

**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, 2021



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HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
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INTRODUCTORY SECTION

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
ORGANIZATION
DECEMBER 31, 2021**

NAME	POSITION	TERM EXPIRES
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Board of Commissioners

Gabe Johnson	Chair	December 31, 2022
Vacant	Vice Chair	December 31, 2022
Michael Duval	Secretary/Treasurer	December 31, 2025
Rebekah Kent	Commissioner	December 31, 2023
Marlee Larson	Commissioner	December 31, 2024
Wayne Erickson	Commissioner	December 31, 2025
Janet Decker	Resident Commissioner	December 31, 2021

Eric Charpentier	Executive Director
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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the 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, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying 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 remaining fund information of the Authority as of December 31, 2021, 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.

We did not audit the financial statements of Trail Ridge II, a blended business-type component unit, which represents 15%, and 5%, respectively, of the assets, and revenues of the business-type activities as of December 31, 2021, and the respective changes in net position, and where applicable, cash flows thereof for the year then ended. 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the Authority's OPEB liability and related ratios, and the budgetary comparison schedules – general fund, downtown TIF fund and notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 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 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the financial data schedule, and schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, and the statement and certification of actual capital fund grants costs but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Other Information (Continued)

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2022, 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 results 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 1, 2022

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

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, 2021:

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$5,571,115 (net position). The Authority shows unrestricted net position of \$1,181,162 at year-end.
- The Authority's total net position increased by \$972,749.
- At December 31, 2021, the Authority's governmental funds reported an ending fund balance of \$613,260, an increase of \$149,186 in comparison with the prior year. Of this total fund balance, \$226,954 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, deferred outflows, deferred inflows, 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, 2021**

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 four 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, and tax forfeiture. There are no nonmajor governmental funds.

The Authority adopts an annual appropriated budget for its General Fund and Downtown TIF Fund. Budgetary comparison schedules 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, 2021**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The **Statement of Net Position** presents information on all of the Authority's assets, deferred inflows, deferred outflows, 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	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 630,332	\$ 470,453	\$ 1,589,495	\$ 1,335,765	\$ 2,219,827	\$ 1,806,218
Capital Assets	77,400	77,400	4,544,312	3,946,922	4,621,712	4,024,322
Total Assets	707,732	547,853	6,133,807	5,282,687	6,841,539	5,830,540
Deferred Outflows of Resources	1,775	933	5,062	2,844	6,837	3,777
Long-Term Liabilities Outstanding	316,400	351,519	611,664	585,501	928,064	937,020
Other Liabilities	26,725	16,563	295,920	251,279	322,645	267,842
Total Liabilities	343,125	368,082	907,584	836,780	1,250,709	1,204,862
Deferred Inflows of Resources	8,365	9,613	18,187	21,476	26,552	31,089
Net Position						
Net Investment in Capital Assets	77,400	77,400	4,052,560	3,393,422	4,129,960	3,470,822
Restricted	83,707	39,167	176,286	145,305	259,993	184,472
Unrestricted	196,910	54,524	984,252	888,548	1,181,162	943,072
Total Net Position	\$ 358,017	\$ 171,091	\$ 5,213,098	\$ 4,427,275	\$ 5,571,115	\$ 4,598,366

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

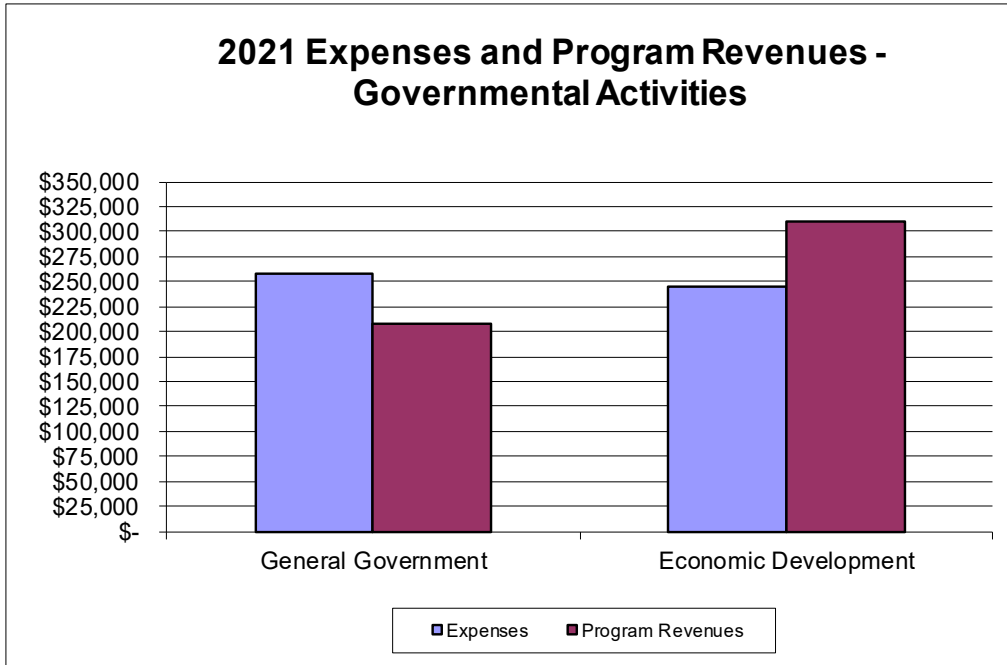
	Governmental Activities		Business- Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Charges for Services	\$ 333,908	\$ 353,050	\$ 1,201,618	\$ 1,176,320	\$ 1,535,526	\$ 1,529,370
Operating Grants and Contributions	184,378	98,810	1,942,706	1,950,667	2,127,084	2,049,477
Capital Grants and Contributions	-	-	917,281	251,145	917,281	251,145
General Revenues						
Property Taxes	181,084	174,638	-	-	181,084	174,638
Grants and Contributions not Restricted to Specific Programs	-	3	-	-	-	3
Unrestricted Investment Earnings	31	1,208	(4,701)	(2,579)	(4,670)	(1,371)
Miscellaneous	685	417	245,207	177,846	245,892	178,263
Transfers	9,129	2,245	(9,129)	(2,245)	-	-
Total Revenues	709,215	630,371	4,292,982	3,551,154	5,002,197	4,181,525
Expenses						
General Government	257,216	360,158	-	-	257,216	360,158
Economic Development	244,393	361,139	-	-	244,393	361,139
Debt Service	20,680	22,768	-	-	20,680	22,768
Public Housing	-	-	1,555,659	1,533,500	1,555,659	1,533,500
Housing Choice Vouchers	-	-	1,740,776	1,687,224	1,740,776	1,687,224
Bridges Rental Assistance	-	-	53,018	50,620	53,018	50,620
Trail Ridge II	-	-	157,706	140,498	157,706	140,498
Total Expenses	522,289	744,065	3,507,159	3,411,842	4,029,448	4,155,907
Change in Net Position	186,926	(113,694)	785,823	139,312	972,749	25,618
Net Position - Beginning of Year	171,091	284,785	4,427,275	4,287,963	4,598,366	4,572,748
Net Position - End of Year	\$ 358,017	\$ 171,091	\$ 5,213,098	\$ 4,427,275	\$ 5,571,115	\$ 4,598,366

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

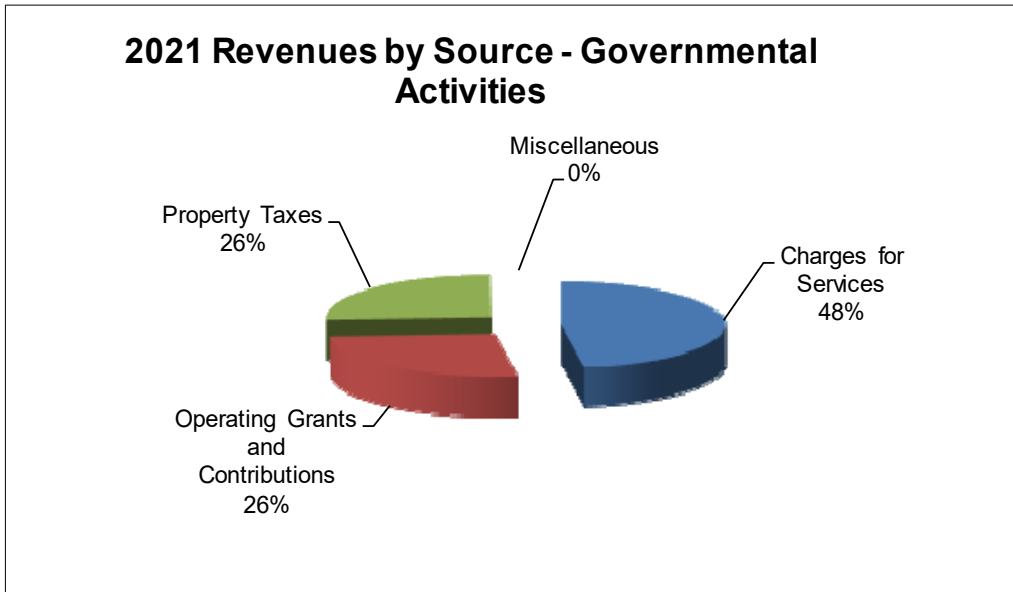
FINANCIAL ANALYSIS

Governmental Activities

Governmental Activities increased the Authority's net position by \$186,926. Program revenues, property taxes, and miscellaneous revenues were more than program expenses, as shown below.



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

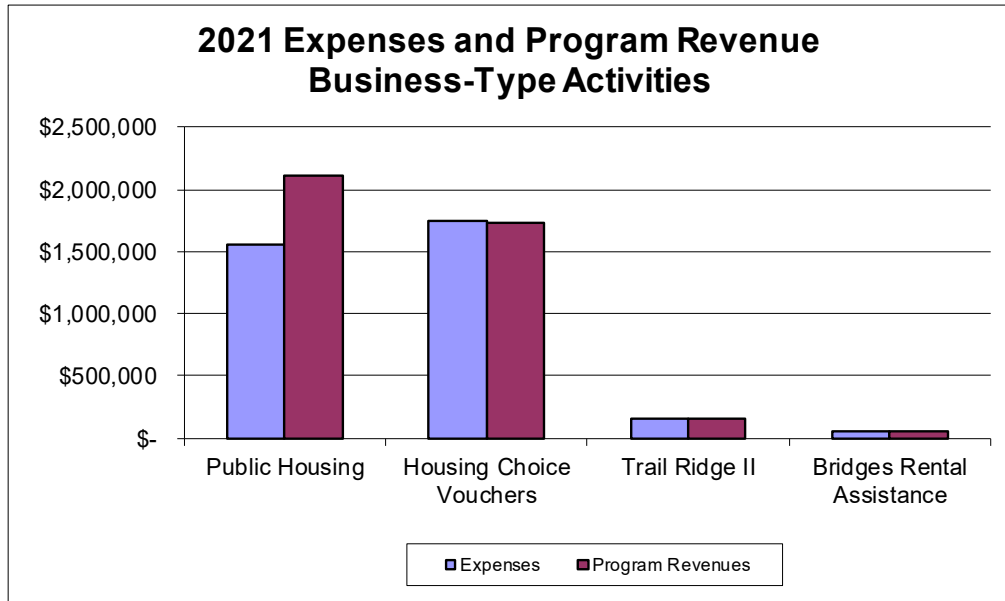


**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

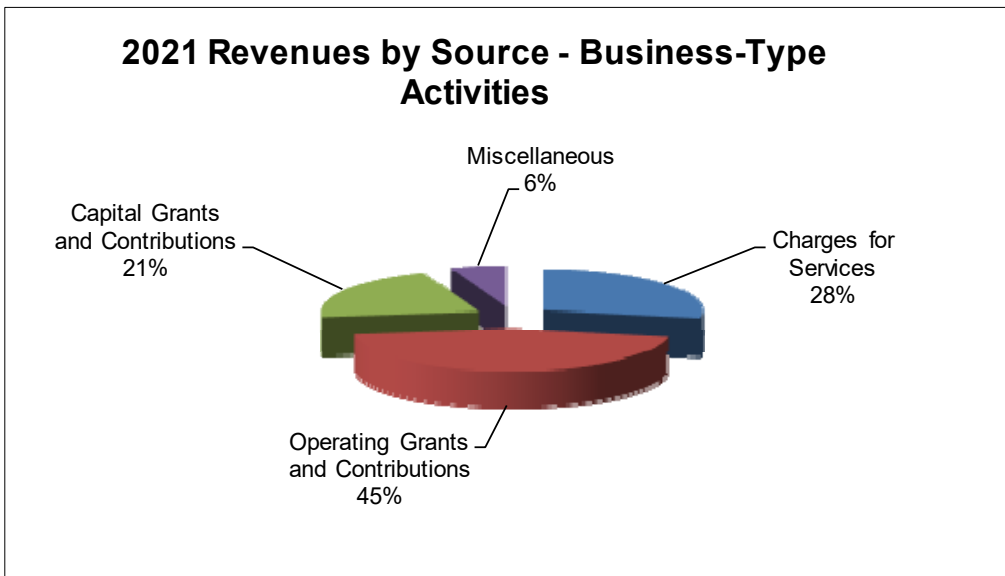
FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities

Business-Type Activities increased the Authority's net position by \$785,823. Program revenues were more than program expenses, 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, 2021**

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 \$613,260.

Revenues for the Authority's governmental funds were \$700,086, while total expenditures were \$560,029.

The General Fund's fund balance increased \$159,156 from the prior year. This is due primarily to more state loan funds received and a decrease in wages.

The Downtown TIF Fund's fund balance decreased \$9,970 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 remained the same as prior year. This is due to no activity in the current year.

The Public Housing Fund's net position increased \$748,528 from the prior year. This is due primarily to additional intergovernmental revenues.

The Housing Choice Voucher Fund's net position increased \$36,291 from the prior year. This is due primarily to admin fee revenue and intergovernmental revenues exceeding expenses.

The Bridges Rental Assistance Fund's net position decreased \$3,252 from the prior year.

The Trail Ridge II Fund's net position increased \$4,256 in the current year. This is primarily due to an increase in rental income.

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 \$50,661 more than expected. This is primarily due to the Authority receiving more state grant revenue than expected.
- The actual expenditures were \$54,946 less than budget. This is primarily due to a decrease in wages and redevelopment incentives.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

CAPITAL ASSET ACTIVITY

The Authority's capital assets, net of accumulated depreciation at December 31, 2021, amounted to \$4,621,712. This investment in capital assets includes land, buildings and improvements, and furniture, fixtures, and equipment. Net capital assets increased in total by \$597,390. This increase in capital assets is due to an increase in accumulated depreciation of \$316,568 offset with additions of \$913,958. The Authority has land related to governmental activities.

	Governmental Activities	Business-Type Activities	Total
Land	\$ 77,400	\$ 374,262	\$ 451,662
Buildings and Improvements	-	4,126,477	4,126,477
Furniture, Fixtures, and Equipment	-	43,573	43,573
Total	<u>\$ 77,400</u>	<u>\$ 4,544,312</u>	<u>\$ 4,621,712</u>

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

LONG-TERM DEBT ACTIVITY

Long-Term Debt

The Authority's long-term debt at December 31, 2021:

	Governmental Activities	Business-Type Activities
Tax Increment Note	\$ 284,000	\$ -
Mortgage Notes	-	450,000
Total	<u>\$ 284,000</u>	<u>\$ 450,000</u>

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).

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

ECONOMIC FACTORS AND NEXT YEAR'S ITEMS

Calendar year 2022 Housing Choice Voucher (HCV) Administrative Fees will be initially funded at approximately 88%. HCV Housing Assistance Payments are estimated to be funded at approximately 87.25% with an inflation factor of 4.68%.

Calendar year 2022 Public Housing Operating Subsidy will be funded at significantly lower levels than the prior year due to dwelling rental inflation factors. Initial proration levels for 2022 are set at 95%.

The following initiatives will be pursued in 2022:

1. The Authority will be administering the Small Cities Development Program for Crow Wing County in Garrison and Jenkins along with pre-planning for a Small Cities application for Brainerd along the Washington Street corridor.
2. The Authority will continue to explore options to partner with local organizations and developers for the revitalization of downtown Brainerd.
3. The Authority will continue to apply for state and federal grants to assist the residents of Crow Wing County.
4. The Authority will be exploring new grants for rehab including the Federal Home Loan Bank 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 for infill projects.

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 Finance Director at 324 East River Road, Brainerd, Minnesota 56401 or call 218-824-3423 or by email at karen@brainerdhra.org.

BASIC FINANCIAL STATEMENTS

HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 596,280	\$ 1,045,630	\$ 1,641,910
Real Estate Tax and Insurance Escrow	-	552	552
Accounts Receivable (Net of Allowances for Uncollectibles)	7,050	107,936	114,986
Inventory	-	1,566	1,566
Prepayments	2,786	85,638	88,424
Due from Other Governments	-	83,547	83,547
Internal Balances	24,216	(24,216)	-
Restricted Assets			
Cash and Investments	-	287,393	287,393
Total Current Assets	<u>630,332</u>	<u>1,588,046</u>	<u>2,218,378</u>
Noncurrent Assets			
Other Assets	-	1,449	1,449
Capital Assets			
Land and Construction-in-Progress	77,400	374,262	451,662
Other Capital Assets, Net of Depreciation	-	4,170,050	4,170,050
Total Noncurrent Assets	<u>77,400</u>	<u>4,545,761</u>	<u>4,623,161</u>
Total Assets	<u>707,732</u>	<u>6,133,807</u>	<u>6,841,539</u>
DEFERRED OUTFLOWS OF RESOURCES			
OPEB Related	1,775	5,062	6,837
LIABILITIES			
Current Liabilities			
Accounts Payable	11,736	54,154	65,890
Other Liabilities	-	5,496	5,496
Accrued Liabilities	5,336	14,477	19,813
Accrued Interest Payable	8,497	108,000	116,497
Tenant Security Deposits	-	68,901	68,901
FSS Escrow	-	1,554	1,554
Due to Other Governments	-	40,289	40,289
Other Postemployment Benefits	1,156	3,049	4,205
Total Current Liabilities	<u>26,725</u>	<u>295,920</u>	<u>322,645</u>
Noncurrent Liabilities			
Due within One Year	52,809	53,827	106,636
FSS Escrow	-	40,652	40,652
Other Postemployment Benefits	15,591	67,185	82,776
Due in More than One Year	248,000	450,000	698,000
Total Noncurrent Liabilities	<u>316,400</u>	<u>611,664</u>	<u>928,064</u>
Total Liabilities	<u>343,125</u>	<u>907,584</u>	<u>1,250,709</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB Related	<u>8,365</u>	<u>18,187</u>	<u>26,552</u>
NET POSITION			
Net Investment in Capital Assets	77,400	4,052,560	4,129,960
Restricted for Economic Development	83,707	-	83,707
Restricted for Security Deposit Refunds	-	6,370	6,370
Restricted for Reserve Requirements	-	113,854	113,854
Restricted for HAP	-	56,062	56,062
Unrestricted	196,910	984,252	1,181,162
Total Net Position	<u>\$ 358,017</u>	<u>\$ 5,213,098</u>	<u>\$ 5,571,115</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 709,507</u>	<u>\$ 6,138,869</u>	<u>\$ 6,848,376</u>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (49,282)	\$ -	\$ (49,282)
65,959	-	65,959
(20,680)	-	(20,680)
<u>(4,003)</u>	<u>-</u>	<u>(4,003)</u>
-	551,954	551,954
-	(8,894)	(8,894)
-	5,877	5,877
-	5,509	5,509
<u>-</u>	<u>554,446</u>	<u>554,446</u>
(4,003)	554,446	550,443
181,084	-	181,084
31	(4,701)	(4,670)
685	245,207	245,892
9,129	(9,129)	-
<u>190,929</u>	<u>231,377</u>	<u>422,306</u>
186,926	785,823	972,749
<u>171,091</u>	<u>4,427,275</u>	<u>4,598,366</u>
<u>\$ 358,017</u>	<u>\$ 5,213,098</u>	<u>\$ 5,571,115</u>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General Fund	Downtown TIF Fund	Debt Service Fund	Tax Forfeited Property Fund	Totals
ASSETS					
Cash and Investments	\$ 596,280	\$ -	\$ -	\$ -	\$ 596,280
Accounts Receivable	7,050	-	-	-	7,050
Due from Other Funds	881	-	-	-	881
Prepayments	2,786	-	-	-	2,786
Advance to Other Funds	195,219	-	-	-	195,219
	<u>\$ 802,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 802,216</u>
LIABILITIES AND FUND BALANCES (DEFICITS)					
LIABILITIES					
Accounts Payable	\$ 11,295	\$ 441	\$ -	\$ -	\$ 11,736
Due to Other Funds	-	-	-	881	881
Accrued Expenses	5,336	-	-	-	5,336
Advance from Other Funds	-	171,003	-	-	171,003
Total Liabilities	<u>16,631</u>	<u>171,444</u>	<u>-</u>	<u>881</u>	<u>188,956</u>
FUND BALANCES (DEFICITS)					
Nonspendable					
Prepayments	2,786	-	-	-	2,786
Advance to Other Funds	195,219	-	-	-	195,219
Restricted					
Economic Development	83,707	-	-	-	83,707
Committed					
Housing Rehab	89,594	-	-	-	89,594
Assigned					
Downtown Redevelopment	15,000	-	-	-	15,000
Unassigned	399,279	(171,444)	-	(881)	226,954
Total Fund Balances (Deficits)	<u>785,585</u>	<u>(171,444)</u>	<u>-</u>	<u>(881)</u>	<u>613,260</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 802,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 802,216</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, 2021**

Total Fund Balances for Governmental Funds \$ 613,260

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

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

Land 77,400

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is included in the statement of net position. (8,497)

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	\$ (284,000)	
Deferred Outflows - OPEB Related	1,775	
Deferred Inflows - OPEB Related	(8,365)	
Other Postemployment Benefits	(16,747)	
Compensated Absences Payable	(16,809)	(324,146)

Total Net Position of Governmental Activities \$ 358,017

HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	General Fund	Downtown TIF Fund	Debt Service Fund	Tax Forfeited Property Fund	Totals
REVENUES					
Taxes	\$ 137,079	\$ 44,005	\$ -	\$ -	\$ 181,084
Intergovernmental					
Federal	5,787	-	-	-	5,787
State	184,378	-	-	-	184,378
Management Fees	293,610	-	-	-	293,610
Interest	31	-	-	-	31
Miscellaneous	35,196	-	-	-	35,196
Total Revenues	<u>656,081</u>	<u>44,005</u>	<u>-</u>	<u>-</u>	<u>700,086</u>
EXPENDITURES					
Current					
General Government	262,114	-	-	-	262,114
Economic Development	243,940	541	-	-	244,481
Debt Service					
Principal	-	-	32,000	-	32,000
Interest	-	-	21,434	-	21,434
Total Expenditures	<u>506,054</u>	<u>541</u>	<u>53,434</u>	<u>-</u>	<u>560,029</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	150,027	43,464	(53,434)	-	140,057
OTHER FINANCING SOURCES (USES)					
Transfers In	9,129	-	53,434	-	62,563
Transfers Out	-	(53,434)	-	-	(53,434)
Total Other Financing Sources (Uses)	<u>9,129</u>	<u>(53,434)</u>	<u>53,434</u>	<u>-</u>	<u>9,129</u>
NET CHANGE IN FUND BALANCE	159,156	(9,970)	-	-	149,186
Fund Balance (Deficit) - Beginning of Year	<u>626,429</u>	<u>(161,474)</u>	<u>-</u>	<u>(881)</u>	<u>464,074</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 785,585</u>	<u>\$ (171,444)</u>	<u>\$ -</u>	<u>\$ (881)</u>	<u>\$ 613,260</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, 2021**

Net Change in Fund Balances - Governmental Funds \$ 149,186

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.

Repayment of Bond Principal	\$ 32,000	
Change in Accrued Interest Expense	754	
Other Postemployment Benefits	<u>(2,569)</u>	30,185

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 2021, compensated absences payable decreased.

		<u>7,555</u>
Change in Net Position of Governmental Activities		<u><u>\$ 186,926</u></u>

HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021

	Business-Type Activities - Enterprise Funds				Totals
	Public Housing	Housing Choice Vouchers	Bridges Rental Assistance	Trail Ridge II	
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 635,386	\$ 233,517	\$ 30	\$ 176,697	\$ 1,045,630
Real Estate Tax and Insurance Escrow	-	-	-	552	552
Accounts Receivable (Net of Allowances for Uncollectibles)	12,310	27,550	-	3,194	43,054
Accounts Receivable - Other	64,882	-	-	-	64,882
Due from Other Governmental Units	83,547	-	-	-	83,547
Prepayments	78,878	4,881	-	1,879	85,638
Inventory	1,566	-	-	-	1,566
Restricted Assets					
Restricted Assets - Cash and Cash Equivalents	59,440	98,268	-	129,685	287,393
Total Current Assets	<u>936,009</u>	<u>364,216</u>	<u>30</u>	<u>312,007</u>	<u>1,612,262</u>
Noncurrent Assets					
Other Assets	-	-	-	1,449	1,449
Capital Assets					
Land and CIP	299,262	-	-	75,000	374,262
Other Capital Assets, Net of Depreciation	3,626,553	474	-	543,023	4,170,050
Total Noncurrent Assets	<u>3,925,815</u>	<u>474</u>	<u>-</u>	<u>619,472</u>	<u>4,545,761</u>
Total Assets	4,861,824	364,690	30	931,479	6,158,023
DEFERRED OUTFLOWS OF RESOURCES					
OPEB Related	3,823	1,239	-	-	5,062
LIABILITIES					
Current Liabilities					
Accounts Payable	49,487	447	-	4,220	54,154
Accrued Wages Payable	10,642	3,835	-	-	14,477
Other Liabilities	-	-	-	5,496	5,496
Accrued Real Estate Taxes	-	-	-	13,082	13,082
Due to Other Governmental Units	27,207	-	-	-	27,207
Tenants Security Deposits	56,222	-	-	12,679	68,901
FSS Escrow	-	1,554	-	-	1,554
Accrued Interest Payable	-	-	-	108,000	108,000
Compensated Absences	38,429	15,398	-	-	53,827
Other Postemployment Benefits Payable	2,245	804	-	-	3,049
Total Current Liabilities	<u>184,232</u>	<u>22,038</u>	<u>-</u>	<u>143,477</u>	<u>349,747</u>
Noncurrent Liabilities					
Advances from Other Funds	-	-	-	24,216	24,216
FSS Escrow	-	40,652	-	-	40,652
Other Postemployment Benefits Payable	50,585	16,600	-	-	67,185
Mortgage Notes Payable	-	-	-	450,000	450,000
Total Noncurrent Liabilities	<u>50,585</u>	<u>57,252</u>	<u>-</u>	<u>474,216</u>	<u>582,053</u>
Total Liabilities	234,817	79,290	-	617,693	931,800
DEFERRED INFLOWS OF RESOURCES					
OPEB Related	14,338	3,849	-	-	18,187
NET POSITION					
Net Invested in Capital Assets	3,884,063	474	-	168,023	4,052,560
Restricted for Security Deposit Refunds	3,218	-	-	3,152	6,370
Restricted for Reserve Requirements	-	-	-	113,854	113,854
Restricted for HAP	-	56,062	-	-	56,062
Unrestricted	729,211	226,254	30	28,757	984,252
Total Net Position	<u>\$ 4,616,492</u>	<u>\$ 282,790</u>	<u>\$ 30</u>	<u>\$ 313,786</u>	<u>\$ 5,213,098</u>

See accompanying Notes to Financial Statements.

HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Business-Type Activities - Enterprise Funds				Totals
	Public Housing	Housing Choice Vouchers	Bridges Rental Assistance	Trail Ridge II	
OPERATING REVENUES					
Intergovernmental					
HUD Contributions	\$ 376,539	\$ 1,459,828	\$ 52,805	\$ -	\$ 1,889,172
ROSS Grant	53,534	-	-	-	53,534
Administrative Fees Earned	-	272,054	6,090	-	278,144
Total Intergovernmental Revenues	<u>430,073</u>	<u>1,731,882</u>	<u>58,895</u>	<u>-</u>	<u>2,220,850</u>
Rental Income					
Dwelling Income	756,579	-	-	-	756,579
Excess Utilities	3,680	-	-	-	3,680
Gross Potential Apartment Rents	-	-	-	167,780	167,780
Less Vacancies	-	-	-	(4,565)	(4,565)
Total Rental Income	<u>760,259</u>	<u>-</u>	<u>-</u>	<u>163,215</u>	<u>923,474</u>
Other Miscellaneous Income					
Tower Rental Income	90,384	-	-	-	90,384
Laundry Income	19,380	-	-	-	19,380
Miscellaneous	87,274	45,183	-	2,986	135,443
Total Other Miscellaneous Income	<u>197,038</u>	<u>45,183</u>	<u>-</u>	<u>2,986</u>	<u>245,207</u>
Total Operating Revenues	<u>1,387,370</u>	<u>1,777,065</u>	<u>58,895</u>	<u>166,201</u>	<u>3,389,531</u>
OPERATING EXPENSES					
Administration	576,954	283,021	213	30,405	890,593
Housing Assistance Payments	-	1,444,880	-	-	1,444,880
Rent Payments	-	-	52,805	-	52,805
Utilities	195,840	-	-	13,594	209,434
Ordinary Maintenance and Operations	466,879	4,960	-	52,019	523,858
General Expense	36,354	7,347	-	25,320	69,021
Depreciation and Amortization	279,632	568	-	36,368	316,568
Total Operating Expenses	<u>1,555,659</u>	<u>1,740,776</u>	<u>53,018</u>	<u>157,706</u>	<u>3,507,159</u>
OPERATING INCOME (LOSS)	(168,289)	36,289	5,877	8,495	(117,628)
NONOPERATING REVENUES (EXPENSES)					
Interest Income (Expense)	(464)	2	-	(4,239)	(4,701)
Intergovernmental Revenue	917,281	-	-	-	917,281
Total Nonoperating Revenues (Expenses)	<u>916,817</u>	<u>2</u>	<u>-</u>	<u>(4,239)</u>	<u>912,580</u>
INCOME (LOSS) BEFORE TRANSFERS	748,528	36,291	5,877	4,256	794,952
Transfers Out	-	-	(9,129)	-	(9,129)
CHANGE IN NET POSITION	748,528	36,291	(3,252)	4,256	785,823
Net Position - Beginning of Year	<u>3,867,964</u>	<u>246,499</u>	<u>3,282</u>	<u>309,530</u>	<u>4,427,275</u>
NET POSITION - END OF YEAR	\$ 4,616,492	\$ 282,790	\$ 30	\$ 313,786	\$ 5,213,098

See accompanying Notes to Financial Statements.

HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Business-Type Activities - Enterprise Funds				Totals
	Public Housing	Housing Choice Vouchers	Bridges Rental Assistance	Trail Ridge II	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Rent	\$ 688,646	\$ -	\$ -	\$ -	\$ 688,646
Cash Received from Other Sources	200,338	-	-	164,897	365,235
Operating Subsidies - HUD	430,073	1,764,599	62,539	-	2,257,211
Cash Paid to Other Suppliers of Goods or Services	(833,872)	(1,557,267)	(53,383)	(117,297)	(2,561,819)
Cash Payments to Employees for Services	(447,733)	(170,087)	-	-	(617,820)
Net Cash Provided (Used) by Operating Activities	37,452	37,245	9,156	47,600	131,453
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from (to) Other Funds	-	-	(9,129)	-	(9,129)
Advance from Other Funds	-	-	-	(10,000)	(10,000)
Net Cash Used by Noncapital Financing Activities	-	-	(9,129)	(10,000)	(19,129)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital Grants Received	834,337	-	-	-	834,337
Acquisition of Capital Assets	(872,206)	-	-	-	(872,206)
Net Cash Provided (Used) by Capital and Related Financing Activities	(37,869)	-	-	-	(37,869)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Paid to Tenant Security Deposits	(529)	-	-	-	(529)
Interest Received	65	2	-	502	569
Net Cash Provided (Used) by Investing Activities	(464)	2	-	502	40
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(881)	37,247	27	38,102	74,495
Cash and Cash Equivalents - Beginning of Year	695,707	294,538	3	268,280	1,258,528
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 694,826</u>	<u>\$ 331,785</u>	<u>\$ 30</u>	<u>\$ 306,382</u>	<u>\$ 1,333,023</u>
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION					
Cash and Cash Equivalents	\$ 635,386	\$ 233,517	\$ 30	\$ 176,697	\$ 1,045,630
Restricted Assets - Cash and Equivalents	59,440	98,268	-	129,685	287,393
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 694,826</u>	<u>\$ 331,785</u>	<u>\$ 30</u>	<u>\$ 306,382</u>	<u>\$ 1,333,023</u>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021**

	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)	\$ (168,289)	\$ 36,289	\$ 5,877	\$ 8,495	\$ (117,628)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	279,632	568	-	36,127	316,327
Amortization	-	-	-	241	241
(Increase) Decrease in Assets:					
Accounts Receivable	(67,933)	(12,466)	-	(1,304)	(81,703)
Due from Other Governmental Units	-	-	3,644	-	3,644
Change in Deferred Outflows of Resources	(1,633)	(585)	-	-	(2,218)
Prepayments	(6,409)	(477)	-	(21)	(6,907)
Inventory	(1,566)	-	-	-	(1,566)
Increase (Decrease) in Liabilities:					
Accounts Payable	566	89	(365)	(116)	174
Prepaid Rent	-	-	-	2,539	2,539
Due to Other Governmental Units	34	-	-	-	34
Unearned Revenue	(380)	-	-	-	(380)
Tenants Security Deposits	(163)	-	-	1,639	1,476
FSS Escrow	-	6,073	-	-	6,073
Other Postemployment Benefits Payable	9,041	3,236	-	-	12,277
Change in Deferred Inflows of Resources	(2,422)	(867)	-	-	(3,289)
Accrued Expenses	(3,026)	5,385	-	-	2,359
Net Cash Provided (Used) by Operating Activities	<u>\$ 37,452</u>	<u>\$ 37,245</u>	<u>\$ 9,156</u>	<u>\$ 47,600</u>	<u>\$ 131,453</u>
NONCASH FINANCING ACTIVITY					
Purchase of Assets through Contracts Payable	\$ 41,752	\$ -	\$ -	\$ -	\$ 41,752

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
DECEMBER 31, 2021**

	<u>Custodial Fund</u>
ASSETS	
Cash and Investments	\$ <u>2,236,244</u>
NET POSITION	
Net Position	
Restricted for Other Governments	\$ <u>2,236,244</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
DECEMBER 31, 2021**

	<u>Custodial Fund</u>
ADDITIONS	
Rent Collections for Other Entities	\$ 303,377
Property Tax Collections for Other Entities	730,719
Investment Earnings	2,780
Miscellaneous	<u>172,313</u>
Total Additions	1,209,189
DEDUCTIONS	
Payments to Other Entities	458,928
Administrative Expenses	<u>225,153</u>
Total Deductions	<u>684,081</u>
CHANGE IN NET POSITION	525,108
Net Position - Beginning of Year	<u>1,711,136</u>
NET POSITION - END OF YEAR	<u>\$ 2,236,244</u>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

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 accounting principles generally accepted in the United States of America.

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 \$144,815 at December 31, 2021.

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, 2021**

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, 2021

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.

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:

Custodial Fund – The Custodial Fund is used to account for assets held by the Authority for other properties.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

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 \$4,142 for 2021 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, 2021**

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 10 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, 2021**

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 acquisition 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.

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, 2021**

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, deferred inflows, deferred outflows, 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 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, 2021**

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 accounting principles generally accepted in the United States of America.

B. Deficit Fund Equity

The Downtown TIF Fund had a deficit fund balance of \$171,444 as of December 31, 2021. The fund incurred expenditures that will be reimbursed by taxes collected or by a transfer from the General Fund. The Tax Forfeited Property Fund had a deficit fund balance of \$881 as of December 31, 2021. The fund will be reimbursed through grants 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, 2021

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, 2021 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.

The Authority had no investments as of December 31, 2021.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

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, 2021.

4. Interfund Receivables, Payables, and Transfers

At December 31, 2021, advance to/from other funds were as follows:

	Advance To:		
Advance From:	TIF Fund	Trail Ridge II	Total
General Fund	\$ 171,003	\$ 24,216	\$ 195,219
	\$ 171,003	\$ 24,216	\$ 195,219

The General Fund made an advance to the TIF Fund during 2021 to fund current operations. The General Fund made a prior year advance to Trail Ridge II to meet various capital and operating requirements.

Transfers of current financial resources at the fund level for the year ended December 31, 2021 are as follows:

	Transfer In:		
Transfer Out:	Debt Service Fund	General Fund	Total
Bridges Rental Assistance Fund	\$ -	\$ 9,129	\$ 9,129
Downtown TIF Fund	53,434	-	53,434
Total	\$ 53,434	\$ 9,129	\$ 62,563
	\$ 53,434	\$ 9,129	\$ 62,563

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 Rental Assistance Fund to the General Fund was to reimburse the General Fund for expenditures that were paid on behalf of the Bridges Rental Assistance Fund.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

5. Capital Assets

Capital asset activity for the Authority for the year ended December 31, 2021, 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
Capital Assets, Being Depreciated:				
Buildings and Improvements	13,933,604	899,082	(47,640)	14,785,046
Furniture, Fixtures and Equipment	289,900	14,876	-	304,776
Total Capital Assets, Being Depreciated	<u>14,223,504</u>	<u>913,958</u>	<u>(47,640)</u>	<u>15,089,822</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(10,401,007)	(305,202)	47,640	(10,658,569)
Furniture, Fixtures, and Equipment	(249,837)	(11,366)	-	(261,203)
Total Accumulated Depreciation	<u>(10,650,844)</u>	<u>(316,568)</u>	<u>47,640</u>	<u>(10,919,772)</u>
Total Capital Assets, Being Depreciated, Net	<u>3,572,660</u>	<u>597,390</u>	<u>-</u>	<u>4,170,050</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,946,922</u>	<u>\$ 597,390</u>	<u>\$ -</u>	<u>\$ 4,544,312</u>

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

Business-Type Activities:	
Public Housing	\$ 279,632
Housing Choice Vouchers	568
Trail Ridge II	36,368
Total Depreciation Expense - Business-Type Activities	<u>\$ 316,568</u>

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

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 %	\$ 284,000
MHFA - ARIF	1.00	450,000
Total Revenue Bonds and Notes		\$ 734,000

The summary of long-term debt transactions for the year ended December 31, 2021 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
Tax Increment Note	\$ 316,000	\$ -	\$ 32,000	\$ 284,000	\$ 36,000
Compensated Absences Payable	24,364	12,417	19,972	16,809	16,809
Governmental Activities Long-Term Liabilities	\$ 340,364	\$ 12,417	\$ 51,972	\$ 300,809	\$ 52,809
Business-Type Activities					
Mortgage Notes Payable					
Mortgage Notes Payable	\$ 450,000	\$ -	\$ -	\$ 450,000	\$ -
Compensated Absences Payable	52,370	39,628	38,171	53,827	53,827
Business-Type Activities Long-Term Liabilities	\$ 502,370	\$ 39,628	\$ 38,171	\$ 503,827	\$ 53,827

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

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
2022	\$ 36,000	\$ 19,140	2022	\$ -	\$ 4,500
2023	40,000	16,564	2023	-	4,500
2024	45,000	13,711	2024	-	4,500
2025	49,000	10,509	2025	-	4,500
2026	55,000	6,995	2026	-	4,500
2027	59,000	3,097	2027-2028	450,000	9,000
Total	<u>\$ 284,000</u>	<u>\$ 70,016</u>	Total	<u>\$ 450,000</u>	<u>\$ 31,500</u>

2. Conduit Debt

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

At December 31, 2021, the following conduit debt existed:

Total	\$ 230,000
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**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

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, 2021. 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, 2021, 2020, and 2019 were \$53,906, \$67,271, and \$59,561, 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, 2021

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, 2021, The Authority contributed \$4,204 to the Plan, which was the implicit portion of the plan expenses.

B. Actuarial Methods and Assumptions

The Authority's OPEB liability was measured as of January 1, 2021, and the total OPEB liability was determined by an actuarial valuations as of January 1, 2020.

The total OPEB liability was determined by as actuarial valuation as of January 1, 2020, 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	6.25% Decreasing to 5.00% Over 6 Years

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2019 to December 31, 2019.

The discount rate used to measure the total OPEB liability was 2.00%. The discount rate is based on the estimated yield of 20-year AA-rated municipal bonds.

Since the most recent GASB 75 valuation, the following assumption changes have been made:

- The discount rate was changed from 2.90% to 2.00%.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

B. Actuarial Methods and Assumptions (Continued)

Changes in the OPEB Liability

	<u>Total OPEB Liability</u>
Balance December 31, 2020	\$ 70,045
Changes for the Year:	
Service Cost	15,286
Interest Cost	2,420
Assumption Changes	3,007
Benefit Payments	<u>(3,777)</u>
Net Change in Total OPEB Liability	<u>16,936</u>
Balance as December 31, 2021	<u><u>\$ 86,981</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:

	<u>1% Decrease (1.00%)</u>	<u>Discount Rate (2.00%)</u>	<u>1% Increase (3.00%)</u>
OPEB Liability	\$ 91,788	\$ 86,981	\$ 82,262

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 five years) or 1% higher (7.5% decreasing to 6.0% over five years) than the current healthcare cost trend rates:

	<u>1% Decrease (5.5% Decreasing to 4.0%)</u>	<u>Current Trend Rates (6.5% Decreasing to 5.0%)</u>	<u>1% Increase (7.5% Decreasing to 6.0%)</u>
OPEB Liability	\$ 77,945	\$ 86,981	\$ 97,184

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

B. Actuarial Methods and Assumptions (Continued)

For the year ended December 31, 2021, the Authority recognized OPEB expense of \$13,543. At December 31, 2021, the Authority reported deferred inflows of resources, and deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Authority's Contributions Subsequent to the Measurement Date	\$ 4,205	\$ -
Net Difference Between Projected and Actual Earnings on Investments	-	24,906
Changes in Actuarial Assumptions	2,632	1,646
Total	\$ 6,837	\$ 26,552

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	Future Recognition
2022	\$ (3,150)
2023	(3,150)
2024	(3,150)
2025	(3,150)
2026	(4,556)
Thereafter	(6,764)

NOTE 6 RISK MANAGEMENT

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

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

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 \$(336,125) at December 31, 2021. 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, 2021.

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 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, 2021, the Authority collected and paid \$42,164. If the tax increment collected is insufficient to pay the principal and interest on the note, the authority will use a portion of its special benefit tax in an amount of up to \$12,000 annually.

REQUIRED SUPPLEMENTARY INFORMATION

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
SCHEDULE OF CHANGES IN THE AUTHORITY'S OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED DECEMBER 31, 2021**

	Measurement Date January 1, 2021	Measurement Date January 1, 2020	Measurement Date January 1, 2019	Measurement Date January 1, 2018
Total OPEB Liability				
Service Cost	\$ 15,286	\$ 13,634	\$ 8,649	\$ 8,901
Interest Cost	2,420	3,876	2,991	2,702
Difference between Expected and Actual Experience	-	(33,210)	-	-
Assumption Changes	3,007	(433)	(2,316)	-
Benefit Payments	(3,777)	(4,272)	(1,682)	(3,513)
Net Change in Total OPEB Liability	<u>16,936</u>	<u>(20,405)</u>	<u>7,642</u>	<u>8,090</u>
Total OPEB Liability - Beginning	<u>70,045</u>	<u>90,450</u>	<u>82,808</u>	<u>74,718</u>
Total OPEB Liability - Ending	<u>\$ 86,981</u>	<u>\$ 70,045</u>	<u>\$ 90,450</u>	<u>\$ 82,808</u>
 Covered-Employee Payroll	 \$ 888,735	 \$ 860,760	 \$ 826,992	 \$ 802,905
Authority's OPEB Liability as a Percentage	10%	8%	11%	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, 2021

	Budget Original and Final	Actual	Variance With Budget Over (Under)
REVENUES			
Taxes	\$ 136,520	\$ 137,079	\$ 559
Intergovernmental			
Federal	40,000	5,787	(34,213)
State			
Grant	123,400	184,378	60,978
Management Fees	289,000	293,610	4,610
Interest	1,000	31	(969)
Miscellaneous	15,500	35,196	19,696
Total Revenues	<u>605,420</u>	<u>656,081</u>	<u>50,661</u>
EXPENDITURES			
Current			
General Government			
Administrative	268,985	240,667	(28,318)
Maintenance	16,770	11,561	(5,209)
General Expenses	30,750	9,886	(20,864)
Economic Development	<u>244,495</u>	<u>243,940</u>	<u>(555)</u>
Total Expenditures	<u>561,000</u>	<u>506,054</u>	<u>(54,946)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	44,420	150,027	105,607
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>5,550</u>	<u>9,129</u>	<u>3,579</u>
NET CHANGE IN FUND BALANCE	<u>\$ 49,970</u>	159,156	<u>\$ 109,186</u>
Fund Balance - Beginning of Year		<u>626,429</u>	
FUND BALANCE - END OF YEAR		<u>\$ 785,585</u>	

See accompanying Notes to Required Supplementary Information.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
BUDGETARY COMPARISON SCHEDULE
DOWNTOWN TIF FUND
YEAR ENDED DECEMBER 31, 2021**

	Budget Original and Final	Actual	Variance With Budget Over (Under)
REVENUES			
Taxes	\$ 43,930	\$ 44,005	\$ 75
Interest	1,000	-	(1,000)
Total Revenues	<u>44,930</u>	<u>44,005</u>	<u>(925)</u>
EXPENDITURES			
Current			
Economic Development	100	541	441
Debt Service			
Principal	32,000	-	(32,000)
Interest	26,440	-	(26,440)
Total Expenditures	<u>58,540</u>	<u>541</u>	<u>(57,999)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,610)	43,464	57,074
OTHER FINANCING SOURCES (USES)			
Transfers Out	-	(53,434)	(53,434)
NET CHANGE IN FUND BALANCE	<u>\$ (13,610)</u>	(9,970)	<u>\$ 3,640</u>
Fund Balance (Deficit) - Beginning of Year		<u>(161,474)</u>	
FUND BALANCE (DEFICIT) - END OF YEAR		<u>\$ (171,444)</u>	

See accompanying Notes to Required Supplementary Information.

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021**

NOTE 1 LEGAL COMPLIANCE – BUDGETS

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

NOTE 2 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

2021

The following assumption changes have been made:

- The following assumption changes have been made:
- The discount rate was changed from 2.90% to 2.00%.

2020

The following assumption changes have been made:

- The discount rate was changed from 3.80% to 2.90%.
- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables with MO-2017 Generational Improvement Scale to the Public 2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and employee classification.

2019

The following assumption changes have been made:

- The discount rate was changed from 3.30% to 3.80%.

2018

The following assumption 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 assumption 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%

SUPPLEMENTARY INFORMATION

HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
FINANCIAL DATA SCHEDULE
DECEMBER 31, 2021

Line Item #	Account Description	Public Housing Low Rent 14.850	Housing Choice Vouchers 14.871
ASSETS			
CURRENT ASSETS			
CASH			
111	Cash - Unrestricted	\$ 635,386	\$233,517
113	Cash - Other Restricted	-	96,714
114	Cash - Tenant Security Deposits	59,440	-
115	Cash - Restricted for Payment of Current Liabilities	-	1,554
100	Total Cash	<u>694,826</u>	<u>331,785</u>
ACCOUNTS AND ACCOUNTS RECEIVABLE			
122	Accounts Receivable - HUD Other Projects	83,814	-
124	Accounts Receivable - Other Government	-	-
125	Accounts Receivable - Miscellaneous - Other	64,882	5,964
126	Accounts Receivable - Tenants	7,265	21,586
127	Notes, Loans, and Mortgages Receivable - Current	2,208	-
128	Fraud Recovery	2,570	-
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>160,739</u>	<u>27,550</u>
142	Prepaid Expenses and Other Assets	78,878	4,881
143	Inventories	1,566	-
144	Interprogram - Due From	-	-
150	Total Current Assets	<u>936,009</u>	<u>364,216</u>
NONCURRENT ASSETS			
FIXED ASSETS			
161	Land	299,262	-
162	Buildings	13,230,708	-
163	Furniture, Equipment, and Machinery - Dwellings	236,371	-
164	Furniture, Equipment, and Machinery - Administration	24,727	4,835
166	Accumulated Depreciation	<u>(9,865,253)</u>	<u>(4,361)</u>
160	Total Fixed Assets, Net of Accumulated Depreciation	<u>3,925,815</u>	<u>474</u>
174	Other Assets	-	-
180	Total Noncurrent Assets	<u>3,925,815</u>	<u>474</u>
200	Deferred Outflows of Resources	<u>3,823</u>	<u>1,239</u>
290	Total Assets and Deferred Outflows of Resources	<u><u>\$ 4,865,647</u></u>	<u><u>\$ 365,929</u></u>

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
FINANCIAL DATA SCHEDULE (CONTINUED)
DECEMBER 31, 2021**

Bridges Rental Assistance	Trail Ridge II	Economic Development and Supporting Services	State/Local	Custodial Fund	Elimination	Total
\$ 30	\$ 176,697	\$ -	\$ 596,280	\$ 192,578	\$ -	\$ 1,834,488
-	113,854	-	-	2,043,666	-	2,254,234
-	15,831	-	-	-	-	75,271
-	-	-	-	-	-	1,554
<u>30</u>	<u>306,382</u>	<u>-</u>	<u>596,280</u>	<u>2,236,244</u>	<u>-</u>	<u>4,165,547</u>
-	-	-	-	-	-	83,814
-	-	-	7,050	-	-	7,050
-	-	-	-	-	-	70,846
-	3,194	-	-	-	-	32,045
-	-	-	-	-	-	2,208
-	-	-	-	-	-	2,570
-	3,194	-	7,050	-	-	198,533
-	1,879	-	2,786	-	-	88,424
-	-	-	-	-	-	1,566
-	-	-	196,100	-	(196,100)	-
<u>30</u>	<u>311,455</u>	<u>-</u>	<u>802,216</u>	<u>2,236,244</u>	<u>(196,100)</u>	<u>4,454,070</u>
-	75,000	-	77,400	-	-	451,662
-	1,554,330	-	-	-	-	14,785,038
-	38,843	-	-	-	-	275,214
-	-	-	-	-	-	29,562
-	(1,050,150)	-	-	-	-	(10,919,764)
-	618,023	-	77,400	-	-	4,621,712
-	2,001	-	-	-	-	2,001
-	620,024	-	77,400	-	-	4,623,713
-	-	-	1,775	-	-	6,837
<u>\$ 30</u>	<u>\$ 931,479</u>	<u>\$ -</u>	<u>\$ 881,391</u>	<u>\$ 2,236,244</u>	<u>\$ (196,100)</u>	<u>\$ 9,084,620</u>

HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
FINANCIAL DATA SCHEDULE (CONTINUED)
DECEMBER 31, 2021

Line Item #	Account Description	Public Housing Low Rent 14.850	Housing Choice Vouchers 14.871
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
312	Accounts Payable < 90 Days	\$ 46,293	\$ 447
313	Accounts Payable > 90 Days Past Due	-	-
321	Accrued Wage/Payroll Taxes Payable	10,642	3,835
322	Accrued Compensated Absences	38,429	15,398
325	Accrued Interest Payable	-	-
333	Accounts Payable - Other Government	27,207	-
341	Tenant Security Deposits	56,222	-
343	Current Portion of Long-Term Debt - Capital Projects/ Mortgage Revenue Bonds	-	-
345	Other Current Liabilities	-	1,554
346	Accrued Liabilities - Other	3,194	-
347	Interprogram Due To	-	-
310	Total Current Liabilities	<u>181,987</u>	<u>21,234</u>
NONCURRENT LIABILITIES			
351	Long-Term Debt, Net of Current - Capital Projects/ Mortgage Revenue Bonds	-	-
353	Noncurrent Liabilities - Other	-	40,652
357	Accrued Pension and OPEB Liabilities	52,830	17,404
350	Total Noncurrent Liabilities	<u>52,830</u>	<u>58,056</u>
300	Total Liabilities	234,817	79,290
400	Deferred Inflow of Resources	14,338	3,849
NET POSITION			
508.1	Net Investment in Capital Assets	3,884,063	474
509.2	Fund Balance Reserved	-	-
511.2	Unreserved, Designated Fund Balance	-	-
511.4	Restricted Net Position	3,218	56,062
512.4	Unrestricted Net Position	<u>729,211</u>	<u>226,254</u>
513	Total Net Position	<u>4,616,492</u>	<u>282,790</u>
600	Total Liabilities, Deferred Inflows of Resources and Equity/Net Assets	<u>\$ 4,865,647</u>	<u>\$ 365,929</u>

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
FINANCIAL DATA SCHEDULE (CONTINUED)
DECEMBER 31, 2021**

Bridges Rental Assistance	Trail Ridge II	Economic Development and Supporting Services	State/Local	Custodial Fund	Elimination	Total
\$ -	\$ 4,220	\$ 441	\$ 11,295	\$ -	\$ -	\$ 62,696
-	-	-	-	-	-	-
-	-	-	5,336	-	-	19,813
-	-	-	16,809	-	-	70,636
-	108,000	8,497	-	-	-	116,497
-	-	-	-	-	-	27,207
-	12,679	-	-	-	-	68,901
-	-	36,000	-	-	-	36,000
-	5,496	-	-	-	-	7,050
-	13,082	-	-	-	-	16,276
-	24,216	171,003	881	-	(196,100)	-
-	167,693	215,941	34,321	-	(196,100)	425,076
-	450,000	248,000	-	-	-	698,000
-	-	-	-	-	-	40,652
-	-	-	16,747	-	-	86,981
-	450,000	248,000	16,747	-	-	825,633
-	617,693	463,941	51,068	-	(196,100)	1,250,709
-	-	-	8,365	-	-	26,552
-	168,023	-	77,400	-	-	4,129,960
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	117,006	-	-	2,043,666	-	2,219,952
30	28,757	(463,941)	744,558	192,578	-	1,457,447
30	313,786	(463,941)	821,958	2,236,244	-	7,807,359
\$ 30	\$ 931,479	\$ -	\$ 881,391	\$ 2,236,244	\$ (196,100)	\$ 9,084,620

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

Line Item #	Account Description	ROSS 14.870	Public Housing Low Rent 14.850	Public Housing Capital Fund Program 14.872
REVENUE				
70300	Net Tenant Rental Revenue	\$ -	\$ 760,721	\$ -
70400	Tenant Revenue - Other	-	20,028	-
70500	Total Tenant Revenue	-	780,749	-
70600	HUD PHA Operating Grants	53,534	376,539	-
70610	Capital Grants	-	-	917,281
70700	Total Fee Revenue	53,534	376,539	917,281
70800	Other Government Grants	-	-	-
71100	Unrestricted Investment Income	-	(464)	-
71400	Fraud Recovery	-	-	-
71500	Other Revenue	-	180,690	-
70000	Total Revenue	53,534	1,337,514	917,281
EXPENSES				
<u>Administrative</u>				
91100	Administrative Salaries	29,369	267,432	-
91200	Auditing Fees	-	11,050	-
91400	Advertising and Marketing	-	1,786	-
91500	Employee Benefit Contributions - Administrative	18,000	110,990	-
91600	Office Expenses	6,165	13,940	-
91700	Legal Expense	-	14,462	-
91800	Travel	-	38	-
91900	Other	-	-	-
91000	Total Operating - Administrative	53,534	419,698	-
<u>Tenant Services</u>				
92400	Tenant Services - Other	-	222	-
92300	Employee Benefit Contributions - Tenant Services	-	-	-
92500	Total Tenant Services	-	222	-
<u>Utilities</u>				
93100	Water	-	36,044	-
93200	Electricity	-	77,218	-
93300	Gas	-	39,083	-
93600	Sewer	-	43,495	-
93000	Total Utilities	-	195,840	-
<u>Ordinary Maintenance and Operation</u>				
94100	Ordinary Maintenance and Operations - Labor	-	182,261	-
94200	Ordinary Maintenance and Operations - Materials and Other	-	17,768	-
94300	Ordinary Maintenance and Operations - Contract Costs	-	172,589	-
94500	Employee Benefit Contributions - Ordinary Maintenance	-	94,261	-
94000	Total Maintenance	-	466,879	-
95200	Protective Services - Other Contract Costs	-	-	-

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

Housing Choice Vouchers 14,871	FSS Program 14,896	Bridges Rental Assistance	Trail Ridge II	Economic Development and Supporting Services	State/Local	Custodial Fund	Elimination	Total
\$ -	\$ -	\$ -	\$ 163,215	\$ -	\$ -	\$ -	\$ -	\$ 923,936
-	-	-	-	-	-	-	-	20,028
-	-	-	163,215	-	-	-	-	943,964
1,664,578	67,304	-	-	-	-	-	-	2,161,955
-	-	-	-	-	-	-	-	917,281
1,664,578	67,304	-	-	-	-	-	-	3,079,236
-	-	58,895	-	-	190,165	-	-	249,060
2	-	-	502	-	31	2,949	-	3,020
41,420	-	-	-	-	-	-	-	41,420
3,763	-	-	2,986	44,005	465,885	1,707,374	-	2,404,703
1,709,763	67,304	58,895	166,703	44,005	656,081	1,710,323	-	6,721,403
135,528	-	-	-	-	233,997	-	-	666,326
3,650	-	-	6,950	-	6,900	-	-	28,550
-	-	-	83	-	2,651	-	-	4,520
66,099	-	-	-	-	101,451	-	-	296,540
4,193	-	17	22,925	100	9,871	-	-	57,211
3,702	-	-	-	441	2,955	-	-	21,560
371	-	196	-	-	991	-	-	1,596
-	-	-	-	-	-	1,185,215	-	1,185,215
213,543	-	213	29,958	541	358,816	1,185,215	-	2,261,518
-	41,728	-	-	-	-	-	-	41,950
-	25,576	-	-	-	-	-	-	25,576
-	67,304	-	-	-	-	-	-	67,526
-	-	-	4,515	-	-	-	-	40,559
-	-	-	2,566	-	-	-	-	79,784
-	-	-	6,513	-	-	-	-	45,596
-	-	-	-	-	-	-	-	43,495
-	-	-	13,594	-	-	-	-	209,434
-	-	-	15,440	-	6,834	-	-	204,535
-	-	-	21,021	-	-	-	-	38,789
4,960	-	-	15,558	-	122,218	-	-	315,325
-	-	-	-	-	2,719	-	-	96,980
4,960	-	-	52,019	-	131,771	-	-	655,629
-	-	-	-	-	-	-	-	-

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

Line Item #	Account Description	ROSS 14.870	Public Housing Low Rent 14.850	Public Housing Capital Fund Program 14.872
EXPENSES (CONTINUED)				
<u>General Expenses</u>				
96110	Property Insurance	\$ -	\$ 63,983	\$ -
96120	Liability Insurance	-	12,082	-
96130	Workmen's Compensation	-	24,667	-
96140	All Other Insurance	-	2,768	-
96100	Total Insurance Premiums	-	103,500	-
96200	Other General Expenses	-	8,727	-
96300	Payments in Lieu of Taxes	-	27,627	-
96400	Bad Debt - Tenant Rents	-	4,142	-
96000	Total Other General Expenses	-	40,496	-
96710	Interest of Mortgage (or Bonds) Payable	-	-	-
96730	Amortization of Bond Issue Costs	-	-	-
96700	Total Interest Expense and Amortization Cost	-	-	-
96900	Total Operating Expenses	53,534	1,226,635	-
97000	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	-	110,879	917,281
<u>Other Expenses</u>				
97300	Housing Assistance Payments	-	-	-
97400	Depreciation Expense	-	279,632	-
90000	Total Expenses	53,534	1,506,267	-
<u>Other Financing Sources (Uses)</u>				
10010	Operating Transfers In	-	917,281	-
10020	Operating Transfers Out	-	-	(917,281)
10100	Total Other Financing Sources (Uses)	-	917,281	(917,281)
10000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ -	\$ 748,528	\$ -
<u>Memo Account Information</u>				
11020	Required Annual Debt Principal Payments	\$ -	\$ -	\$ -
11030	Beginning Equity	-	3,867,964	-
11040	Prior Period Adjustments and Correction of Errors	-	-	-
11170	Administrative Fee Equity	-	-	-
11190	Unit Months Available	-	2,436	-
11210	Number of Unit Months Leased	-	2,436	-

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

Housing Choice Vouchers 14.871	FSS Program 14.896	Bridges Rental Assistance	Trail Ridge II	Economic Development and Supporting Services	State/Local	Custodial Fund	Elimination	Total
\$ 650	\$ -	\$ -	\$ -	\$ -	\$ 971	\$ -	\$ -	\$ 65,604
2,502	-	-	-	-	696	-	-	15,280
1,710	-	-	-	-	3,596	-	-	29,973
1,384	-	-	12,402	-	1,384	-	-	17,938
6,246	-	-	12,402	-	6,647	-	-	128,795
1,101	-	-	12,918	-	3,834	-	-	26,580
-	-	-	-	-	-	-	-	27,627
2,174	-	-	447	-	-	-	-	6,763
3,275	-	-	13,365	-	3,834	-	-	60,970
-	-	-	4,500	20,680	-	-	-	25,180
-	-	-	241	-	-	-	-	241
-	-	-	4,741	20,680	-	-	-	25,421
228,024	67,304	213	126,079	21,221	501,068	1,185,215	-	3,409,293
1,481,739	-	58,682	40,624	22,784	155,013	525,108	-	3,312,110
1,444,880	-	52,805	-	-	-	-	-	1,497,685
568	-	-	36,368	-	-	-	-	316,568
1,673,472	67,304	53,018	162,447	21,221	501,068	1,185,215	-	5,223,546
-	-	-	-	-	9,129	-	-	926,410
-	-	(9,129)	-	-	-	-	-	(926,410)
-	-	(9,129)	-	-	9,129	-	-	-
<u>\$ 36,291</u>	<u>\$ -</u>	<u>\$ (3,252)</u>	<u>\$ 4,256</u>	<u>\$ 22,784</u>	<u>\$ 164,142</u>	<u>\$ 525,108</u>	<u>\$ -</u>	<u>\$ 1,497,857</u>
\$ -	\$ -	\$ -	\$ -	\$ 32,000	\$ -	\$ -	\$ -	\$ 32,000
246,499	-	3,282	309,530	(486,725)	657,816	1,711,136	-	6,309,502
-	-	-	-	-	-	-	-	-
282,316	-	-	-	-	-	-	-	282,316
3,870	-	156	-	-	-	-	-	6,462
3,841	-	115	-	-	-	-	-	6,392

OTHER INFORMATION

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS
YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

	<u>MN46P03250118</u>	<u>MN46P03250119</u>	<u>MN46P03250120</u>	<u>MN4P03250121</u>
The Actual Modernization Costs are as Follows:				
Funds Approved - Total Grant	\$ 339,881	\$ 355,576	\$ 382,287	\$ 395,765
Funds Expended - Grant Expenditures to Date	<u>335,705</u>	<u>309,576</u>	<u>316,287</u>	<u>305,857</u>
Excess of Funds Approved	<u>\$ 4,176</u>	<u>\$ 46,000</u>	<u>\$ 66,000</u>	<u>\$ 89,908</u>
Funds Advanced - 2021	\$ 1,401	\$ 293,736	\$ 316,287	\$ 305,857
Funds Expended - 2021	<u>1,401</u>	<u>293,736</u>	<u>316,287</u>	<u>305,857</u>
Excess of Funds Advanced	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Funds Received During Current Year	<u>\$ 1,401</u>	<u>\$ 293,736</u>	<u>\$ 316,287</u>	<u>\$ 305,857</u>
Status	Not Complete	Not 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 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, 2021, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 1, 2022. 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*.

Report on 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) as a basis for designing 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.

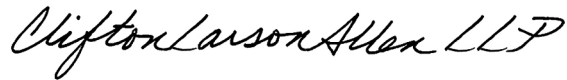
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on 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 financial statements. 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 1, 2022



**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

Opinion of 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, 2021. 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 2021.

In our opinion, the Authority complied, in all material respects, with the 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, 2021.

Basis for Opinion of Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

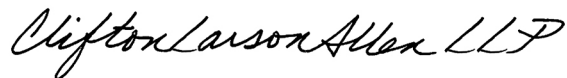
Report on Internal Control Over Compliance

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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 results 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 1, 2022

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021**

Federal Agency/ Pass-Through Grantor / Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures	Pass-Through to Subrecipients
U.S. Department of Housing and Urban Development				
Passed Through the City of Brainerd				
Community Development Block Grant	14.228	N/A	\$ 5,566	\$ -
Passed Through the City of Emily				
Community Development Block Grant	14.228	N/A	238	-
Direct:				
Public and Indian Housing - Operating Subsidy	14.850	N/A	376,539	-
Public Housing Family Self-Sufficiency under				
Resident Opportunity and Supportive Services	14.870	N/A	53,534	-
Housing Choice Voucher Program (HCVP Cluster)	14.871	N/A	1,664,578	-
Family Self-Sufficiency Program	14.896	N/A	67,304	-
Public Housing Capital Fund Program	14.872	N/A	<u>917,281</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>3,085,040</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 3,085,040</u>	<u>\$ -</u>

Notes to the schedule of expenditures of federal awards:

1. The schedule of expenditures of federal awards presents the activity of federal award programs expended by the Housing and Redevelopment of Brainerd. The Authority's reporting entity is defined in Note 1 to the basic financial statements.
2. The expenditures on this schedule are on the accrual basis of accounting, which is described in Note 1 to the Authority's basic financial statements.
3. N/A - The pass-through entity identifying number is unknown or not applicable.
4. The Authority has not elected to use the 10-percent de-minimis indirect cost rate as allowed under the Uniform Guidance.
5. The 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 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, 2021 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 1, 2022. 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.

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 contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the state auditor pursuant to Minn. Stat. §6.65, insofar as they relate to accounting matters. 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 1, 2022

**HOUSING AND REDEVELOPMENT AUTHORITY OF BRAINERD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021**

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 none noted
- 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 none noted

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:

Assistance Listing Numbers
14.872

Name of Federal Program or Cluster
Public Housing Capital Fund 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, 2021**

INTERNAL CONTROL OVER FINANCIAL REPORTING:

None noted.

OTHER ITEMS FOR CONSIDERATION (LEGAL COMPLIANCE):

None noted.

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