

**CROW WING COUNTY HOUSING
AND REDEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF CROW WING COUNTY)
BRAINERD, MINNESOTA**

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020

**CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
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YEAR ENDED DECEMBER 31, 2020**

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INTRODUCTORY SECTION

**CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
ORGANIZATION
DECEMBER 31, 2020**

NAME	POSITION	TERM EXPIRES
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Board of Commissioners

Craig Nathan	Chair	December 31, 2020
Richard Burton	Vice Chair	December 31, 2022
Zach Tabatt	Secretary	December 31, 2024
Michael Morford	Commissioner	December 31, 2023
Michael Aulie	Commissioner	December 31, 2021

Eric Charpentier	Executive Director
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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Crow Wing County Housing and Redevelopment Authority
Brainerd, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Crow Wing County Housing and Redevelopment Authority (HRA), a component unit of Crow Wing County, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the HRA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the HRA, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 7 and 22 through 26, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2021, on our consideration of the HRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the HRA'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 HRA's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Brainerd, Minnesota
February 24, 2021

**CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

As management of the Crow Wing County Housing and Redevelopment Authority (HRA), we offer the following narrative overview and analysis of the HRA's financial statements and activities for the fiscal year ended December 31, 2020:

FINANCIAL HIGHLIGHTS

- The assets of the HRA exceed its liabilities at the close of the most recent fiscal year by \$1,111,715 (net position). The HRA reports unrestricted net position of \$127,310 at year-end.
- The HRA's total net position increased by \$450,898.
- At December 31, 2020, the HRA's governmental funds reported an ending fund balance of \$1,111,447, an increase of \$459,766 in comparison with the prior year. Of this total fund balance, \$88,902 is available for spending at the HRA's discretion.

FINANCIAL STATEMENTS OVERVIEW

The HRA's Basic Financial Statements are Comprised of the Following Components:

- Government-wide financial statements, providing information on the HRA as a whole.
- Fund financial statements providing detailed information on each fund the HRA operates.
- Notes to financial statements providing additional information to assist the reader in understanding the HRA's financial condition.
- Required Supplementary information providing the Budgetary Comparison Schedules.
- Independent Auditors' Report on the financial statements.

The HRA's Basic Financial Statements Consist of the Following Activity Type:

- Governmental Activities: The governmental funds consist of local government and state government funded activities. They are comprised of the following funds:

- General Fund
- Housing Trust Fund
- Revolving Loan Fund TIF
- Development Fund
- Tax Forfeited Property Fund

**CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide the readers with a broad overview of the HRA's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the HRA's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the HRA is improving or deteriorating.

	Governmental	
	Activities	
	2020	2019
Assets	\$ 1,666,443	\$ 1,211,259
Current Liabilities	112,416	804
Long-Term Liabilities	442,312	549,638
Restricted	487,423	461,148
Unrestricted	127,310	199,669
Total Net Position	<u>\$ 1,111,715</u>	<u>\$ 660,817</u>

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

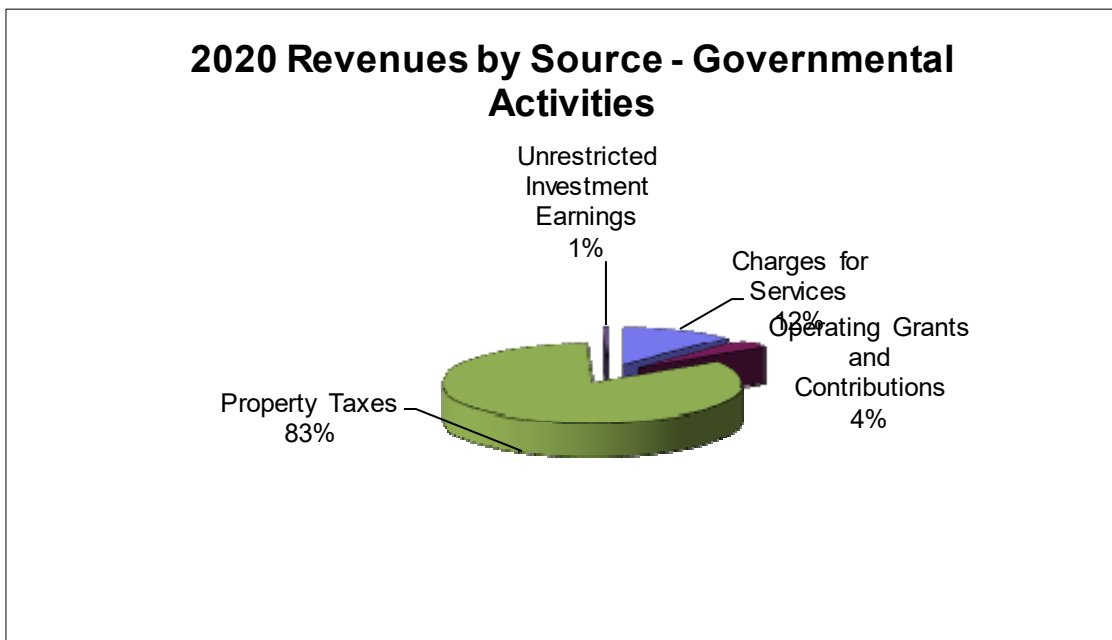
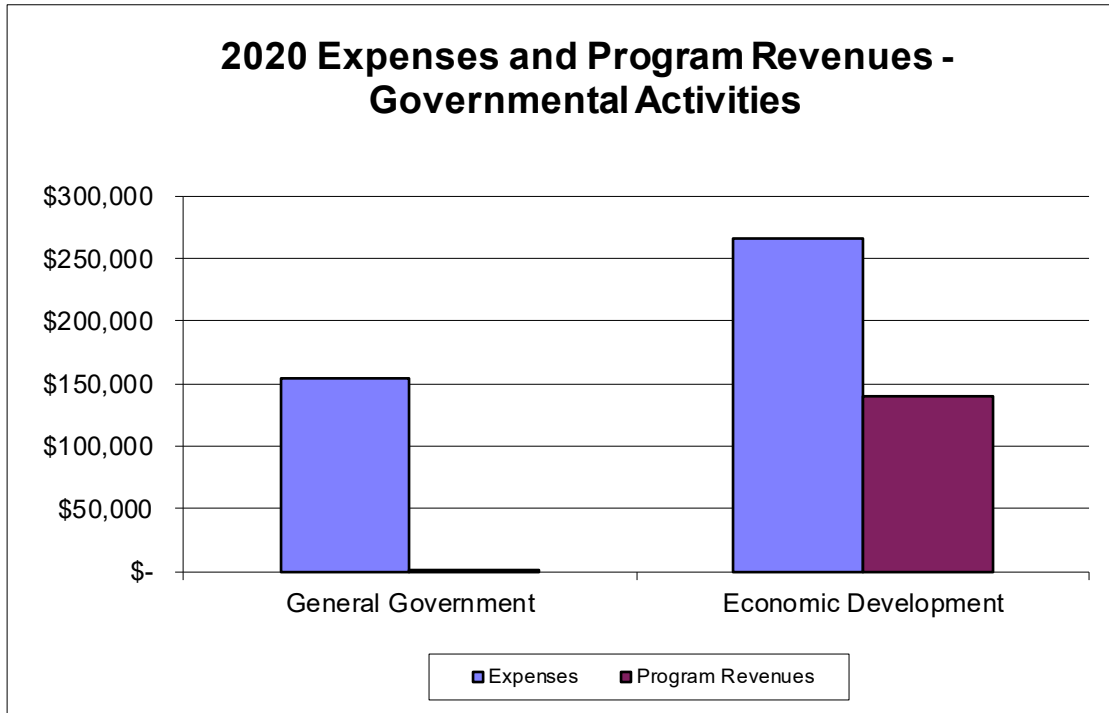
	Governmental	
	Activities	
	2020	2019
REVENUES		
Program Revenues:		
Charges for Services	\$ 107,325	\$ 101,706
Operating Grants and Contributions	32,914	29,654
General Revenues:		
Property Taxes	725,473	98,943
Unrestricted Investment Earnings	5,060	3,554
Total Revenues	<u>870,772</u>	<u>233,857</u>
EXPENSES		
General Government	153,939	65,006
Economic Development	265,935	186,949
Total Expenses	<u>419,874</u>	<u>251,955</u>
CHANGE IN NET POSITION	450,898	(18,098)
Net Position - Beginning of Year	660,817	678,915
NET POSITION - END OF YEAR	<u>\$ 1,111,715</u>	<u>\$ 660,817</u>

**CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

FINANCIAL ANALYSIS

Governmental Activities

Governmental activities increased the HRA's total net position by \$450,898. Program expenses were less than program revenues.



**CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

FINANCIAL ANALYSIS OF THE HRA AT THE FUND LEVEL

Governmental Funds

As the HRA completed the year, its governmental funds reported a combined fund balance of \$1,111,447.

Revenues for the HRA's governmental funds were \$879,640, while total expenditures were \$419,874.

The General Fund's fund balance decreased \$45,810 from the prior year. This is due primarily to an increase in management fees and a workforce housing study.

The Housing Trust Fund was established during the current year and ended the year with \$496,982 of fund balance.

The Revolving Loan Fund TIF's fund balance increased \$10,737 from the prior year. This is due primarily due to receiving interest on an outstanding loan.

The Development Fund's fund balance was negative as of the end of the year due to expenditures incurred by the HRA. This negative fund balance may be funded through the sale of land held for resale.

The Tax Forfeited Property Fund's fund balance was negative as of the end of the year due to expenditures incurred by the HRA. This negative fund balance may be funded through future lot purchases and sales.

General Fund Budgetary Highlights

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

- Actual revenues were \$6,410 more than expected. This is primarily due to receipt of small cities development program receipts that exceeded the budget.
- The actual expenditures were \$36,580 less than budget. This is primarily due to disbursing less small cities development program funds than what was budgeted.

ECONOMIC FACTORS AND NEXT YEAR'S ITEMS

In Calendar year 2021, staff will continue to work on Housing Trust Fund (HTF) documentation, processes, and marketing. Loan servicing will be established to allow project funding through the available programs as it is anticipated that our first loans will be processed and closed through the HTF.

Staff will continue to work with CWC to utilize the Tax Forfeited Property Policy for the return of tax forfeited property in CWC to productive use. Staff will use these redevelopment tools to replace deteriorating housing in the County.

It is also anticipated that we will consider additional requests for the TIF Revolving Loan program through the BLADC Unified Fund (BUF).

In 2021, Level Contracting will continue to acquire parcels of land in the Development Fund. Staff will monitor the construction of homes and progress of the developer.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 1,142,108
Taxes Receivable	30,384
Loans Receivable	51,531
Total Current Assets	1,224,023
Noncurrent Assets:	
Land Held for Resale	442,420
Total Assets	1,666,443
LIABILITIES	
Current Liabilities:	
Accounts Payable	112,416
Noncurrent Liabilities:	
Land Conveyance Liability	442,312
Total Liabilities	554,728
NET POSITION	
Restricted for Payments to Individuals	496,982
Restricted for Economic Development	487,423
Unrestricted	127,310
Total Net Position	\$ 1,111,715

See accompanying Notes to Financial Statements.

**CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 153,939	\$ -	\$ 70	\$ -	\$ (153,869)
Economic Development	265,935	107,325	32,844	-	(125,766)
Total Governmental Activities	<u>\$ 419,874</u>	<u>\$ 107,325</u>	<u>\$ 32,914</u>	<u>\$ -</u>	<u>(279,635)</u>
	General Revenues:				
	Property Taxes				725,473
	Unrestricted Investment Earnings				5,060
	Total General Revenues				<u>730,533</u>
	Change in Net Position				450,898
	Net Position - Beginning of Year				660,817
	Net Position - End of Year				<u>\$ 1,111,715</u>

See accompanying Notes to Financial Statements.

**CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General Fund	Housing Trust Fund	Revolving Loan Fund TIF	Development Fund	Tax Forfeited Property Fund	Total Governmental Funds
ASSETS						
Cash	\$ 307,900	\$ 466,758	\$ 367,450	\$ -	\$ -	\$ 1,142,108
Taxes Receivable	-	30,384	-	-	-	30,384
Due from Other Funds	5,554	-	-	-	-	5,554
Loans Receivable	-	-	51,531	-	-	51,531
Total Assets	\$ 313,454	\$ 497,142	\$ 418,981	\$ -	\$ -	\$ 1,229,577
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 112,416	\$ -	\$ -	\$ -	\$ -	\$ 112,416
Due to Other Funds	-	-	-	108	5,446	5,554
Total Liabilities	112,416	-	-	108	5,446	117,970
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Property Taxes	-	160	-	-	-	160
Total Liabilities Plus Deferred Inflows of Resources	112,416	160	-	108	5,446	118,130
FUND BALANCES						
Restricted:						
Revolving Loan Fund - TIF	-	-	418,981	-	-	418,981
Small Cities Development Grant	68,282	-	-	-	-	68,282
Housing Trust Fund	-	496,982	-	-	-	496,982
Assigned:						
Budgetary Stabilization for Anticipated Projects	38,300	-	-	-	-	38,300
Unassigned	94,456	-	-	(108)	(5,446)	88,902
Total Fund Balances	201,038	496,982	418,981	(108)	(5,446)	1,111,447
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 313,454	\$ 497,142	\$ 418,981	\$ -	\$ -	\$ 1,229,577

See accompanying Notes to Financial Statements.

**CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2020**

Total Fund Balances for Governmental Funds				\$ 1,111,447
Total net position reported for governmental activities in the statement of net position is different because:				
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. This liability is reported in the statement of net position.				(442,312)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds. This asset is reported in the statement of net position.				442,420
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.				
Unavailable Revenue - Property Taxes				160
Total Net Position of Governmental Activities				<u>\$ 1,111,715</u>

See accompanying Notes to Financial Statements.

**CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

	General Fund	Housing Trust Fund	Revolving Loan Fund TIF	Development Fund	Tax Forfeited Property Fund	Total Governmental Funds
REVENUES						
Taxes	\$ 229,500	\$ 497,249	\$ -	\$ -	\$ -	\$ 726,749
Interest	550	54	11,922	-	-	12,526
Miscellaneous	32,860	-	-	-	-	32,860
Sale of Land Held for Resale	-	-	-	107,505	-	107,505
Total Revenues	262,910	497,303	11,922	107,505	-	879,640
EXPENDITURES						
Current:						
General Government	153,939	-	-	-	-	153,939
Economic Development	154,781	321	1,185	107,325	2,323	265,935
Total Expenditures	308,720	321	1,185	107,325	2,323	419,874
NET CHANGE IN FUND BALANCE	(45,810)	496,982	10,737	180	(2,323)	459,766
Fund Balance - Beginning of Year	246,848	-	408,244	(288)	(3,123)	651,681
FUND BALANCE - END OF YEAR	\$ 201,038	\$ 496,982	\$ 418,981	\$ (108)	\$ (5,446)	\$ 1,111,447

See accompanying Notes to Financial Statements.

**CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Governmental Funds			\$ 459,766
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report do not report long-term liabilities nor other long-term assets. Therefore, the change in the liabilities and assets are recorded on the statement of activities			
Net Change in Land Held for Resale and Land Conveyance Liability			(180)
Revenues that do not provide current financial resources are not reported as revenues in the governmental funds.			
Investment Interest		\$ (7,412)	
Property Taxes		(1,276)	(8,688)
Change in Net Position of Governmental Activities			<u>\$ 450,898</u>

See accompanying Notes to Financial Statements.

CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Crow Wing County Housing and Redevelopment Authority (HRA) was created by Crow Wing County 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 HRA was formed and operates pursuant to applicable Minnesota laws. The governing board consists of a five-member board who are appointed by the Crow Wing County Board. The diversion of the incremental property taxes to the HRA by the County is a financial burden on the County.

The HRA is considered to be a component unit of Crow Wing County, Minnesota.

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

A. Financial Reporting Entity

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

Component units are legally separate entities for which the HRA (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 the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the HRA.

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 HRA. 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.

The statement of activities demonstrates the degree to which the direct expenses of each function of the HRA's governmental activities 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.

CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

The government-wide 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 HRA 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 claims and judgments, which are recognized as expenditures to the extent that they have matured.

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 HRA.

The HRA reports the following major governmental funds:

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

Housing Trust Fund – The Housing Trust fund, a special revenue fund, accounts for revenues restricted for housing needs of moderate, low and very low-income households of the County.

Revolving Loan Fund - TIF – The Revolving Loans Fund, a special revenue fund, accounts for current loan repayment proceeds, which are restricted in that they are to be used in funding various revolving loans maintained by the HRA. These loans are made based on criteria set by TIF requirements.

Development Fund – The Development Fund is used to account for the land held for resale to develop Brainerd Oaks, Dalmar Estates, and Serene Pines.

CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

1. Cash

Cash balances from all funds are deposited in depositories authorized by Minnesota Statutes.

2. Accounts Receivable

No substantial losses are anticipated from present receivable balances; therefore, the HRA does not judge an allowance for doubtful accounts to be necessary.

3. 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 deferred because it is not available to finance the operations of the HRA 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 County, on behalf of the HRA, 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 HRA. 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 County, 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.

CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity
(Continued)

3. Taxes Receivable (Continued)

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

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

4. Loans Receivable

This represents the amount of revolving loans the HRA has made to individuals or organizations. There is no allowance account as of the end of the year as substantially all loan balances are deemed to be collectable.

5. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time.

6. Land Held for Resale

Land held for resale by the HRA is for redevelopment purposes and for subsequent sale. Land held for resale is reported as an asset at the lower of cost or estimated fair value.

7. Equity

Equity is divided into the following sections:

Net Position – Net position represents the difference between assets and liabilities in the Government-Wide 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 financial statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity
(Continued)

7. Equity (Continued)

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 will never be converted to cash or will not be converted to cash soon enough to affect the current period. 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 Executive Director or Finance Director and the Board of Commissioners have the authority to establish or modify assigned fund balance. Unassigned fund balance is the residual classification for the HRA'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 HRA's policy to first use restricted, then committed, assigned and finally unassigned fund balance.

E. Tax Status

As a local government organization, the HRA is exempt from income taxes.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Budget appropriations lapse at the end of the year. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

B. Deficit Fund Balance

The Development Fund had a deficit fund balance as of December 31, 2020 of \$108. This deficit will be eliminated through proceeds from developers.

The Tax Forfeited Property Fund has a deficit fund balance as of December 31, 2020 of \$5,446. This deficit may be eliminated through future lot purchases and sales.

**CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 3 DEPOSITS

The HRA’s deposits are held by the Housing and Redevelopment Authority of Brainerd. These deposits are available for use at any time without restriction and are for use by all funds. Each fund type’s portion of this cash is displayed on the statement of net position and balance sheet as “Cash.” The Housing and Redevelopment Authority of Brainerd maintains its deposits in accordance with Minnesota Statutes and at financial institutions which are authorized by the Housing and Redevelopment Authority of Brainerd’s Board of Commissioners.

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.

Authorized collateral include: 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.

Deposits held by the Housing and Redevelopment Authority of Brainerd as of December 31, 2020 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

NOTE 4 INTERFUND RECEIVABLE AND PAYABLE

The interfund payable was set up to offset deficit cash in the Development Fund and Tax Forfeited Property Fund at the end of December 31, 2020.

	Due From:		
Due To:	Development Fund	Tax Forfeited Property	Total
General Fund	\$ 108	\$ 5,446	\$ 5,554

**CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LOANS RECEIVABLE

Revenues of the HRA are reported net of uncollectible amounts. There was no allowance for uncollectible accounts related to the HRA as of December 31, 2020.

The HRA had the following loans receivable as of December 31, 2020:

	Amount
Revolving Loan Fund TIF	
PaulSquared Properties of Crosby; 5 year loan, including interest at 6% accruing annually; commencing February 2019 and ending February 2024 with monthly payments of \$1,450.	\$ 51,531

NOTE 6 LAND HELD FOR RESALE

During 2016, the HRA entered into an agreement with Crow Wing County whereby the county would convey title to 113 lots to the HRA. The lots were divided into three development areas, Brainerd Oaks, Dalmar Estates, and Serene Pines. As part of the agreement, the HRA entered into a purchase and development agreement with a private developer who will purchase and develop the lots over a period of years. The land was valued at \$912,300 in total based on the contract between the HRA and the contractor. As the land gets transferred to the developer, the proceeds, less costs incurred by the HRA, will be paid to the City of Brainerd as payment for park dedication fees, SAC fees, WAC fees and in lieu of special assessments. During 2020, the HRA transferred 15 lots to the developer for a total of \$107,506. The remaining land is valued at \$442,420 as of December 31, 2020.

NOTE 7 CONDUIT DEBT

The Crow Wing County HRA is contingently liable for debt related to General Obligation Housing Revenue Bonds issued on behalf of the Pequot Lakes HRA. As additional security for these bonds, Crow Wing County approved the pledge by the County HRA of the County's full faith and credit and taxing powers to the payment of debt service on the bonds. The conduit bonds have an outstanding principal balance of \$895,000 as of December 31, 2020.

NOTE 8 RISK MANAGEMENT

The HRA 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 HRA carries commercial insurance policies. The HRA 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 four fiscal years.

**CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 9 LAND CONVEYANCE LIABILITY

In accordance with the purchase and development agreement, the HRA has an obligation from the acquisition of the land held for resale payable to the City of Brainerd at the time of the sale of those lots. Based on this obligation, the HRA has recorded a \$442,312 land conveyance liability due to the City of Brainerd. The land conveyance liability recorded is an estimate and is subject to change.

REQUIRED SUPPLEMENTARY INFORMATION

**CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2020**

	Budget		Variance
	Original and Final	Actual	With Budget Over (Under)
REVENUES			
Taxes	\$ 229,500	\$ 229,500	\$ -
Interest	-	550	550
Miscellaneous	27,000	32,860	5,860
Total Revenues	<u>256,500</u>	<u>262,910</u>	<u>6,410</u>
EXPENDITURES			
Current:			
General Government	154,850	153,939	(911)
Economic Development	190,450	154,781	(35,669)
Total Expenditures	<u>345,300</u>	<u>308,720</u>	<u>(36,580)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (88,800)</u>	<u>(45,810)</u>	<u>\$ 42,990</u>
Fund Balance - Beginning of Year		<u>246,848</u>	
FUND BALANCE - END OF YEAR		<u>\$ 201,038</u>	

See accompanying Note to Required Supplementary Information.

**CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
 BUDGETARY COMPARISON SCHEDULE
 HOUSING TRUST FUND
 YEAR ENDED DECEMBER 31, 2020**

	Budget		Variance
	Original and Final	Actual	With Budget Over (Under)
REVENUES			
Taxes	\$ 500,000	\$ 497,249	\$ (2,751)
Interest	-	54	54
Total Revenues	500,000	497,303	(2,697)
EXPENDITURES			
Current:			
Economic Development	450,000	321	(449,679)
Total Expenditures	450,000	321	(449,679)
NET CHANGE IN FUND BALANCE	\$ 50,000	496,982	\$ 446,982
Fund Balance - Beginning of Year		-	
FUND BALANCE (DEFICIT) - END OF YEAR		\$ 496,982	

See accompanying Note to Required Supplementary Information.

**CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
 BUDGETARY COMPARISON SCHEDULE
 REVOLVING LOAN FUND – TIF
 YEAR ENDED DECEMBER 31, 2020**

	Budget		Variance
	Original and Final	Actual	With Budget Over (Under)
REVENUES			
Interest	\$ 11,170	\$ 11,922	\$ 752
EXPENDITURES			
Current			
Economic Development	1,190	1,185	(5)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,980	10,737	757
NET CHANGE IN FUND BALANCE	\$ 9,980	10,737	\$ 757
Fund Balance - Beginning of Year		408,244	
FUND BALANCE - END OF YEAR		\$ 418,981	

See accompanying Note to Required Supplementary Information.

**CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
 BUDGETARY COMPARISON SCHEDULE
 DEVELOPMENT FUND
 YEAR ENDED DECEMBER 31, 2020**

	Budget		Variance
	Original and Final	Actual	With Budget Over (Under)
REVENUES			
Sale of Land Held for Resale	\$ 191,200	\$ 107,505	\$ (83,695)
EXPENDITURES			
Current:			
Economic Development	191,200	107,325	(83,875)
NET CHANGE IN FUND BALANCE	\$ -	180	\$ 180
Fund Balance (Deficit) - Beginning of Year		(288)	
FUND BALANCE (DEFICIT) - END OF YEAR		\$ (108)	

See accompanying Note to Required Supplementary Information.

**CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
 BUDGETARY COMPARISON SCHEDULE
 TAX FORFEITED PROPERTY FUND
 YEAR ENDED DECEMBER 31, 2020**

	Budget		Variance
	Original and Final	Actual	With Budget Over (Under)
REVENUES			
Miscellaneous	\$ -	\$ -	\$ -
EXPENDITURES			
Current:			
Economic Development	10,000	2,323	(7,677)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(10,000)</u>	<u>(2,323)</u>	<u>7,677</u>
OTHER FINANCING SOURCES (USES)			
Gain on Sale of Property	10,000	-	10,000
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(2,323)</u>	<u>\$ (2,323)</u>
Fund Balance (Deficit) - Beginning of Year		(3,123)	
FUND BALANCE (DEFICIT) - END OF YEAR		<u>\$ (5,446)</u>	

See accompanying Note to Required Supplementary Information.

**CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020**

NOTE 1 LEGAL COMPLIANCE – BUDGETS

The budget and the actual are both prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

REPORTS RELATED TO *GOVERNMENT AUDITING STANDARDS*



**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
Crow Wing County Housing and Redevelopment Authority
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 and each major fund of the Crow Wing County Housing and Redevelopment Authority (HRA), a component unit of the Crow Wing County, Minnesota, as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the HRA's basic financial statements, and have issued our report thereon dated February 24, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the HRA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the HRA's internal control. Accordingly, we do not express an opinion on the effectiveness of the HRA'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 HRA's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the HRA'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 HRA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Brainerd, Minnesota
February 24, 2021



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Commissioners
Crow Wing County Housing and Redevelopment Authority
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 and each major fund of the Crow Wing County Housing and Redevelopment Authority (HRA), a component unit of the Crow Wing County, Minnesota, as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the HRA's basic financial statements and have issued our report thereon dated February 24, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the HRA failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, 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 HRA'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 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

Brainerd, Minnesota
February 24, 2021