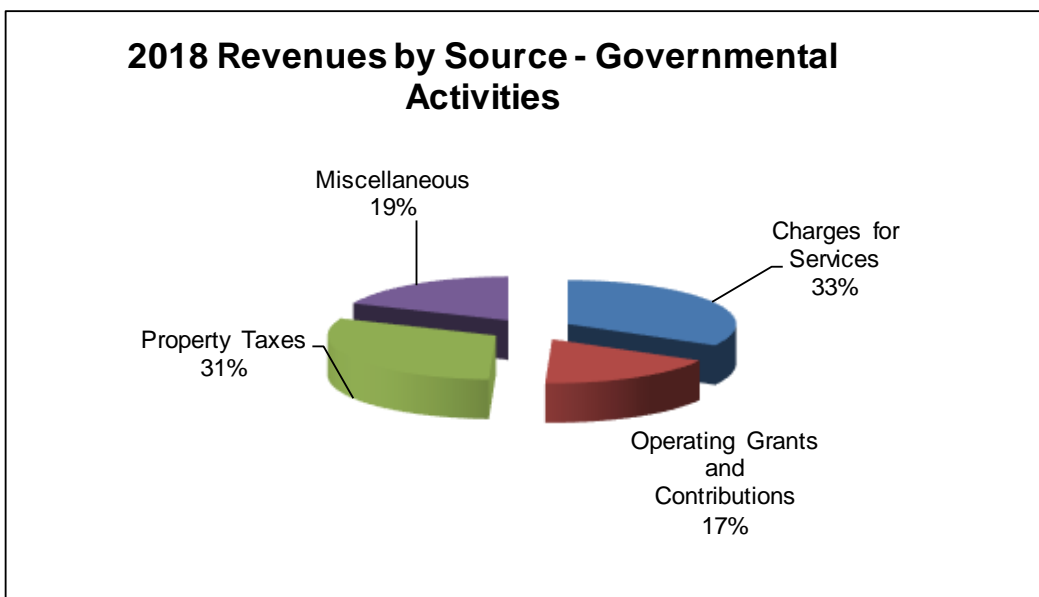
FINANCIAL ANALYSIS

Governmental Activities

Governmental activities increased the Authority's net position by \$153,645. Program expenses were more than program revenue, as shown below, however general revenues of property taxes and miscellaneous revenue increased the overall net position.



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

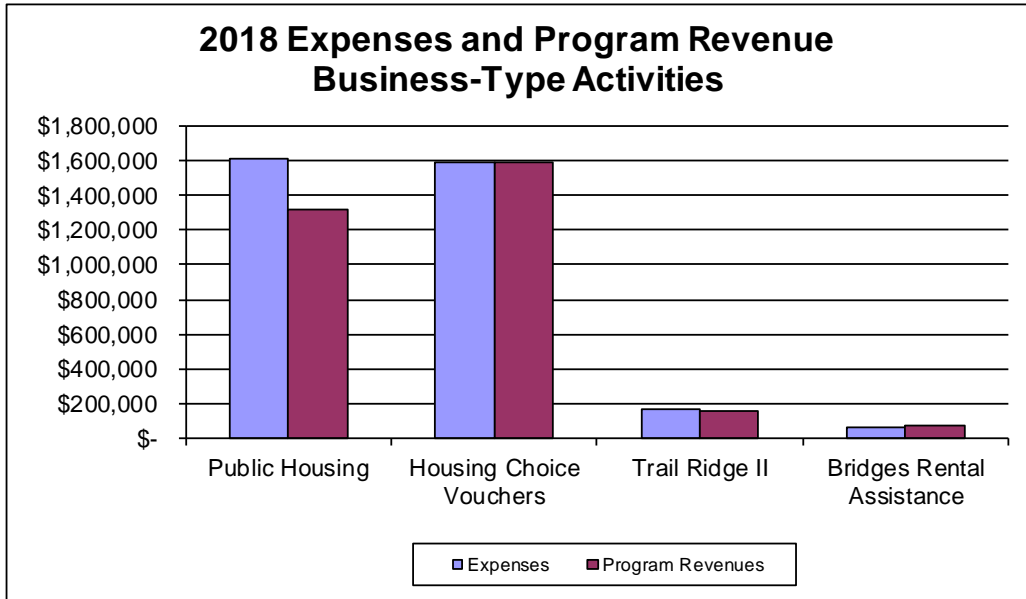


**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

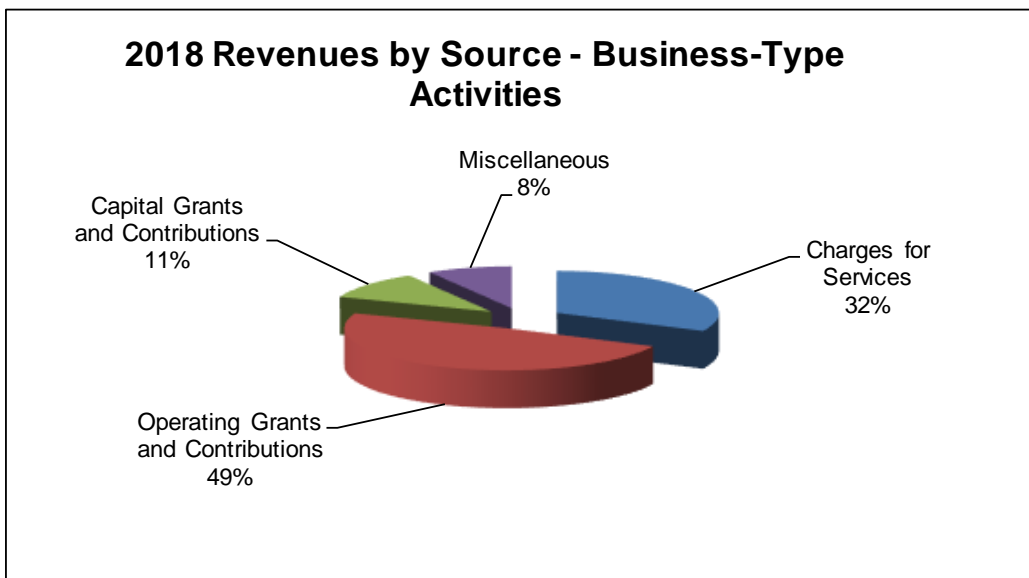
FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities

Business-Type Activities decreased the Authority's net position by \$30,538. Program expenses were more than program revenues, as shown below.



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, 2018**

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 \$485,453.

Revenues for the Authority's governmental funds were \$551,950, while total expenditures were \$524,552.

The General Fund's fund balance decreased \$55,127 from the prior year. This is due primarily to the increase in principal payments from paying off notes payable.

The Downtown TIF Fund's fund balance decreased \$10,586 from the prior year. This is due to the Authority not receiving enough collection of tax increments to pay for the debt payments.

The Tax Forfeited Property Fund's fund balance increased \$834 from the prior year due to the proceeds from the sale of land being higher than the costs related to sell the land.

The Brainerd Revolving Loan Fund's fund balance increased \$99,077 from the prior year. This is due to the fund being new for 2018 and no loans were issued in the current year.

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 \$198 less than expected. This is primarily due to the Authority receiving less grant revenues than what was expected.
- The actual expenditures were \$45,674 more than budget, due to an increase in principal payments to pay off notes payable.

CAPITAL ASSET ACTIVITY

The Authority's capital assets, net of accumulated depreciation at December 31, 2018, amounted to \$4,354,555. This investment in capital assets includes land, buildings and improvements, and furniture, fixtures, and equipment. Net capital assets increased in total by \$34,185. This increase in capital assets is due to asset additions of \$302,904, less disposals of \$157,599 and an increase in accumulated depreciation of \$179,490. The Authority has land related to governmental activities.

	Governmental Activities	Business-Type Activities	Total
Land	\$ 77,400	\$ 374,262	\$ 451,662
Construction-in-Progress	-	724	724
Buildings and Improvements	-	3,843,390	3,843,390
Furniture, Fixtures, and Equipment	-	58,779	58,779
Total	<u>\$ 77,400</u>	<u>\$ 4,277,155</u>	<u>\$ 4,354,555</u>

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, 2018**

LONG-TERM DEBT ACTIVITY

Long-Term Debt

The Authority's long-term debt at December 31, 2018:

	Governmental Activities	Business-Type Activities
Tax Increment Note	\$ 371,000	\$ -
Mortgage Notes	-	450,000
Total	\$ 371,000	\$ 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 2019 Housing Choice Voucher (HCV) Administrative Fees will be initially funded at approximately 82% which is above the 80% funding level for 2018. HCV Housing Assistance Payments are estimated to be funded at approximately 99% which is less than the 2018 funding level of 99.745%.

Calendar year 2019 Public Housing Operating Subsidy will be preliminarily funded at 96% with the final proration levels determined later in the year. This is an increase from the final 2018 funding level of 94.74%.

The following initiatives will be pursued in 2019:

1. The Authority will be administering the Small Cities Development Program in downtown Brainerd, Northeast Brainerd, and Emily. We will also be submitting an application in greater Crow Wing County as well.
2. The Authority will continue to explore options for revitalization of downtown Brainerd which may include the creation of a TIF District and will include a rental subsidy as part of Destination Downtown.
3. The Authority will attempt to spend the Scattered Site Replacement Program funds on the acquisition of a tax forfeited scattered site parcel in the City of Brainerd for the demolition of deteriorated housing.
4. 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.
5. The Authority will be pursuing the conveyance by the County to the Authority of tax-forfeited properties as the opportunity arises with interested developers.

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.

Basic Financial Statements

HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 436,969	\$ 759,549	\$ 1,196,518
Real Estate Tax and Insurance Escrow	-	549	549
Accounts Receivable (Net of Allowances for Uncollectibles)	5,132	15,809	20,941
Prepayments	2,415	66,656	69,071
Internal Balances	54,216	(54,216)	-
Restricted Assets			
Cash and Investments	-	230,681	230,681
Total Current Assets	<u>498,732</u>	<u>1,019,028</u>	<u>1,517,760</u>
Noncurrent Assets			
Other Assets	-	2,174	2,174
Capital Assets			
Land and Construction-in-Progress	77,400	374,986	452,386
Other Capital Assets, Net of Depreciation	-	3,902,169	3,902,169
Total Noncurrent Assets	<u>77,400</u>	<u>4,279,329</u>	<u>4,356,729</u>
Total Assets	576,132	5,298,357	5,874,489
DEFERRED OUTFLOWS OF RESOURCES			
OPEB Related	427	1,255	1,682
LIABILITIES			
Current Liabilities			
Accounts Payable	40	12,221	12,261
Prepaid Rent	-	2,865	2,865
Accrued Liabilities	10,219	43,652	53,871
Accrued Interest Payable	10,759	94,500	105,259
Tenant Security Deposits	-	66,266	66,266
FSS Escrow	-	11,597	11,597
Due to Other Governments	-	25,312	25,312
Other Postemployment Benefits	427	1,255	1,682
Unearned Revenue	-	24,068	24,068
Total Current Liabilities	<u>21,445</u>	<u>281,736</u>	<u>303,181</u>
Noncurrent Liabilities			
Due within One Year	43,733	46,625	90,358
FSS Escrow	-	16,856	16,856
Other Postemployment Benefits	16,097	65,029	81,126
Due in More than One Year	345,000	450,000	795,000
Total Noncurrent Liabilities	<u>404,830</u>	<u>578,510</u>	<u>983,340</u>
Total Liabilities	426,275	860,246	1,286,521
NET POSITION (DEFICIT)			
Net Investment in Capital Assets	77,400	3,732,655	3,810,055
Restricted for HAP	-	11,239	11,239
Restricted for Economic Development	99,077	-	99,077
Restricted for Security Deposit Refunds	-	4,205	4,205
Restricted for Reserve Requirements	-	88,071	88,071
Unrestricted	(26,193)	603,196	577,003
Total Net Position (Deficit)	<u>\$ 150,284</u>	<u>\$ 4,439,366</u>	<u>\$ 4,589,650</u>
Total Liabilities and Net Position (Deficit)	<u>\$ 576,559</u>	<u>\$ 5,299,612</u>	<u>\$ 5,876,171</u>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Primary Government				
Governmental Activities				
General Government	\$ 279,668	\$ 183,030	\$ -	\$ -
Economic Development	101,747	500	97,611	-
Interest	26,710	-	-	-
Total Governmental Activities	<u>408,125</u>	<u>183,530</u>	<u>97,611</u>	<u>-</u>
Business-Type Activities				
Public Housing	1,615,633	701,326	246,994	368,130
Housing Choice Vouchers	1,594,075	242,620	1,344,682	-
Bridges Rental Assistance	65,169	-	71,978	-
Trail Ridge II	162,955	152,987	-	-
Total Business-Type Activities	<u>3,437,832</u>	<u>1,096,933</u>	<u>1,663,654</u>	<u>368,130</u>
Total Primary Government	<u>\$ 3,845,957</u>	<u>\$ 1,280,463</u>	<u>\$ 1,761,265</u>	<u>\$ 368,130</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
Change in Accounting Principle
Net Position (Deficit) - Beginning of Year, as Restated
Net Position (Deficit) - End of Year

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (96,638)	\$ -	\$ (96,638)
(3,636)	-	(3,636)
(26,710)	-	(26,710)
<u>(126,984)</u>	<u>-</u>	<u>(126,984)</u>
-	(299,183)	(299,183)
-	(6,773)	(6,773)
-	6,809	6,809
-	(9,968)	(9,968)
<u>-</u>	<u>(309,115)</u>	<u>(309,115)</u>
<u>(126,984)</u>	<u>(309,115)</u>	<u>(436,099)</u>
170,415	-	170,415
4	-	4
-	(4,659)	(4,659)
103,410	290,036	393,446
6,800	(6,800)	-
<u>280,629</u>	<u>278,577</u>	<u>559,206</u>
<u>153,645</u>	<u>(30,538)</u>	<u>123,107</u>
(4,094)	4,467,749	4,463,655
733	2,155	2,888
<u>(3,361)</u>	<u>4,469,904</u>	<u>4,466,543</u>
<u>\$ 150,284</u>	<u>\$ 4,439,366</u>	<u>\$ 4,589,650</u>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General Fund	Downtown TIF Fund	Debt Service Fund	Tax Forfeited Property Fund	Brainerd Revolving Loan Fund	Totals
ASSETS						
Cash and Investments	\$ 337,058	\$ -	\$ -	\$ 834	\$ 99,077	\$ 436,969
Accounts Receivable	5,132	-	-	-	-	5,132
Prepayments	2,415	-	-	-	-	2,415
Advance to Other Funds	195,080	-	-	-	-	195,080
Total Assets	<u>\$ 539,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 834</u>	<u>\$ 99,077</u>	<u>\$ 639,596</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)						
LIABILITIES						
Accounts Payable	\$ 40	\$ -	\$ -	\$ -	\$ -	\$ 40
Accrued Expenses	10,219	-	-	-	-	10,219
Advance from Other Funds	-	140,864	-	-	-	140,864
Total Liabilities	<u>10,259</u>	<u>140,864</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,123</u>
DEFERRED INFLOWS OF RESOURCES						
Grant Related	3,020	-	-	-	-	3,020
FUND BALANCES (DEFICITS)						
Nonspendable						
Prepayments	2,415	-	-	-	-	2,415
Advance to Other Funds	195,080	-	-	-	-	195,080
Restricted						
Economic Development	-	-	-	-	99,077	99,077
Committed						
Scattered Sites Project	12,010	-	-	-	-	12,010
Housing Rehab	29,670	-	-	-	-	29,670
Economic Development	-	-	-	834	-	834
Assigned						
Downtown Redevelopment	15,000	-	-	-	-	15,000
Unassigned	272,231	(140,864)	-	-	-	131,367
Total Fund Balances	<u>526,406</u>	<u>(140,864)</u>	<u>-</u>	<u>834</u>	<u>99,077</u>	<u>485,453</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 539,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 834</u>	<u>\$ 99,077</u>	<u>\$ 639,596</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, 2018**

Total Fund Balances for Governmental Funds		\$ 485,453
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
Other long-term assets are not available to pay for current-period expenditures and, therefore, are recorded as a deferred inflow of resources in the governmental funds.		3,020
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.		(10,759)
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	\$ (371,000)	
Deferred Outflows - OPEB Related	427	
Other Postemployment Benefits	(16,524)	
Compensated Absences Payable	(17,733)	(404,830)
Total Net Position of Governmental Activities		<u>\$ 150,284</u>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018**

	General Fund	Downtown TIF Fund	Debt Service Fund	Tax Forfeited Property Fund	Brainerd Revolving Loan Fund	Totals
REVENUES						
Taxes	\$ 130,862	\$ 39,553	\$ -	\$ -	\$ -	\$ 170,415
Intergovernmental						
Federal	45,419	-	-	-	-	45,419
State	17,522	-	-	-	-	17,522
Market Value Real Estate Credit	4	-	-	-	-	4
Management Fees	169,687	-	-	-	-	169,687
Charges for Services	-	-	-	500	-	500
Miscellaneous	45,428	-	-	-	100,000	145,428
Sale of Land Held for Resale	500	-	-	2,475	-	2,975
Total Revenues	<u>409,422</u>	<u>39,553</u>	<u>-</u>	<u>2,975</u>	<u>100,000</u>	<u>551,950</u>
EXPENDITURES						
Current						
General Government	268,862	-	-	-	-	268,862
Economic Development	104,463	99	-	2,141	923	107,626
Debt Service						
Principal	97,377	-	23,000	-	-	120,377
Interest	647	-	27,040	-	-	27,687
Total Expenditures	<u>471,349</u>	<u>99</u>	<u>50,040</u>	<u>2,141</u>	<u>923</u>	<u>524,552</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(61,927)	39,454	(50,040)	834	99,077	27,398
OTHER FINANCING SOURCES (USES)						
Transfers In	6,800	-	50,040	-	-	56,840
Transfers Out	-	(50,040)	-	-	-	(50,040)
Total Other Financing Sources (Uses)	<u>6,800</u>	<u>(50,040)</u>	<u>50,040</u>	<u>-</u>	<u>-</u>	<u>6,800</u>
NET CHANGE IN FUND BALANCE	(55,127)	(10,586)	-	834	99,077	34,198
Fund Balance (Deficit) - Beginning of Year	<u>581,533</u>	<u>(130,278)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>451,255</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 526,406</u>	<u>\$ (140,864)</u>	<u>\$ -</u>	<u>\$ 834</u>	<u>\$ 99,077</u>	<u>\$ 485,453</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, 2018**

Net Change in Fund Balances - Governmental Funds \$ 34,198

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	\$ 97,377	
Repayment of Bond Principal	23,000	
Change in Accrued Interest Expense	977	
Other Postemployment Benefits	<u>(2,515)</u>	118,839

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 2018, compensated absences payable increased. (2,412)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 3,020

Change in Net Position of Governmental Activities \$ 153,645

HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Business-Type Activities - Enterprise Funds				Totals
	Public Housing	Housing Choice Vouchers	Bridges Rental Assistance	Trail Ridge II	
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 537,137	\$ 131,987	\$ -	\$ 90,425	\$ 759,549
Real Estate Tax and Insurance Escrow	-	-	-	549	549
Accounts Receivable (Net of Allowances for Uncollectibles)	9,213	3,150	-	1,090	13,453
Accounts Receivable - Other	1,052	-	1,304	-	2,356
Prepayments	62,012	3,886	-	758	66,656
Restricted Assets					
Restricted Assets - Cash and Cash Equivalents	56,564	62,130	10,009	101,978	230,681
Total Current Assets	665,978	201,153	11,313	194,800	1,073,244
Noncurrent Assets					
Other Assets	-	-	-	2,174	2,174
Capital Assets					
Land and CIP	299,986	-	-	75,000	374,986
Other Capital Assets, Net of Depreciation	3,271,216	2,884	-	628,069	3,902,169
Total Noncurrent Assets	3,571,202	2,884	-	705,243	4,279,329
Total Assets	4,237,180	204,037	11,313	900,043	5,352,573
DEFERRED OUTFLOWS OF RESOURCES					
OPEB Related	975	280	-	-	1,255
LIABILITIES					
Current Liabilities					
Accounts Payable	6,252	40	1,204	4,725	12,221
Accrued Wages Payable	22,663	7,397	-	-	30,060
Prepaid Rent	-	-	-	2,865	2,865
Accrued Real Estate Taxes	-	-	-	13,592	13,592
Due to Other Governmental Units	25,312	-	-	-	25,312
Tenants Security Deposits	55,754	-	-	10,512	66,266
FSS Escrow	-	11,597	-	-	11,597
Accrued Interest Payable	-	-	-	94,500	94,500
Unearned Revenues	-	14,068	10,000	-	24,068
Compensated Absences	36,917	9,708	-	-	46,625
Other Postemployment Benefits Payable	975	280	-	-	1,255
Total Current Liabilities	147,873	43,090	11,204	126,194	328,361
Noncurrent Liabilities					
Advances from Other Funds	-	-	-	54,216	54,216
FSS Escrow	-	16,856	-	-	16,856
Other Postemployment Benefits Payable	49,400	15,629	-	-	65,029
Mortgage Notes Payable	-	-	-	450,000	450,000
Total Noncurrent Liabilities	49,400	32,485	-	504,216	586,101
Total Liabilities	197,273	75,575	11,204	630,410	914,462
NET POSITION					
Net Invested in Capital Assets	3,571,202	2,884	-	158,569	3,732,655
Restricted for HAP	-	11,239	-	-	11,239
Restricted for Security Deposit Refunds	810	-	-	3,395	4,205
Restricted for Reserve Requirements	-	-	-	88,071	88,071
Unrestricted	468,870	114,619	109	19,598	603,196
Total Net Position	\$ 4,040,882	\$ 128,742	\$ 109	\$ 269,633	\$ 4,439,366

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, 2018

	Business-Type Activities - Enterprise Funds				Totals
	Public Housing	Housing Choice Vouchers	Bridges Rental Assistance	Trail Ridge II	
OPERATING REVENUES					
Intergovernmental					
HUD Contributions	\$ 246,994	\$ 1,344,682	\$ 64,828	\$ -	\$ 1,656,504
Administrative Fees Earned	-	242,620	7,150	-	249,770
Total Intergovernmental Revenues	<u>246,994</u>	<u>1,587,302</u>	<u>71,978</u>	<u>-</u>	<u>1,906,274</u>
Rental Income					
Dwelling Income	698,328	-	-	-	698,328
Excess Utilities	2,998	-	-	-	2,998
Gross Potential Apartment Rents	-	-	-	153,600	153,600
Less Vacancies	-	-	-	(613)	(613)
Total Rental Income	<u>701,326</u>	<u>-</u>	<u>-</u>	<u>152,987</u>	<u>854,313</u>
Other Miscellaneous Income					
Tower Rental Income	68,981	-	-	-	68,981
CIP Funding	25,000	-	-	-	25,000
Laundry Income	20,781	-	-	-	20,781
Miscellaneous	156,273	11,824	-	7,177	175,274
Total Other Miscellaneous Income	<u>271,035</u>	<u>11,824</u>	<u>-</u>	<u>7,177</u>	<u>290,036</u>
Total Operating Revenues	<u>1,219,355</u>	<u>1,599,126</u>	<u>71,978</u>	<u>160,164</u>	<u>3,050,623</u>
OPERATING EXPENSES					
Administration	537,239	234,671	341	45,562	817,813
Housing Assistance Payments	-	1,347,485	-	-	1,347,485
Rent Payments	-	-	64,828	-	64,828
Utilities	182,436	-	-	13,535	195,971
Ordinary Maintenance and Operations	560,543	3,538	-	44,812	608,893
General Expense	53,693	7,314	-	22,829	83,836
Depreciation and Amortization	272,088	1,067	-	36,217	309,372
Total Operating Expenses	<u>1,605,999</u>	<u>1,594,075</u>	<u>65,169</u>	<u>162,955</u>	<u>3,428,198</u>
OPERATING INCOME (LOSS)	<u>(386,644)</u>	<u>5,051</u>	<u>6,809</u>	<u>(2,791)</u>	<u>(377,575)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest Income (Expense)	(501)	99	-	(4,257)	(4,659)
Intergovernmental Revenue	368,130	-	-	-	368,130
Loss on Sale of Asset	(9,634)	-	-	-	(9,634)
Total Nonoperating Revenues (Expenses)	<u>357,995</u>	<u>99</u>	<u>-</u>	<u>(4,257)</u>	<u>353,837</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(28,649)</u>	<u>5,150</u>	<u>6,809</u>	<u>(7,048)</u>	<u>(23,738)</u>
Transfers Out	-	-	(6,800)	-	(6,800)
CHANGE IN NET POSITION	<u>(28,649)</u>	<u>5,150</u>	<u>9</u>	<u>(7,048)</u>	<u>(30,538)</u>
Net Position - Beginning of Year	4,067,857	123,111	100	276,681	4,467,749
Prior Period Restatement	1,674	481	-	-	2,155
Net Position - Beginning of Year, as Restated	<u>4,069,531</u>	<u>123,592</u>	<u>100</u>	<u>276,681</u>	<u>4,469,904</u>
NET POSITION - END OF YEAR	<u>\$ 4,040,882</u>	<u>\$ 128,742</u>	<u>\$ 109</u>	<u>\$ 269,633</u>	<u>\$ 4,439,366</u>

See accompanying Notes to Financial Statements.

HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities - Enterprise Funds				
	Public Housing	Housing Choice Vouchers	Bridges Rental Assistance	Trail Ridge II	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Rent	\$ 694,386	\$ -	\$ -	\$ -	\$ 694,386
Cash Received from Other Sources	274,033	-	-	279,771	553,804
Operating Subsidies - HUD	246,994	1,606,221	70,674	-	1,923,889
Cash Paid to Other Suppliers of Goods or Services	(769,696)	(1,449,395)	(63,965)	(233,554)	(2,516,610)
Cash Payments to Employees for Services	(557,002)	(162,624)	-	-	(719,626)
Net Cash Provided (Used) by Operating Activities	(111,285)	(5,798)	6,709	46,217	(64,157)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from (to) Other Funds	-	-	(6,800)	-	(6,800)
Advance from Other Funds	-	-	-	(5,000)	(5,000)
Net Cash Used by Noncapital Financing Activities	-	-	(6,800)	(5,000)	(11,800)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital Grants Received	368,130	-	-	-	368,130
Acquisition of Capital Assets	(274,946)	-	-	-	(274,946)
Net Cash Provided by Capital and Related Financing Activities	83,550	-	-	4,500	88,050
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Paid to Tenant Security Deposits	(529)	-	-	-	(529)
Interest Received	28	99	-	(4,257)	(4,130)
Net Cash Provided (Used) by Investing Activities	(501)	99	-	(4,257)	(4,659)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(28,236)	(5,699)	(91)	41,460	7,434
Cash and Cash Equivalents - Beginning of Year	621,937	199,816	10,100	150,943	982,796
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 593,701</u>	<u>\$ 194,117</u>	<u>\$ 10,009</u>	<u>\$ 192,403</u>	<u>\$ 990,230</u>
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION					
Cash and Cash Equivalents	\$ 537,137	\$ 131,987	\$ -	\$ 90,425	\$ 759,549
Restricted Assets - Cash and Investments	56,564	62,130	10,009	101,978	230,681
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 593,701</u>	<u>\$ 194,117</u>	<u>\$ 10,009</u>	<u>\$ 192,403</u>	<u>\$ 990,230</u>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018**

	Business-Type Activities - Enterprise Funds				Totals
	Public Housing	Housing Choice Vouchers	Bridges Rental Assistance	Trail Ridge II	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (386,644)	\$ 5,051	\$ 6,809	\$ (2,791)	\$ (377,575)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	272,088	1,067	-	35,976	309,131
Amortization	-	-	-	241	241
(Increase) Decrease in Assets:					
Accounts Receivable	(3,942)	7,095	(1,304)	118,466	120,315
Deferred Outflows	(975)	(280)	-	-	(1,255)
Prepayments	(7,316)	(209)	-	45	(7,480)
Increase (Decrease) in Liabilities:					
Accounts Payable	2,734	40	1,204	(108,145)	(104,167)
Prepaid Rent	-	-	-	1,141	1,141
Due to Other Governmental Units	(313)	-	-	-	(313)
Tenants Security Deposits	1,515	-	-	471	1,986
FSS Escrow	-	(18,728)	-	-	(18,728)
Other Postemployment Benefits Payable	6,728	1,933	-	-	8,661
Accrued Expenses	4,840	(1,767)	-	814	3,887
Net Cash Provided (Used) by Operating Activities	<u>\$ (111,285)</u>	<u>\$ (5,798)</u>	<u>\$ 6,709</u>	<u>\$ 46,217</u>	<u>\$ (64,157)</u>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2018**

	<u>Agency Fund</u>
ASSETS	
Cash and Investments	<u>\$ 1,053,008</u>
LIABILITIES	
Cash Held for Other Agencies	<u>\$ 1,053,008</u>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

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 \$144,373 at December 31, 2018.

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, 2018**

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, 2018**

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.

Tax Forfeited Property Fund – The Tax Forfeited Fund is used to account for resources from the purchase and sale of tax forfeited property.

Brainerd Revolving Loan Fund – The Brainerd Revolving Loan Fund is used to account for the Brainerd revolving loan activity.

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, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Assets, Liabilities, and Net Position or Equity

1. Cash and Investments

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

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

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

2. Restricted Assets

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

3. Accounts Receivable

Accounts receivable in excess of 90 days after move out date is written-off as uncollectible. Bad debt expense of \$10,354 for 2018 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, 2018**

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, 2018**

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, 2018, 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, 2018**

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, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the General Fund and Downtown TIF Fund. Budget appropriations lapse at the end of the year. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The General Fund expenditures exceeded the budgeted appropriations by \$45,674 during the year ended December 31, 2018. The overage relates to the early extinguishment of debt and was approved by the Board.

B. Deficit Fund Equity

The Downtown TIF Fund had a deficit fund balance of \$140,864 as of December 31, 2018. 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, 2018**

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, 2018 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, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Investments (Continued)

The Authority had no investments as of December 31, 2018.

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, 2018.

4. Interfund Receivables, Payables, and Transfers

At December 31, 2018, advance to/from other funds were as follows:

	Advance To:		
Advance From:	TIF Fund	Trail Ridge II	Total
General Fund	\$ 140,864	\$ 54,216	\$ 195,080

The General Fund made an advance to the TIF Fund during 2018 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, 2018 are as follows:

	Transfer In:		
Transfer Out:	Debt Service Fund	General Fund	Total
Bridges Fund	\$ -	\$ 6,800	\$ 6,800
Downtown TIF Fund	50,040	-	50,040
Total	\$ 50,040	\$ 6,800	\$ 56,840

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

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, 2018, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 77,400	\$ -	\$ -	\$ 77,400
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 374,262	\$ -	\$ -	\$ 374,262
Construction in Progress	11,713	269,904	(280,893)	724
Total Capital Assets, Not Being Depreciated	385,975	269,904	(280,893)	374,986
Capital Assets, Being Depreciated:				
Buildings and Improvements	13,470,154	313,893	(123,909)	13,660,138
Furniture, Fixtures and Equipment	359,142	-	(33,690)	325,452
Total Capital Assets, Being Depreciated	13,829,296	313,893	(157,599)	13,985,590
Less Accumulated Depreciation For:				
Buildings and Improvements	(9,615,614)	(297,085)	95,951	(9,816,748)
Furniture, Fixtures, and Equipment	(288,317)	(12,046)	33,690	(266,673)
Total Accumulated Depreciation	(9,903,931)	(309,131)	129,641	(10,083,421)
Total Capital Assets, Being Depreciated, Net	3,925,365	4,762	(27,958)	3,902,169
Business-Type Activities Capital Assets, Net	\$ 4,311,340	\$ 274,666	\$ (308,851)	\$ 4,277,155

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

Business-Type Activities:	
Public Housing	\$ 272,088
Housing Choice Vouchers	1,067
Trail Ridge II	35,976
Total Depreciation Expense - Business-Type Activities	<u>\$ 309,131</u>

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities

1. Long-Term Debt

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.

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

	Interest Rate	Amount Outstanding
2005 Taxable Tax Increment Note	6.96 %	\$ 371,000
MHFA - ARIF	1.00	450,000
Total Revenue Bonds and Notes		\$ 821,000

The summary of long-term debt transactions for the year ended December 31, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
Tax Increment Note	\$ 394,000	\$ -	\$ 23,000	\$ 371,000	\$ 26,000
Notes Payable	97,377	-	97,377	-	-
Compensated Absences Payable	15,321	14,045	11,633	17,733	17,733
Governmental Activities Long-Term Liabilities	\$ 506,698	\$ 14,045	\$ 132,010	\$ 388,733	\$ 43,733
Business-Type Activities					
Mortgage Notes Payable	\$ 450,000	\$ -	\$ -	\$ 450,000	\$ -
Compensated Absences Payable	47,385	35,586	36,346	46,625	46,625
Business-Type Activities Long-Term Liabilities	\$ 497,385	\$ 35,586	\$ 36,346	\$ 496,625	\$ 46,625

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

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:

Tax Increment Note Governmental Activities			Mortgage Notes Payable Business-Type Activities		
	Principal	Interest		Principal	Interest
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	40,000	16,564	2023	-	4,500
2024-2027	208,000	34,312	2024-2028	450,000	22,500
Total	<u>\$ 371,000</u>	<u>\$ 140,347</u>	Total	<u>\$ 450,000</u>	<u>\$ 45,000</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, 2018, the following conduit debt existed:

Total	\$ 1,080,000
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**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

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, 2018. 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, 2018, 2017, and 2016 were \$59,406, \$57,480, and \$50,822, respectively.

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The Authority operates a single-employer retiree benefit plan (the Plan) that provides health insurance to eligible employees and their spouses through the City of Brainerd's health insurance plan. There are 16 active employees, zero inactive employees, and zero inactive employees entitled to but not yet receiving benefits. Benefit and eligibility provisions are established through negotiations between the City and the Authority and are renegotiated every two years. The Plan does not issue a publicly available financial report.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

A. Funding Policy

The Authority has no assets accumulated in a trust that meets the criteria in GASB 75. Contribution requirements are negotiated between the City and the Authority. The eligibility for, amount of, duration of, and the Authority's contribution to the cost of the benefits provided varies by contract and date of retirement. The Authority is funding this liability on a pay-as-you-go basis. For the year ended December 31, 2018, The Authority contributed \$3,513 to the Plan.

B. Actuarial Methods and Assumptions

The Authority's OPEB liability was measured as of January 1, 2018, and the total OPEB liability was determined by an actuarial valuations as of January 1, 2018.

The total OPEB liability was determined by as actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
Health Care Trend Rates	6.50% Decreasing to 5.00% Over 6 Years

Mortality rates were based on the RP-2014 with projected mortality improvements based on scale MP-2017, and other adjustments.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2017.

The discount rate used to measure the total OPEB liability was 3.30%. The discount rate is based on the estimated yield of 20-year AA-rated municipal bonds.

Since the most recent GASB 45 valuation, the following changes have been made:

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2014 Generational Improvement Scale to the RP-2017 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The retirement and withdrawal tables for all employees were updated.
- The retiree plan participation assumptions for participants not eligible for a pre-65 subsidy was changed from 50% to 40%. The percent of married retirees electing spouse coverage was changed from 25% to 50%.
- The discount rate was changed from 4.00% to 3.30%.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

B. Actuarial Methods and Assumptions (Continued)

Changes in the OPEB Liability

	Total OPEB Liability
Balance December 31, 2017, as Restated	\$ 74,718
Changes for the Year:	
Service Cost	8,901
Interest Cost	2,702
Assumption Changes	-
Benefit Payments	<u>(3,513)</u>
Net change in Total OPEB Liability	<u>8,090</u>
Balance as December 31, 2018	<u><u>\$ 82,808</u></u>

The following presents the OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using a discount rate one percentage lower or one percentage point higher than the current discount rate:

	1% Decrease <u>(2.30%)</u>	Discount Rate <u>(3.30%)</u>	1% Increase <u>(4.30%)</u>
OPEB Liability	\$ 88,302	\$ 82,808	\$ 77,534

The following presents the OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.5% decreasing to 4.0% over 6 years) or 1% higher (7.5% decreasing to 6.0% over 6 years) than the current healthcare cost trend rates:

	1% Decrease <u>(5.5% Decreasing to 4.0%)</u>	Current Trend Rates (6.5% Decreasing to <u>5.0%</u>)	1% Increase <u>(7.5% Decreasing to 6.0%)</u>
OPEB Liability	\$ 74,580	\$ 82,808	\$ 92,159

For the year ended December 31, 2018, the Authority recognized OPEB expense of \$11,603. At December 31, 2018, the Authority reported no deferred inflow of resources, and \$1,682 in deferred outflows of resources resulting from Authority contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year December 31, 2019.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

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.

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 \$(241,405) at December 31, 2018. 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, 2018.

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, 2018, the Authority paid excess tax increments in the amount of \$5,879. No other commitments were made by the Authority as a part of this agreement.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 9 TAX ABATEMENTS (CONTINUED)

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 2031. 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, 2018, the Authority collected and paid \$39,553. 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.

NOTE 10 RESTATEMENT FOR A CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2018, the Authority adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This pronouncement requires the restatement of the December 31, 2017 net position of the governmental activities and proprietary funds as follows.

	Governmental Activities	Proprietary Funds
Net Position, December 31, 2017, as Previously Reported	\$ (4,094)	\$ 4,467,749
Affect of Application of GASB 75	733	2,155
Net Position, December 31, 2017, as Restated	\$ (3,361)	\$ 4,469,904

REQUIRED SUPPLEMENTARY INFORMATION

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
SCHEDULE OF CHANGES IN THE AUTHORITY'S OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED DECEMBER 31, 2018**

		Measurement Date <u>January 1, 2018</u>
Total OPEB Liability		
Service Cost	\$	8,901
Interest Cost		2,702
Benefit Payments		<u>(3,513)</u>
Net Change in Total OPEB Liability		<u>8,090</u>
Total OPEB Liability - Beginning, as Restated		<u>74,718</u>
Total OPEB Liability - Ending	\$	<u>82,808</u>
Covered-Employee Payroll	\$	802,905
Authority's OPEB Liability as a Percentage of Covered-Employee Payroll		10%

NOTE 1: The Authority implemented GASB Statement No. 75 in 2018, and the above table will be expanded to 10 years of information as the information becomes available.

NOTE 2: No assets are accumulated in a trust.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2018**

	Budget Original and Final	Actual	Variance With Budget Over (Under)
REVENUES			
Taxes	\$ 130,420	\$ 130,862	\$ 442
Intergovernmental			
Federal	39,000	45,419	6,419
State			
Grant	30,000	17,522	(12,478)
Market Value Real Estate Credit	5	4	(1)
Management Fees	169,000	169,687	687
Miscellaneous	41,195	45,928	4,733
Total Revenues	<u>409,620</u>	<u>409,422</u>	<u>(198)</u>
EXPENDITURES			
Current			
General Government			
Administrative	243,500	242,300	(1,200)
Maintenance	16,620	17,139	519
General Expenses	29,450	9,423	(20,027)
Economic Development	114,145	104,463	(9,682)
Debt Service			
Principal	18,310	97,377	79,067
Interest	3,650	647	(3,003)
Total Expenditures	<u>425,675</u>	<u>471,349</u>	<u>45,674</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,055)	(61,927)	(45,872)
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>8,000</u>	<u>6,800</u>	<u>(1,200)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (8,055)</u>	<u>(55,127)</u>	<u>\$ (47,072)</u>
Fund Balance - Beginning of Year		<u>581,533</u>	
FUND BALANCE - END OF YEAR		<u>\$ 526,406</u>	

See accompanying Notes to Required Supplementary Information.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
BUDGETARY COMPARISON SCHEDULE
DOWNTOWN TIF FUND
YEAR ENDED DECEMBER 31, 2018**

	Budget Original and Final	Actual	Variance With Budget Over (Under)
REVENUES			
Taxes	\$ 39,550	\$ 39,553	\$ 3
EXPENDITURES			
Current			
Economic Development	100	99	(1)
Debt Service			
Principal	23,000	-	(23,000)
Interest	32,040	-	(32,040)
Total Expenditures	<u>55,140</u>	<u>99</u>	<u>(55,041)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(15,590)	39,454	55,044
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>-</u>	(50,040)	<u>(50,040)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (15,590)</u>	(10,586)	<u>\$ 5,004</u>
Fund Balance - Beginning of Year		<u>(130,278)</u>	
FUND BALANCE - END OF YEAR		<u>\$ (140,864)</u>	

See accompanying Notes to Required Supplementary Information.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2018**

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.

SUPPLEMENTARY INFORMATION

HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2018

Line Item #	Account Description	Public Housing Low Rent 14.850	Housing Choice Vouchers 14.871	Bridges Rental Assistance
ASSETS				
CURRENT ASSETS				
CASH				
111	Cash - Unrestricted	\$ 537,137	\$ 131,987	\$ -
113	Cash - Other Restricted	-	50,533	10,009
114	Cash - Tenant Security Deposits	56,564	-	-
115	Cash - Restricted for Payment of Current Liabilities	-	11,597	-
100	Total Cash	<u>593,701</u>	<u>194,117</u>	<u>10,009</u>
ACCOUNTS AND ACCOUNTS RECEIVABLE				
122	Accounts Receivable - HUD Other Projects	1,498	-	-
124	Accounts Receivable - Other Government	1,052	-	1,304
125	Accounts Receivable - Miscellaneous - Other	-	-	-
126	Accounts Receivable - Tenants	7,644	3,150	-
127	Notes, Loans, and Mortgages Receivable - Current	71	-	-
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>10,265</u>	<u>3,150</u>	<u>1,304</u>
142	Prepaid Expenses and Other Assets	62,012	3,886	-
144	Interprogram - Due From	-	-	-
150	Total Current Assets	<u>665,978</u>	<u>201,153</u>	<u>11,313</u>
NONCURRENT ASSETS				
FIXED ASSETS				
161	Land	299,262	-	-
162	Buildings	12,128,680	-	-
163	Furniture, Equipment, and Machinery - Dwellings	245,399	-	-
164	Furniture, Equipment, and Machinery - Administration	36,375	4,835	-
166	Accumulated Depreciation	(9,139,238)	(1,951)	-
167	Construction in Progress	724	-	-
160	Total Fixed Assets, Net of Accumulated Depreciation	<u>3,571,202</u>	<u>2,884</u>	<u>-</u>
174	Other Assets	-	-	-
180	Total Noncurrent Assets	<u>3,571,202</u>	<u>2,884</u>	<u>-</u>
200	Deferred Outflows of Resources	<u>975</u>	<u>280</u>	<u>-</u>
290	Total Assets and Deferred Outflows of Resources	<u>\$ 4,238,155</u>	<u>\$ 204,317</u>	<u>\$ 11,313</u>

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
FINANCIAL DATA SCHEDULE (CONTINUED)
DECEMBER 31, 2018**

Trail Ridge II	Economic Development and Supporting Services	State/Local	Fiduciary Fund Agency	Total
\$ 90,425	\$ -	\$ 337,892	\$ 243,935	\$ 1,341,376
88,071	-	99,077	809,073	1,056,763
13,907	-	-	-	70,471
-	-	-	-	11,597
<u>192,403</u>	<u>-</u>	<u>436,969</u>	<u>1,053,008</u>	<u>2,480,207</u>
-	-	-	-	1,498
-	-	5,132	-	7,488
-	-	-	-	-
1,090	-	-	-	11,884
-	-	-	-	71
<u>1,090</u>	<u>-</u>	<u>5,132</u>	<u>-</u>	<u>20,941</u>
758	-	2,415	-	69,071
-	-	195,080	-	195,080
<u>194,251</u>	<u>-</u>	<u>639,596</u>	<u>1,053,008</u>	<u>2,765,299</u>
75,000	-	77,400	-	451,662
1,531,458	-	-	-	13,660,138
38,843	-	-	-	284,242
-	-	-	-	41,210
(942,232)	-	-	-	(10,083,421)
-	-	-	-	724
<u>703,069</u>	<u>-</u>	<u>77,400</u>	<u>-</u>	<u>4,354,555</u>
2,723	-	-	-	2,723
<u>705,792</u>	<u>-</u>	<u>77,400</u>	<u>-</u>	<u>4,357,278</u>
-	-	427	-	1,682
<u>\$ 900,043</u>	<u>\$ -</u>	<u>\$ 717,423</u>	<u>\$ 1,053,008</u>	<u>\$ 7,124,259</u>

HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
FINANCIAL DATA SCHEDULE (CONTINUED)
DECEMBER 31, 2018

Line Item #	Account Description	Public Housing Low Rent 14.850	Housing Choice Vouchers 14.871	Bridges Rental Assistance
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
312	Accounts Payable < 90 Days	\$ 3,388	\$ 40	\$ 1,204
313	Accounts Payable > 90 Days Past Due	-	-	-
321	Accrued Wage/Payroll Taxes Payable	22,663	7,397	-
322	Accrued Compensated Absences	36,917	9,708	-
325	Accrued Interest Payable	-	-	-
333	Accounts Payable - Other Government	25,312	-	-
341	Tenant Security Deposits	55,754	-	-
342	Unearned Revenue	-	14,068	10,000
343	Current Portion of Long-Term Debt - Capital Projects/ Mortgage Revenue Bonds	-	-	-
345	Other Current Liabilities	-	11,597	-
346	Accrued Liabilities - Other	2,864	-	-
347	Interprogram Due To	-	-	-
310	Total Current Liabilities	<u>146,898</u>	<u>42,810</u>	<u>11,204</u>
NONCURRENT LIABILITIES				
351	Long-Term Debt, Net of Current - Capital Projects/ Mortgage Revenue Bonds	-	-	-
353	Noncurrent Liabilities - Other	-	16,856	-
357	Accrued Pension and OPEB Liabilities	50,375	15,909	-
350	Total Noncurrent Liabilities	<u>50,375</u>	<u>32,765</u>	<u>-</u>
300	Total Liabilities	197,273	75,575	11,204
NET POSITION				
508.1	Net Investment in Capital Assets	3,571,202	2,884	-
511.1	Restricted Net Position	810	11,239	-
512.1	Unrestricted Net Position	468,870	114,619	109
513	Total Net Position	<u>4,040,882</u>	<u>128,742</u>	<u>109</u>
600	Total Liabilities and Net Position	<u>\$ 4,238,155</u>	<u>\$ 204,317</u>	<u>\$ 11,313</u>

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
FINANCIAL DATA SCHEDULE (CONTINUED)
DECEMBER 31, 2018**

Trail Ridge II	Economic Development and Supporting Services	State/Local	Fiduciary Fund Agency	Total
\$ 4,725	\$ -	\$ 40	\$ -	\$ 9,397
-	-	-	-	-
-	-	10,219	-	40,279
-	-	17,733	-	64,358
94,500	10,759	-	-	105,259
13,592	-	-	-	38,904
10,512	-	-	-	66,266
-	-	-	-	24,068
-	26,000	-	-	26,000
2,865	-	-	-	14,462
-	-	-	1,053,008	1,055,872
54,216	140,864	-	-	195,080
<u>180,410</u>	<u>177,623</u>	<u>27,992</u>	<u>1,053,008</u>	<u>1,639,945</u>
450,000	345,000	-	-	795,000
-	-	-	-	16,856
-	-	16,524	-	82,808
<u>450,000</u>	<u>345,000</u>	<u>16,524</u>	<u>-</u>	<u>894,664</u>
630,410	522,623	44,516	1,053,008	2,534,609
253,069	-	77,400	-	3,904,555
91,466	-	99,077	-	202,592
(74,902)	(522,623)	496,430	-	482,503
<u>269,633</u>	<u>(522,623)</u>	<u>672,907</u>	<u>-</u>	<u>4,589,650</u>
<u>\$ 900,043</u>	<u>\$ -</u>	<u>\$ 717,423</u>	<u>\$ 1,053,008</u>	<u>\$ 7,124,259</u>

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

Line Item #	Account Description	Public Housing Low Rent 14.850	Public Housing Capital Fund Program 14.872	Housing Choice Vouchers 14.871
REVENUE				
70300	Net Tenant Rental Revenue	\$ 708,682	\$ -	\$ -
70400	Tenant Revenue - Other	74,726	-	-
70500	Total Tenant Revenue	<u>783,408</u>	<u>-</u>	<u>-</u>
70600	HUD PHA Operating Grants	246,994	66,000	1,526,657
70610	Capital Grants	-	302,130	-
70700	Total Fee Revenue	<u>246,994</u>	<u>368,130</u>	<u>1,526,657</u>
70800	Other Government Grants	-	-	-
71100	Unrestricted Investment Income	(501)	-	99
71400	Fraud Recovery	-	-	7,491
71500	Other Revenue	199,307	-	4,333
70000	Total Revenue	<u>1,229,208</u>	<u>368,130</u>	<u>1,538,580</u>
EXPENSES				
<u>Administrative</u>				
91100	Administrative Salaries	297,903	-	103,753
91200	Auditing Fees	10,400	-	3,500
91400	Advertising and Marketing	1,272	-	398
91500	Employee Benefit Contributions - Administrative	123,116	-	52,979
91600	Office Expenses	29,732	-	9,317
91700	Legal Expense	3,314	-	1,980
91800	Travel	790	-	2,099
91000	Total Operating - Administrative	<u>466,527</u>	<u>-</u>	<u>174,026</u>
<u>Tenant Services</u>				
92400	Tenant Services - Other	669	-	-
92300	Employee Benefit Contributions - Tenant Services	-	-	-
92500	Total Tenant Services	<u>669</u>	<u>-</u>	<u>-</u>
<u>Utilities</u>				
93100	Water	27,361	-	-
93200	Electricity	78,950	-	-
93300	Gas	39,647	-	-
93600	Sewer	36,478	-	-
93000	Total Utilities	<u>182,436</u>	<u>-</u>	<u>-</u>
<u>Ordinary Maintenance and Operation</u>				
94100	Ordinary Maintenance and Operations - Labor	193,867	-	-
94200	Ordinary Maintenance and Operations - Materials and Other	28,808	-	-
94300	Ordinary Maintenance and Operations - Contract Costs	247,520	-	3,538
94500	Employee Benefit Contributions - Ordinary Maintenance	90,078	-	-
94000	Total Maintenance	<u>560,273</u>	<u>-</u>	<u>3,538</u>
95200	Protective Services - Other Contract Costs	270	-	-

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

FSS Program 14.896	Bridges Rental Assistance	Trail Ridge II	Economic Development and Supporting Services	State/Local	Total
\$ -	\$ -	\$ 152,987	\$ -	\$ -	\$ 861,669
-	-	-	-	-	74,726
-	-	152,987	-	-	936,395
60,645	-	-	-	-	1,900,296
-	-	-	-	-	302,130
60,645	-	-	-	-	2,202,426
-	71,978	-	-	64,886	136,864
-	-	(4,257)	-	-	(4,659)
-	-	-	-	-	7,491
-	-	7,177	39,553	450,531	700,901
60,645	71,978	155,907	39,553	515,417	3,979,418
-	-	-	-	203,144	604,800
-	-	6,500	-	6,700	27,100
-	-	315	-	362	2,347
-	-	-	-	93,013	269,108
-	-	24,255	99	12,968	76,371
-	-	-	-	5,643	10,937
-	341	-	-	909	4,139
-	341	31,070	99	322,739	994,802
37,600	-	-	-	-	38,269
23,045	-	-	-	-	23,045
60,645	-	-	-	-	61,314
-	-	4,139	-	-	31,500
-	-	2,659	-	-	81,609
-	-	6,737	-	-	46,384
-	-	-	-	-	36,478
-	-	13,535	-	-	195,971
-	-	12,085	-	11,875	217,827
-	-	8,075	-	-	36,883
-	-	24,652	-	25,677	301,387
-	-	-	-	3,966	94,044
-	-	44,812	-	41,518	650,141
-	-	-	-	-	270

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

Line Item #	Account Description	Public Housing Low Rent 14.850	Public Housing Capital Fund Program 14.872	Housing Choice Vouchers 14.871
EXPENSES (CONTINUED)				
<u>General Expenses</u>				
96110	Property Insurance	\$ 46,492	\$ -	\$ 777
96120	Liability Insurance	11,503	-	2,069
96130	Workmen's Compensation	9,679	-	827
96140	All Other Insurance	2,369	-	1,185
96100	Total Insurance Premiums	<u>70,043</u>	-	<u>4,858</u>
96200	Other General Expenses	37,595	-	2,456
96300	Payments in Lieu of Taxes	25,732	-	-
96400	Bad Debt - Tenant Rents	10,354	-	-
96000	Total Other General Expenses	<u>73,681</u>	-	<u>2,456</u>
96710	Interest of Mortgage (or Bonds) Payable	-	-	-
96730	Amortization of Bond Issue Costs	-	-	-
96700	Total Interest Expense and Amortization Cost	<u>-</u>	<u>-</u>	<u>-</u>
96900	Total Operating Expenses	1,353,899	-	184,878
97000	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(124,691)	368,130	1,353,702
<u>Other Expenses</u>				
97300	Housing Assistance Payments	-	-	1,347,485
97400	Depreciation Expense	272,088	-	1,067
90000	Total Expenses	<u>1,625,987</u>	<u>-</u>	<u>1,533,430</u>
<u>Other Financing Sources (Uses)</u>				
10010	Operating Transfers In	368,130	-	-
10020	Operating Transfers Out	-	(368,130)	-
10100	Total Other Financing Sources (Uses)	<u>368,130</u>	<u>(368,130)</u>	<u>-</u>
10000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	<u>\$ (28,649)</u>	<u>\$ -</u>	<u>\$ 5,150</u>
<u>Memo Account Information</u>				
11020	Required Annual Debt Principal Payments	\$ -	\$ -	\$ -
11030	Beginning Equity	4,067,857	-	123,111
11040	Prior Period Adjustments and Correction of Errors	1,674	-	481
11170	Administrative Fee Equity	-	-	117,503
11190	Unit Months Available	2,436	-	3,840
11210	Number of Unit Months Leased	2,412	-	3,796

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

FSS Program 14.896	Bridges Rental Assistance	Trail Ridge II	Economic Development and Supporting Services	State/Local	Total
\$ -	\$ -	\$ 8,647	\$ -	\$ 1,202	\$ 57,118
-	-	-	-	666	14,238
-	-	539	-	1,441	12,486
-	-	-	-	1,185	4,739
-	-	9,186	-	4,494	88,581
-	-	13,643	-	12,565	66,259
-	-	-	-	-	25,732
-	-	14,492	-	-	24,846
-	-	28,135	-	12,565	116,837
-	-	-	26,373	337	26,710
-	-	241	-	-	241
-	-	241	26,373	337	26,951
60,645	341	126,979	26,472	381,653	2,134,867
-	71,637	28,928	13,081	133,764	1,844,551
-	64,828	-	-	-	1,412,313
-	-	35,976	-	-	309,131
60,645	65,169	162,955	26,472	381,653	3,856,311
-	-	-	-	-	368,130
-	(6,800)	-	-	6,800	(368,130)
-	(6,800)	-	-	6,800	-
\$ -	\$ 9	\$ (7,048)	\$ 13,081	\$ 140,564	\$ 123,107
\$ -	\$ -	\$ -	\$ 23,000	\$ 97,377	\$ 120,377
-	100	276,681	(535,704)	531,610	4,463,655
-	-	-	-	733	2,888
-	-	-	-	-	117,503
-	216	240	-	-	6,732
-	143	238	-	-	6,589

OTHER INFORMATION

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS
YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

	<u>MN46P03250116</u>	<u>MN46P03250117</u>	<u>MN46P03250118</u>
The actual modernization costs are as follows:			
Funds Approved - Total Grant	\$ 214,984	\$ 220,201	\$ 339,881
Funds Expended - Grant Expenditures to Date	<u>214,984</u>	<u>163,853</u>	<u>33,000</u>
Excess of Funds Approved	<u>\$ -</u>	<u>\$ 56,348</u>	<u>\$ 306,881</u>
Funds Advanced - 2018	\$ 182,661	\$ 152,469	\$ 33,000
Funds Expended - 2018	<u>182,661</u>	<u>152,469</u>	<u>33,000</u>
Excess of Funds Advanced	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Funds Received During Current Year	<u>\$ 182,661</u>	<u>\$ 152,469</u>	<u>\$ 33,000</u>
Status	Complete	Not Complete	Not Complete

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

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

OTHER REPORTS SECTION



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

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Housing and Redevelopment Authority of Brainerd (the Authority), a component unit of the City of Brainerd, as of and for the year ended December 31, 2018, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 4, 2019. 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 of the financial statements, we considered the Authority's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 from 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 Authority’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
April 4, 2019



**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, 2018. 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 2018.

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, 2018.

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.

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
April 4, 2019

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018**

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	\$ 45,419
Direct:			
Public and Indian Housing - Operating Subsidy	14.850	N/A	246,994
Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Services	14.870	N/A	70,023
Housing Choice Voucher Program	14.871	N/A	1,526,657
Family Self-Sufficiency Program	14.896	N/A	60,645
Public Housing Capital Fund Program	14.872	N/A	368,130
Total U.S. Department of Housing and Urban Development			<u>2,317,868</u>
Total Expenditures of Federal Awards			<u>\$ 2,317,868</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 Authority has no loans/loan guarantees.
6. The Authority received no non-cash assistance.
7. The Authority did not pass through any federal funding to subrecipients.



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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 December 31, 2018 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 4, 2019. 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, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
April 4, 2019

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

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:

CFDA Numbers
14.871

Name of Federal Program or Cluster
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, 2018**

INTERNAL CONTROL OVER FINANCIAL REPORTING:

None noted.

OTHER ITEMS FOR CONSIDERATION (LEGAL COMPLIANCE):

None noted.