

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
CROSBY, MINNESOTA**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED MARCH 31, 2019

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
TABLE OF CONTENTS
YEAR ENDED MARCH 31, 2019**

INTRODUCTORY SECTION

ORGANIZATION	1
---------------------	----------

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	2
-------------------------------------	----------

MANAGEMENT'S DISCUSSION AND ANALYSIS	5
---------------------------------------------	----------

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATEMENT OF NET POSITION	11
----------------------------------	-----------

STATEMENT OF ACTIVITIES	12
--------------------------------	-----------

FUND FINANCIAL STATEMENTS

BALANCE SHEET — GOVERNMENTAL FUND	14
------------------------------------------	-----------

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUND	15
--------------------------------------------------------------------------------------------------	-----------

STATEMENT OF NET POSITION — PROPRIETARY FUNDS	16
------------------------------------------------------	-----------

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION — PROPRIETARY FUNDS	17
---------------------------------------------------------------------------------------------	-----------

STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS	18
----------------------------------------------------	-----------

STATEMENT OF FIDUCIARY NET POSITION — FIDUCIARY FUND	19
-------------------------------------------------------------	-----------

NOTES TO FINANCIAL STATEMENTS	20
--------------------------------------	-----------

SUPPLEMENTARY INFORMATION

FINANCIAL DATA SCHEDULE	32
--------------------------------	-----------

OTHER INFORMATION

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS	40
-----------------------------------------------------------------------	-----------

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 <i>GOVERNMENT AUDITING STANDARDS</i>	41
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE	43
-------------------------------------------------------------------	-----------

INTRODUCTORY SECTION

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
ORGANIZATION
MARCH 31, 2019**

NAME	POSITION	TERM EXPIRES
------	----------	--------------

Board of Commissioners

Linda Peebles	Chair	August 31, 2021
Julie McGinnis	Vice Chair	August 31, 2019
Renae Marsh	Secretary/Treasurer	August 31, 2020
Buzz Neprud	Commissioner	August 31, 2022
William Small	Commissioner	August 31, 2021
Jennifer Bergman	Executive Director	

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Housing and Redevelopment Authority of Crosby (the Authority) as of and for the fiscal year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of March 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The financial data schedule and the statement and certification of actual capital fund grant costs are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial data schedule 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Board of Commissioners
Housing and Redevelopment Authority of Crosby

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Brainerd, Minnesota
July 23, 2019

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED MARCH 31, 2019**

As management of the Housing and Redevelopment Authority of Crosby, Minnesota (the Authority), we offer the following narrative overview and analysis of the Authority's financial statements and activities for the fiscal year that ended March 31, 2019:

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceed its liabilities at the close of the most recent fiscal year by \$2,712,341 (net position). The Authority shows unrestricted net position of \$947,776 at year-end.
- The Authority's total net position decreased by \$131,204.
- At March 31, 2019, the Authority's governmental fund reported an ending fund balance of \$11,322, an increase of \$1,654 in comparison with the prior year. The full amount is restricted for Economic Development.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Authority include only the economic development program area. The business-type activities of the Authority include Public Housing and Edgewood.

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED MARCH 31, 2019**

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 two categories: governmental funds and proprietary 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.

The Authority maintains only one individual governmental fund. 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 Augusta Housing Fund. There are no nonmajor governmental funds. The governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance are the same as the governmental activities statements because there are no long-term assets or liabilities in the current year.

The Authority does not adopt an annual appropriated budget for its Augusta Housing Fund. Therefore, budgetary comparison statements have not been provided.

Proprietary Fund – The Authority maintains one type of proprietary fund. 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 and Edgewood.

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 and Edgewood, which are all considered to be major funds of the Authority.

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED MARCH 31, 2019**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 11,322	\$ 9,668	\$ 1,039,753	\$ 1,045,706	\$ 1,051,075	\$ 1,055,374
Capital Assets	-	-	1,753,243	1,912,031	1,753,243	1,912,031
Total Assets	11,322	9,668	2,792,996	2,957,737	2,804,318	2,967,405
Long-Term Liabilities						
Outstanding	-	-	2,729	3,284	2,729	3,284
Other Liabilities	-	-	89,248	120,576	89,248	120,576
Total Liabilities	-	-	91,977	123,860	91,977	123,860
Net Position						
Investment in Capital Assets	-	-	1,753,243	1,912,031	1,753,243	1,912,031
Restricted	11,322	9,668	-	-	11,322	9,668
Unrestricted	-	-	947,776	921,846	947,776	921,846
Total Net Position	\$ 11,322	\$ 9,668	\$ 2,701,019	\$ 2,833,877	\$ 2,712,341	\$ 2,843,545

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	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$ -	\$ -	\$ 435,410	\$ 427,103	\$ 435,410	\$ 427,103
Operating Grants and Contributions	-	-	164,651	176,782	164,651	176,782
Capital Grants and Contributions	-	-	51,881	341,240	51,881	341,240
General Revenues:						
Tax Increment	17,020	16,948	-	-	17,020	16,948
Unrestricted Investment Earnings	12	7	15,268	497	15,280	504
Miscellaneous	-	-	11,324	17,160	11,324	17,160
Total Revenues	17,032	16,955	678,534	962,782	695,566	979,737
Expenses:						
Economic Development	15,378	20,757	-	-	15,378	20,757
Public Housing	-	-	427,969	403,264	427,969	403,264
Edgewood	-	-	383,423	376,292	383,423	376,292
Total Expenses	15,378	20,757	811,392	779,556	826,770	800,313
Change in Net Position	1,654	(3,802)	(132,858)	183,226	(131,204)	179,424
Net Position - Beginning of Year	9,668	13,470	2,833,877	2,650,651	2,843,545	2,664,121
Net Position - End of Year	\$ 11,322	\$ 9,668	\$ 2,701,019	\$ 2,833,877	\$ 2,712,341	\$ 2,843,545

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED MARCH 31, 2019**

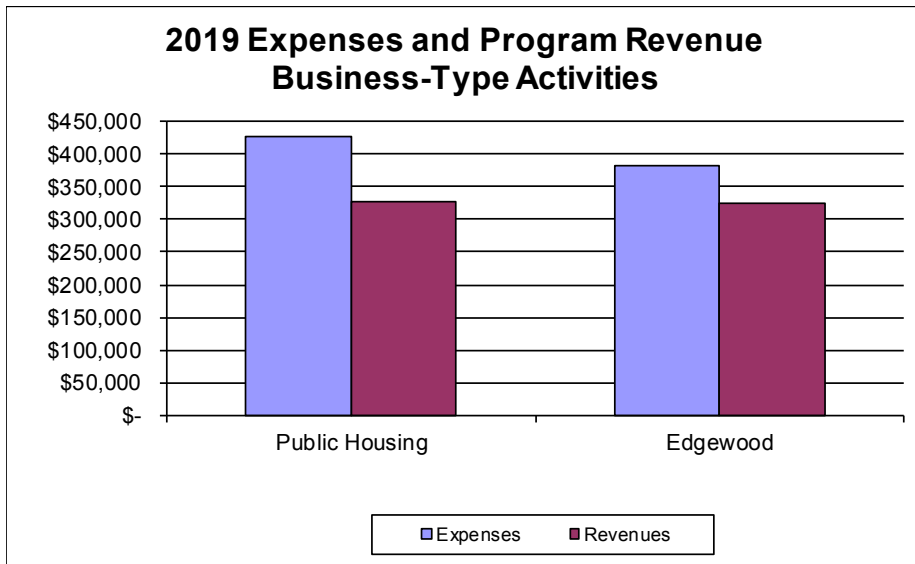
FINANCIAL ANALYSIS

Governmental Activities

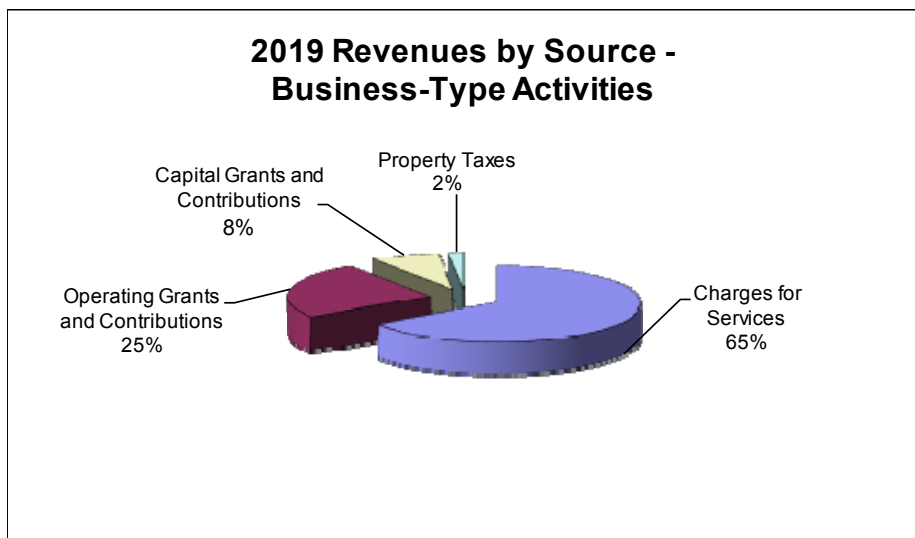
Governmental activities increased the Authority's net position by \$1,654, revenues exceeded expenses of governmental activities programs. The only revenues that support the governmental activities are tax increments and interest earnings. The only expenses that the governmental activities have are the economic development payments of developer fees, other miscellaneous TIF fees and the unspent tax increment was used to help finance a housing rehab project.

Business-Type Activities

Business-type activities decreased the Authority's net position by \$132,858. This decrease is mainly due to an increase in expenses related to maintenance projects.



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



**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED MARCH 31, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY AT THE FUND LEVEL

Governmental Fund

As the Authority completed the year, the Augusta Housing Fund reported a fund balance of \$11,322.

Revenues for the Augusta Housing Fund were \$17,032, while total expenditures were \$15,378.

The Augusta Housing Fund's fund balance increased \$1,654 from the prior year. This is due to the Authority not paying out as much unspent tax increment collections for a housing rehab project as in the prior year.

CAPITAL ASSET ACTIVITY

The Authority's capital assets, net of accumulated depreciation at March 31, 2019, amounted to \$1,753,243. This investment in capital assets includes land, buildings and improvements, and furniture, fixtures, and equipment. Net capital assets decreased in total by \$158,788. This decrease in capital assets is due to asset additions of \$45,787 and depreciation expense of \$204,575.

	<u>Business-Type Activities</u>
Land	\$ 37,910
Construction-in-Progress	35,841
Buildings and Improvements	5,515,624
Furniture, Fixtures, and Equipment	107,786
Less: Accumulated Depreciation	<u>(3,943,918)</u>
Total	<u><u>\$ 1,753,243</u></u>

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

ECONOMIC FACTORS AND NEXT YEAR'S ITEMS

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

The Authority applied for and was awarded \$453,366 from the Publically Owned Housing Rehabilitation Program (POHP) through Minnesota Housing. The funds will be used for roof, apartment doors, closet doors, weatherization, and life safety systems at Dellwood Apartments. The Authority expects construction to begin in the summer of 2019.

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED MARCH 31, 2019**

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 Crosby's Accountant at 324 East River Road, Brainerd, Minnesota 56401 or call (218) 824-3423 or by e-mail at karen@brainerdhra.org.

BASIC FINANCIAL STATEMENTS

HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
STATEMENT OF NET POSITION
MARCH 31, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Investments	\$ 18,700	\$ 993,905	\$ 1,012,605
Net Accounts Receivable	-	6,510	6,510
Internal Balances	(7,378)	7,378	-
Inventory	-	201	201
Restricted Assets:			
Cash and Cash Equivalents	-	31,759	31,759
Total Current Assets	11,322	1,039,753	1,051,075
Noncurrent Assets:			
Capital Assets:			
Land and Construction-in-Progress	-	73,751	73,751
Other Capital Assets, Net of Depreciation	-	1,679,492	1,679,492
Total Noncurrent Assets	-	1,753,243	1,753,243
Total Assets	11,322	2,792,996	2,804,318
LIABILITIES			
Current Liabilities:			
Accounts Payable	-	13,326	13,326
Accrued Liabilities	-	25,876	25,876
Tenant Security Deposits	-	31,362	31,362
Due to Other Governments	-	14,783	14,783
Unearned Revenue	-	3,901	3,901
Total Current Liabilities	-	89,248	89,248
Noncurrent Liabilities:			
Due to Other Governments	-	2,729	2,729
Total Liabilities	-	91,977	91,977
NET POSITION			
Investment in Capital Assets	-	1,753,243	1,753,243
Restricted for Economic Development	11,322	-	11,322
Unrestricted	-	947,776	947,776
Total Net Position	\$ 11,322	\$ 2,701,019	\$ 2,712,341

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2019**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Primary Government:				
Governmental Activities:				
Economic Development	\$ 15,378	\$ -	\$ -	\$ -
Business-Type Activities:				
Public Housing	427,969	205,854	69,825	51,881
Edgewood	383,423	229,556	94,826	-
Total Business-Type Activities	<u>811,392</u>	<u>435,410</u>	<u>164,651</u>	<u>51,881</u>
Total Primary Government	<u>\$ 826,770</u>	<u>\$ 435,410</u>	<u>\$ 164,651</u>	<u>\$ 51,881</u>

General Revenues:
 Tax Increment
 Unrestricted Investment Earnings
 Miscellaneous
 Total General Revenues

Change in Net Position
 Net Position - Beginning of Year
 Net Position - End of Year

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED MARCH 31, 2019**

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (15,378)	\$ -	\$ (15,378)
-	(100,409)	(100,409)
-	(59,041)	(59,041)
-	(159,450)	(159,450)
<u>(15,378)</u>	<u>(159,450)</u>	<u>(174,828)</u>
17,020	-	17,020
12	15,268	15,280
-	11,324	11,324
<u>17,032</u>	<u>26,592</u>	<u>43,624</u>
1,654	(132,858)	(131,204)
9,668	2,833,877	2,843,545
<u>\$ 11,322</u>	<u>\$ 2,701,019</u>	<u>\$ 2,712,341</u>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
BALANCE SHEET
GOVERNMENTAL FUND
MARCH 31, 2019**

	<u>Augusta Housing</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 18,700</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Due to Other Funds	\$ 7,378
FUND BALANCES	
Restricted	<u>11,322</u>
Total Liabilities and Fund Balances	<u>\$ 18,700</u>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
YEAR ENDED MARCH 31, 2019**

	<u>Augusta Housing</u>
REVENUES	
Tax Increment	\$ 17,020
Interest	12
Total Revenues	<u>17,032</u>
 EXPENDITURES	
Current:	
Economic Development	<u>15,378</u>
 NET CHANGE IN FUND BALANCE	 1,654
 Fund Balance - Beginning of Year	 <u>9,668</u>
 FUND BALANCE - END OF YEAR	 <u><u>\$ 11,322</u></u>

See accompanying Notes to Financial Statements.

HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2019

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Public Housing</u>	<u>Edgewood</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 121,970	\$ 871,935	\$ 993,905
Net Accounts Receivable	5,826	684	6,510
Due from Other Funds	7,378	-	7,378
Inventory	201	-	201
Restricted Assets			
Restricted - Cash and Cash Equivalents	10,423	21,336	31,759
Total Current Assets	<u>145,798</u>	<u>893,955</u>	<u>1,039,753</u>
Capital Assets:			
Land and CIP	73,751	-	73,751
Other Capital Assets, Net of Depreciation	<u>1,329,124</u>	<u>350,368</u>	<u>1,679,492</u>
Total Noncurrent Assets	<u>1,402,875</u>	<u>350,368</u>	<u>1,753,243</u>
Total Assets	<u>1,548,673</u>	<u>1,244,323</u>	<u>2,792,996</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	10,059	3,267	13,326
Accrued Wages Payable	1,568	1,863	3,431
Accrued Utility Payments	5,086	4,481	9,567
Due to Other Governmental Units	6,501	8,282	14,783
Tenants Security Deposits	10,026	21,336	31,362
Compensated Absences	2,620	10,258	12,878
Unearned Revenues	<u>3,108</u>	<u>793</u>	<u>3,901</u>
Total Current Liabilities	38,968	50,280	89,248
Noncurrent Liabilities:			
Due to Other Governmental Units	<u>1,077</u>	<u>1,652</u>	<u>2,729</u>
Total Liabilities	<u>40,045</u>	<u>51,932</u>	<u>91,977</u>
NET POSITION			
Investment in Capital Assets	1,402,875	350,368	1,753,243
Unrestricted	<u>105,753</u>	<u>842,023</u>	<u>947,776</u>
Total Net Position	<u>\$ 1,508,628</u>	<u>\$ 1,192,391</u>	<u>\$ 2,701,019</u>

See accompanying Notes to Financial Statements.

HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2019

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Public Housing</u>	<u>Edgewood</u>	<u>Totals</u>
OPERATING REVENUES			
Intergovernmental:			
HUD PHA Operating Grants	\$ 69,825	\$ -	\$ 69,825
Other Government Grants	-	94,826	94,826
Total Intergovernmental Revenues	<u>69,825</u>	<u>94,826</u>	<u>164,651</u>
Rental Income:			
Net Tenant Rental	196,289	221,685	417,974
Tenant Rental - Other	9,565	7,871	17,436
Total Rental Income	<u>205,854</u>	<u>229,556</u>	<u>435,410</u>
Other Miscellaneous Income:			
Laundry Income	2,531	8,431	10,962
Miscellaneous	191	171	362
Total Other Miscellaneous Income	<u>2,722</u>	<u>8,602</u>	<u>11,324</u>
Total Operating Revenues	<u>278,401</u>	<u>332,984</u>	<u>611,385</u>
OPERATING EXPENSES			
Administration	60,630	116,118	176,748
Utilities	66,479	59,704	126,183
Ordinary Maintenance and Operations	105,073	129,952	235,025
Tenant Services	3,579	5,273	8,852
General Expense	29,739	30,270	60,009
Depreciation	162,469	42,106	204,575
Total Operating Expenses	<u>427,969</u>	<u>383,423</u>	<u>811,392</u>
OPERATING LOSS	(149,568)	(50,439)	(200,007)
NONOPERATING REVENUES (EXPENSES)			
Interest Income (Expense)	(19)	15,287	15,268
LOSS BEFORE CAPITAL CONTRIBUTIONS	(149,587)	(35,152)	(184,739)
CAPITAL CONTRIBUTIONS	<u>51,881</u>	<u>-</u>	<u>51,881</u>
CHANGE IN NET POSITION	(97,706)	(35,152)	(132,858)
Net Position - Beginning of Year	<u>1,606,334</u>	<u>1,227,543</u>	<u>2,833,877</u>
NET POSITION - END OF YEAR	<u>\$ 1,508,628</u>	<u>\$ 1,192,391</u>	<u>\$ 2,701,019</u>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2019**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Public Housing</u>	<u>Edgewood</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Rent	\$ 194,671	\$ 230,871	\$ 425,542
Cash Received from Other Sources	13,242	8,602	21,844
Operating Subsidies - HUD	69,825	94,826	164,651
Cash Paid to Other Suppliers of Goods or Services	(149,126)	(197,702)	(346,828)
Cash Payments to Employees for Services	(123,659)	(168,826)	(292,485)
Net Cash Provided (Used) by Operating Activities	<u>4,953</u>	<u>(32,229)</u>	<u>(27,276)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Grants Received	71,777	-	71,777
Interfund Borrowing	(7,378)	-	(7,378)
Acquisition of Capital Assets	(45,787)	(1)	(45,788)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>18,612</u>	<u>(1)</u>	<u>18,611</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	(19)	15,288	15,269
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>23,546</u>	<u>(16,942)</u>	<u>6,604</u>
Cash and Cash Equivalents - Beginning of Year	<u>108,847</u>	<u>910,213</u>	<u>1,019,060</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 132,393</u>	<u>\$ 893,271</u>	<u>\$ 1,025,664</u>
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION			
Cash and Cash Equivalents	\$ 121,970	\$ 871,935	\$ 993,905
Restricted Assets - Cash and Cash Equivalents	10,423	21,336	31,759
Cash and Investments - Statement of Net Position	<u>\$ 132,393</u>	<u>\$ 893,271</u>	<u>\$ 1,025,664</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Loss	\$ (149,568)	\$ (50,439)	\$ (200,007)
Adjustment to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:			
Depreciation	162,469	42,106	204,575
(Increase) Decrease in Assets:			
Accounts Receivable	(1,618)	880	(738)
Inventory	772	-	772
Due from Other Governments	-	5	5
Increase (Decrease) in Liabilities:			
Accounts Payable	(5,163)	2,868	(2,295)
Due to Other Governmental Units	(283)	221	(62)
Unearned Revenue	955	430	1,385
Tenants Security Deposits	(181)	515	334
Accrued Expenses	(2,430)	(28,815)	(31,245)
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,953</u>	<u>\$ (32,229)</u>	<u>\$ (27,276)</u>

See accompanying Notes to Financial Statements.

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
MARCH 31, 2019**

	<u>Agency Fund</u>
ASSETS	
Cash and Investments	<u>\$ 4,142</u>
LIABILITIES	
Cash Held for Tenant Activities	<u>\$ 4,142</u>

See accompanying Notes to Financial Statements.

HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing and Redevelopment Authority of Crosby (the Authority) was created for the purpose of providing housing and redevelopment services to the local area. The Authority was formed and operates pursuant to applicable Minnesota laws. The governing board consists of a five-member board appointed by the city council.

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

A. Financial Reporting Entity

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

Component units are legally separate entities for which the Authority (Primary Government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the Primary Government misleading. The criteria used to determine if the Primary Government is financially accountable for a component unit include whether or not the Primary Government appoints 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 Authority.

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.

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 activities. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activities; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activities. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. 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.

Tax Increment 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.

The Authority reports the following major governmental fund:

Augusta Housing Fund – The Augusta Housing Fund is used to account for the Augusta Housing tax increment financing activity. This fund collects restricted tax increments which are used to repay the developer and other TIF related expenditures.

The Authority reports the following major proprietary funds:

Public Housing – 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.

Edgewood – The Edgewood Fund is used to account for the rental and other income, housing assistance payments, and the expenses related to the operations and maintenance of low income housing units.

HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Additionally, the Authority reports the following fiduciary fund type:

Agency Fund – The Tenant Activities Account is used to account for receipts and disbursements for the tenant activities. The Agency Fund is custodial in nature (assets equal liabilities).

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, operating subsidies, 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 Cash Equivalents

Cash balances from all funds (including cash equivalents) are pooled and invested to the extent available in various securities as authorized by Minnesota Statutes. Investments are stated at fair value, except for nonparticipating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less which are recorded at amortized cost. Investment earnings are allocated to all funds on the basis of average cash balances.

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 to be cash and cash equivalents. Cash and cash equivalents consist of checking and saving certificate accounts, cash on hand, and repurchase agreements.

2. Restricted Assets

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

HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Accounts Receivable

Accounts receivable in excess of 90 days after move out date is written off as uncollectible. There was \$7,705 of bad debt expense written-off in the current year.

4. Inventory

The costs of inventory items are recognized as expenses in the proprietary funds when used. Inventories are presented at lower of cost or market, using first in/first out (FIFO) method.

5. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the business-type activities column in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

6. Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave accrual varies from zero – 240 hours per year. Employees may accumulate up to a maximum of 240 hours at any given time for employees who work 40 hours and is prorated for those working less than that. Employees will forfeit any vacation leave in excess of the 240 hours. Sick days accumulate at the rate of 8 hours per month with no maximum for full-time employees hired before May 26, 2015 and a maximum accumulation of 960 hours (prorated) for those hired after that date.

HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Tenant Deposits

Security deposits are collected from tenants and are held in 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.

8. Equity

Equity is divided into the following sections:

Net Position – Net Position represents the difference between assets and liabilities in the Government-Wide and Proprietary Fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the Government-Wide and Proprietary Fund financial statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Fund Balance – In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Nonspendable fund balance represents amounts that are inherently nonspendable or assets that are legally or contractually required to be maintained intact. Restricted fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties. Committed fund balance represents constraints on spending that the government imposes upon itself by high-level formal action prior to the close of the fiscal period. Assigned fund balance represents resources intended for spending for a purpose set by the government body itself or by some person or body delegated to exercise such authority in accordance with policy established by the board. 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 and Edgewood enterprise funds pays to Crow Wing County 5% of the total annual public housing rents less the total utilities.

HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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.

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; 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 March 31, 2019 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

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.

At March 31, 2019, the Authority had the following investments:

	Amount
Money Market	\$ 118,539
Negotiable CD's	729,037
Total Investments	\$ 847,576

HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Investments (Continued)

Interest rate risk – Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. Investments are categorized to give an indication of the level of interest rate risk assumed at year-end. Fair market values and maturities as of March 31, 2019 are as follows:

Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months
U.S. Government Money Market Fund	\$ 118,539	\$ 118,539	\$ -	\$ -
Negotiable CD's	729,037	200,003	200,901	328,133
Total	<u>\$ 847,576</u>	<u>\$ 318,542</u>	<u>\$ 200,901</u>	<u>\$ 328,133</u>

Credit Risk – Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Credit quality ratings for the Authority's investments as of March 31, 2019 are as follows:

	Credit Quality Rating	Amount
Money Market	Not Rated	\$ 118,539
Negotiable CD's	Not Rated	729,037

Concentration of Credit Risk – Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments in any one issuer (other than U.S. Treasury) that represent 5% or more of total fund investments at March 31, 2019 are as follows:

Issuer	Amount	Percentage
Ally Bk Midvale Utah	\$ 126,055	14.87 %
Ally Bk Midvale Utah	100,003	11.80
Discover Bk Greenwood Del	100,330	11.84
Eaglebank Bethesda MD	100,571	11.87
Morgan Stanley Bk N A Utah CD	100,000	11.80
Sallie Mae Bk SlT Lake City	202,078	23.84
Total	<u>\$ 729,037</u>	

HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Investments (Continued)

Fair Value Measurements

The Authority uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The Authority follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Authority has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statement of net position are categorized based on the inputs to the valuation techniques as follows:

- Level I – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- Level II – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- Level III – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

<u>Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Negotiable CD's	\$ -	\$ 729,037	\$ -	\$ 729,037

Cash and investments are presented in these financial statements:

Cash and Investments - Governmental Fund	\$ 18,700
Cash and Investments - Business Type Funds	993,905
Restricted Cash and Investments - Business-Type Funds	<u>31,759</u>
Total Cash and Investments	<u>\$ 1,044,364</u>

HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

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 or Edgewood rent as of March 31, 2019.

4. Interfund Activity

Due to/from other funds for the year ended March 31, 2019, were as follows:

	Due To:
Due from:	Public Housing
TIF Fund	\$ 7,378

This balance is due to expenditures allowed by a new agreement to be spent with TIF money, however, it was not transferred as of the end of the year.

5. Capital Assets

Capital asset activity for the Authority for the year ended March 31, 2019 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 37,910	\$ -	\$ -	\$ 37,910
Construction in Progress	18,251	35,841	(18,251)	35,841
Total Capital Assets, Not Being Depreciated	56,161	35,841	(18,251)	73,751
Capital Assets, Being Depreciated:				
Buildings and Improvements	5,487,427	28,197	-	5,515,624
Furniture, Equipment, and Machinery - Dwelling Units	38,923	-	-	38,923
Furniture, Equipment, and Machinery - Administration	68,863	-	-	68,863
Total Capital Assets, Being Depreciated	5,595,213	28,197	-	5,623,410
Less: Accumulated Depreciation	(3,739,343)	(204,575)	-	(3,943,918)
Total Capital Assets, Being Depreciated, Net	1,855,870	(176,378)	-	1,679,492
Business-Type Activities Capital Assets, Net	\$ 1,912,031	\$ (140,537)	\$ (18,251)	\$ 1,753,243

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

Business-Type Activities:	
Public Housing	\$ 162,469
Edgewood	42,106
Total Depreciation Expense - Business-Type Activities	\$ 204,575

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities

Compensated Absences Payable

The Authority has the following changes in Compensated Absences for the year ended March 31, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities					
Compensated Absences Payable:					
Public Housing	\$ 5,306	\$ 4,956	\$ 7,642	\$ 2,620	\$ 2,620
Edgewood	39,339	6,740	35,821	10,258	10,258
Total Compensated Absences Payable	<u>\$ 44,645</u>	<u>\$ 11,696</u>	<u>\$ 43,463</u>	<u>\$ 12,878</u>	<u>\$ 12,878</u>

NOTE 4 DEFINED CONTRIBUTION PENSION PLAN

Plan Description

Qualified employees of the Authority belong to the Lincoln Financial Group Retirement 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 March 31, 2019. That report may be obtained by contacting the Authority.

Plan Funding

The Plan is funded by employer and employee contributions (8.5% and 6.5% of gross wages, respectively). The employee may also elect to contribute additional amounts as governed by the Plan. The Authority's and employees' contributions for the years ended March 31, 2019, 2018, and 2017 were as follows:

	2019	2018	2017
Total Payroll	\$ 177,040	\$ 135,048	\$ 114,588
Covered Payroll	128,880	117,159	114,588
Employer Contributions 401(a) Plan	10,948	9,953	9,740
Employee Contributions 401(a) Plan	7,728	7,025	6,876

HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 5 RISK MANAGEMENT

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

NOTE 6 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.

SUPPLEMENTARY INFORMATION

HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
FINANCIAL DATA SCHEDULE
MARCH 31, 2019

Line Item #	Account Description	Public Housing Low Rent	Edgewood
ASSETS			
CURRENT ASSETS			
CASH			
111	Cash - Unrestricted	\$ 121,970	\$ 871,935
113	Cash - Other Restricted	-	-
114	Cash - Tenant Security Deposits	10,423	21,336
100	Total Cash	<u>132,393</u>	<u>893,271</u>
ACCOUNTS AND ACCOUNTS RECEIVABLE			
124	Accounts Receivable - Other Government	7,378	-
125	Accounts Receivable - Miscellaneous	-	1
126	Accounts Receivable - Tenants	3,072	9
127	Notes, Loans, and Mortgages Receivable - Current	2,754	674
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>13,204</u>	<u>684</u>
143	Inventory	201	-
150	Total Current Assets	<u>145,798</u>	<u>893,955</u>
NONCURRENT ASSETS			
FIXED ASSETS			
161	Land	37,910	-
162	Building and Improvements	4,582,597	933,027
163	Furniture, Equipment and Machinery - Dwellings	22,025	15,564
164	Furniture, Equipment and Machinery - Administration	6,242	63,955
166	Accumulated Depreciation	(3,281,740)	(662,178)
167	Construction in Progress	35,841	-
160	Total Capital Assets, Net of Accumulated Depreciation	<u>1,402,875</u>	<u>350,368</u>
290	Total Assets	<u><u>\$ 1,548,673</u></u>	<u><u>\$ 1,244,323</u></u>

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
FINANCIAL DATA SCHEDULE (CONTINUED)
MARCH 31, 2019**

Economic Development and Supporting Services	Fiduciary Fund Agency	Total
\$ -	\$ 4,142	\$ 998,047
18,700	-	18,700
-	-	31,759
<u>18,700</u>	<u>4,142</u>	<u>1,048,506</u>
-	-	7,378
-	-	1
-	-	3,081
-	-	3,428
<u>-</u>	<u>-</u>	<u>13,888</u>
-	-	201
<u>18,700</u>	<u>4,142</u>	<u>1,062,595</u>
-	-	37,910
-	-	5,515,624
-	-	37,589
-	-	70,197
-	-	(3,943,918)
-	-	35,841
<u>-</u>	<u>-</u>	<u>1,753,243</u>
<u>\$ 18,700</u>	<u>\$ 4,142</u>	<u>\$ 2,815,838</u>

HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
FINANCIAL DATA SCHEDULE (CONTINUED)
MARCH 31, 2019

Line Item #	Account Description	Public Housing Low Rent	Edgewood
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
312	Accounts Payable < 90 Days	\$ 10,059	\$ 3,267
321	Accrued Wage/Payroll Taxes Payable	1,568	1,863
322	Accrued Compensated Absences - Current Portion	2,620	10,258
333	Accounts Payable - Other Government	6,501	8,282
341	Tenant Security Deposits	10,026	21,336
342	Unearned Revenue	3,108	793
345	Other Current Liabilities	-	-
346	Accrued Liabilities - Other	5,086	4,481
310	Total Current Liabilities	<u>38,968</u>	<u>50,280</u>
NONCURRENT LIABILITIES			
353	Noncurrent Liabilities - Other	<u>1,077</u>	<u>1,652</u>
300	Total Liabilities	40,045	51,932
NET POSITION			
508.4	Investment in Capital Assets	1,402,875	350,368
511.4	Restricted Net Position	-	-
512.4	Unrestricted Net Position	<u>105,753</u>	<u>842,023</u>
513	Total Net Position	<u>1,508,628</u>	<u>1,192,391</u>
600	Total Liabilities and Net Position	<u>\$ 1,548,673</u>	<u>\$ 1,244,323</u>

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
 FINANCIAL DATA SCHEDULE (CONTINUED)
 MARCH 31, 2019**

Economic Development and Supporting Services	Fiduciary Fund Agency	Total
\$ 7,378	\$ -	\$ 20,704
-	-	3,431
-	-	12,878
-	-	14,783
-	-	31,362
-	-	3,901
-	-	-
-	-	9,567
<u>7,378</u>	<u>-</u>	<u>96,626</u>
<u>-</u>	<u>4,142</u>	<u>6,871</u>
7,378	4,142	103,497
-	-	1,753,243
11,322	-	11,322
-	-	947,776
<u>11,322</u>	<u>-</u>	<u>2,712,341</u>
<u>\$ 18,700</u>	<u>\$ 4,142</u>	<u>\$ 2,815,838</u>

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED MARCH 31, 2019**

Line Item #	Account Description	Public Housing Low Rent	Public Housing Capital Fund Program
REVENUE			
70300	Net Tenant Rental Revenue	\$ 196,289	\$ -
70400	Tenant Revenue - Other	9,565	-
70500	Total Tenant Revenue	<u>205,854</u>	-
70600	HUD PHA Operating Grants	69,825	10,000
70610	Capital Grants	-	<u>13,942</u>
70700	Total Fee Revenue	<u>69,825</u>	<u>23,942</u>
70800	Other Government Grants	27,939	-
71100	Investment Income - Unrestricted	(19)	-
71500	Other Revenue	<u>2,722</u>	-
70000	Total Revenue	<u>306,321</u>	<u>23,942</u>
EXPENSES			
<u>Administrative</u>			
91100	Administrative Salaries	23,457	-
91200	Auditing Fees	3,125	-
91300	Outside Management Fees	26,000	-
91400	Advertising and Marketing	608	-
91500	Employee Benefit Contributions - Administrative	5,659	-
91600	Office Expenses	2,666	-
91700	Legal Expense	-	-
91800	Travel	556	-
91000	Total Operating - Administrative	<u>62,071</u>	-
<u>Tenant Services</u>			
92100	Tenant Services - Salaries	3,273	-
92300	Employee Benefit Contributions - Tenant Services	111	-
92400	Tenant Services - Other	193	-
92500	Total Tenant Services	<u>3,577</u>	-
<u>Utilities</u>			
93100	Water	12,454	-
93200	Electricity	20,995	-
93300	Gas	11,964	-
93600	Sewer	21,066	-
93000	Total Utilities	<u>66,479</u>	-
<u>Ordinary Maintenance and Operation</u>			
94100	Ordinary Maintenance and Operations - Labor	36,927	-
94200	Ordinary Maintenance and Operations - Materials and Other	11,234	-
94300	Ordinary Maintenance and Operations - Contract Costs	38,969	-
94500	Employee Benefit Contributions - Ordinary Maintenance	<u>18,934</u>	-
94000	Total Maintenance	<u>106,064</u>	-

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED MARCH 31, 2019**

<u>Edgewood</u>	<u>Economic Development and Supporting Services</u>	<u>Total</u>
\$ 221,685	\$ -	\$ 417,974
7,871	-	17,436
<u>229,556</u>	<u>-</u>	<u>435,410</u>
-	-	79,825
-	-	13,942
<u>-</u>	<u>-</u>	<u>93,767</u>
94,826	-	122,765
15,287	12	15,280
8,602	17,020	28,344
<u>348,271</u>	<u>17,032</u>	<u>695,566</u>
37,536	-	60,993
3,125	-	6,250
64,000	-	90,000
685	-	1,293
8,669	-	14,328
2,647	-	5,313
599	-	599
498	-	1,054
<u>117,759</u>	<u>-</u>	<u>179,830</u>
4,910	-	8,183
167	-	278
193	-	386
<u>5,270</u>	<u>-</u>	<u>8,847</u>
6,262	-	18,716
27,760	-	48,755
14,083	-	26,047
11,599	-	32,665
<u>59,704</u>	<u>-</u>	<u>126,183</u>
65,106	-	102,033
12,896	-	24,130
55,503	-	94,472
23,623	-	42,557
<u>157,128</u>	<u>-</u>	<u>263,192</u>

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED MARCH 31, 2019**

Line Item #	Account Description	Public Housing Low Rent	Public Housing Capital Fund Program
	EXPENSES (CONTINUED)		
	<u>General Expenses</u>		
96110	Property Insurance	\$ 11,451	\$ -
96120	Liability Insurance	2,780	-
96130	Workmen's Compensation	2,088	-
96140	All Other Insurance	1,791	-
96100	Total Insurance Premiums	<u>18,110</u>	<u>-</u>
96200	Other General Expenses	-	-
96210	Compensated Absences	(2,430)	-
96300	Payments in Lieu of Taxes	6,400	-
96400	Bad Debt - Tenant Rents	5,229	-
96000	Total Other General Expenses	<u>9,199</u>	<u>-</u>
96900	Total Operating Expenses	<u>265,500</u>	<u>-</u>
97000	EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER (UNDER) OPERATING EXPENSES	40,821	23,942
	<u>Other Expenses</u>		
97400	Depreciation Expense	162,469	-
90000	Total Expenses	<u>427,969</u>	<u>-</u>
	<u>Other Financing Sources (Uses)</u>		
10010	Operating Transfer In	23,942	-
10020	Operating Transfer Out	-	(23,942)
10100	Financing	<u>23,942</u>	<u>(23,942)</u>
10000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	<u>\$ (97,706)</u>	<u>\$ -</u>
	<u>Memo Account Information</u>		
11030	Beginning Equity	\$ 1,606,334	\$ -
11040	Prior Period Adjustments and Correction of Errors	-	-
11190	Unit Months Available	708	-
11210	Number of Unit Months Leased	698	-
11270	Excess Cash	84,504	-
11620	Building Purchases	-	-

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED MARCH 31, 2019**

<u>Edgewood</u>	<u>Economic Development and Supporting Services</u>	<u>Total</u>
\$ 13,485	\$ -	\$ 24,936
2,392	-	5,172
2,088	-	4,176
1,760	-	3,551
<u>19,725</u>	<u>-</u>	<u>37,835</u>
-	15,378	15,378
(28,814)	-	(31,244)
8,069	-	14,469
2,476	-	7,705
<u>(18,269)</u>	<u>15,378</u>	<u>6,308</u>
<u>341,317</u>	<u>15,378</u>	<u>622,195</u>
6,954	1,654	73,371
42,106	-	204,575
<u>383,423</u>	<u>15,378</u>	<u>826,770</u>
-	-	23,942
-	-	(23,942)
-	-	-
<u>\$ (35,152)</u>	<u>\$ 1,654</u>	<u>\$ (131,204)</u>
\$ 1,227,543	\$ 9,668	\$ 2,843,545
-	-	-
732	-	1,440
721	-	1,419
-	-	84,504
-	-	-

OTHER INFORMATION

**HOUSING AND REDEVELOPMENT AUTHORITY OF CROSBY
 STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS
 YEAR ENDED MARCH 31, 2019
 (UNAUDITED)**

	<u>MN46P08250116</u>	<u>MN46P08250117</u>	<u>MN46P982501-18</u>
The Actual Modernization Costs are as Follows:			
Funds Approved - Total Grant	\$ 61,885	\$ 63,400	\$ 97,865
Funds Expended - Grant Expenditures to Date	<u>61,885</u>	<u>-</u>	<u>-</u>
Excess of Funds Approved	<u>\$ -</u>	<u>\$ 63,400</u>	<u>\$ 97,865</u>
Funds Advanced - FY 19	\$ -	\$ -	\$ -
Funds Expended - FY 19	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Funds Advanced	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Funds Received During Current Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Status	Complete	Not Complete	Not Complete

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
Housing and Redevelopment Authority of Crosby
Crosby, Minnesota

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Housing and Redevelopment Authority of Crosby (the Authority), as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated July 23, 2019.

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

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

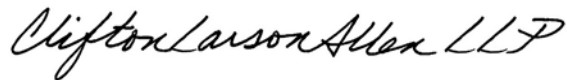
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of This Report

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



CliftonLarsonAllen LLP

Brainerd, Minnesota
July 23, 2019



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Housing and Redevelopment Authority of Crosby (the Authority), as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 23, 2019.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions and tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
July 23, 2019