

Board Meeting Agenda  
Fairmont Housing & Redevelopment Authority Board of Commissioner  
Meeting

Date: Monday, June 13, 2022

Time: 12:00 PM

- I. Call to order, roll call: Commissioner Kopischke , Commissioner Mosloski, Commissioner Brau, Commissioner Determan, and Resident Commissioner Goerndt
- II. Approval of Agenda
- III. Approval of previous minutes
- IV. Approval of monthly bills report
- V. Open Forum: the open forum is a portion of the Board meeting where residents will be allowed to address the Board. Person must register with Executive Director 48 hours prior to the meet.
  - A. Schedule Guest: Tami Zanke, Karla Fitzloft
- VI. Unfinished Business
- VII. New Business
  1. Resolution 231-2022 1 C offline
  2. Resolution 232-2022 Audit
  3. Operating Reserves Litigation
- VIII. Informational

REGULAR MEETING OF THE HOUSING AND REDEVELOPMENT AUTHORITY  
OF FAIRMONT, MN  
May 9, 2022 – 12:00 P.M

A regular meeting of the Board of Directors was held on Monday, May 9, 2022, in the Friendship Village Community Room. Members present: Commissioner Kopischke, Commissioner Determan, Commissioner Brau, and Resident Commissioner Debra Goerndt. Also present were: Executive Director Gail Diede, and Councilman Lubenow and City Administrator Cathy Reynolds.

Commissioner Kopischke called the meeting to order at 12:00 pm with the consent agenda approved (Brau/Goerndt) Motion carried. Previous minutes approved. (Brau/Goerndt) motion carried. Monthly bills approved (Brau/Goerndt) motion carried.

Open Forum: the open forum is a portion of the Board meeting where residents will be allowed to address the Board. Persons must register with Gail Diede, Executive Director, 48 hours prior to the meeting. No request

Old Business consisted of:

New Business consisted of:

1. Resolution 230-2022 Retirement Plan Authorization for ED to sign for the implementation of Cycle 3. ED stated this is for requirements of the 2017 IRS Cumulative List (IRS Notice 2017-37), the American Taxpayer Relief Act of 2012, the Tax Cuts and Jobs Act of 2017 and other applicable guidance (collectively referred to herein as the Cycle 3. This does not change plan, which has been in place since 12-1-1991. Brau made a motion to approve, second by Determan. On roll Call: Brau, Kopischke Goerndt, Determan voted aye. Motion carried.
2. CD renewal from Bank Midwest, Ed quoted rates Bank Midwest 13 mo. .50, Profinium 12 mo. .21, US Bank 17 mo. .15, First Farmers 13 mo. .15, State Bank no offer at this time. Brau, and Kopischke abstain from vote. Determan made motion for Bank Midwest, second by Goerndt. Motion carried.
3. Action Steps from SWOT, suggested action steps were provided by R. Hemmerlin, consultant hired by the FHRA. Discussion by board members on the HRA pursuing a tax levy of up to \$158,00 for personal to be hired to assist in community development. This could be a shared position with the City of Fairmont, being part time at each location. Motion by Brau, second by Determan. Motion carried.
4. Mission statement, Kopischke motioned to postpone, second by Determan. Motion carried.

Informational:

1. Cathy Reynolds reported that she had talked with Southwest Minnesota Housing Partnership. They are a nonprofit organization and help with workforce and low-income housing. SWMHP was also listed on Hemmerlins SWOT steps. SWMHP can work with the City and HRA.
2. Cathy Reynolds reported that Southwest Minnesota Housing Partnership was interested in the Whitetail Ridge lots. They were unable to submit a completed RFP at that time. They will be meeting May 11<sup>th</sup> to continue discussions.
3. ED reported a No Trespass was issued to T. Zanke and the letter was her request to have board remove no trespass. Will let police department make the decision to be charged with illegal dump or not.
4. ED reported reaction to methamphetamine when entering a unit on site.

Respectfully submitted

*Gail Diede*

Gail Diede  
Executive Director

BOARD OF DIRECTORS MEETING June 13, 2022

Bills Due		UTILITIES	OTHERS
City of Fairmont	Electric	\$ 14,902.84	
Midcontinent	Cable	\$ 2,617.99	
Matrix	Retirement		\$ 2,810.62
Medica	Health Insurance		\$ 4,659.39
Hawkins Ash	Mth acctg/budget		\$ 670.00
Verizon	cell phone		\$ 112.40
Arbriter PLLC	Legal		\$ 98.00
Albin Acquisition	backgrounds		\$ 80.00
JH Larson	materials		\$ 10.39
Waste Systems	garbage		\$ 3,108.19
MN Energy	gas	\$ 159.42	
Boekett	materials		\$ 342.27
Midcontinent	internet/phone		\$ 204.67
True Value	materials		\$ 510.09
Bomgaars	materials		\$ 279.81
Reed Brinkman	fee attg		\$ 1,005.00
PC Janitorial	materials		\$ 272.54
Jetter Clean	bldg 9 and 3		\$ 650.00
Cardmember	materials		\$ 666.60
Richards Auto	pickup brakes		\$ 1,099.65
Servpro	1 C test		\$ 987.53
Doolittles	materials		\$ 223.84
Carpet Plus	blinds/office		\$ 2,829.56
JL Computers	IT year		\$ 1,020.00
Kahler Electric	Camera System		\$ 166.25
A OK	unit 10		\$ 440.00
Brennan Construction	Contract final		\$ 5,344.84
Leroy Rogge	tenant Services		\$ 200.00
Cavanaugh and Company	audit		\$ 4,455.00
Studio E	Architect		\$ 621.00
		\$ 17,680.25	\$ 32,867.64
<b>Bills paid prior to board meeting</b>		<b>UTILITIES</b>	<b>OTHERS</b>
Pam Nelson	sec dep		\$ 113.30
Total Prepaid		\$ -	\$ 113.30
Extraordinary & Annual Bills:		Total Utilities	\$ 17,680.25
		Total Others	\$32,980.94
Total non-regular bills	\$ -		
Total regular bills	\$ 50,774.49	Total Bills	\$ 50,774.49

Board Chair Signature: \_\_\_\_\_

## Board of Directors June 13, 2022 Business Acct

[illegible]

Board Chair Signature: \_\_\_\_\_

**Fairmont Housing & Redevelopment Authority**  
500 Home Street  
Fairmont, MN 56031  
Ph. 507-235-9691 Fax 507-235-9230  
Email: fairmonthra@gmail.com

**Resolution 232-2022**  
**2021 Audit**

June 13, 2022

The Fairmont HRA Board of Directors approves the audit as prepared by Cavanaugh & Company and gives the Executive Director permission to submit to HUD.

Chairman \_\_\_\_\_ Ron Kopischke

Vice Chairman \_\_\_\_\_ Mike Brau

Secretary \_\_\_\_\_ Claire Mosloski

Commissioner \_\_\_\_\_ Paul Determan

Resident Commissioner \_\_\_\_\_ Debra Goerndt

\_\_\_\_\_  
Chairman/Vice Chairman

\_\_\_\_\_  
Date



May 19, 2022

To the Members of the Board  
Fairmont Housing and Redevelopment Authority  
Fairmont, Minnesota

We have audited the financial statements of the Fairmont Housing and Redevelopment Authority (the Authority) for the year ended September 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 10, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Matters**

#### **Qualitative Aspects of Accounting Practice**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new significant accounting policies were adopted, and the application of existing policies was not changed during 2021. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear. We attached a list of recently issued accounting standards by the Governmental Accounting Standards Board. These standards were not relevant to the Authority and were not implemented.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

#### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

**Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to the management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statements, financial data schedule, and statement and certification of actual modernization costs which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Restriction on Use**

This information is intended solely for the information and use of the governing board and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Cavanaugh & Company, PLLC*

Cavanaugh & Company, PLLC  
Edina, Minnesota



## Recently Issued Accounting Standards

*The effect of these standards may have on future financial statements is not determinable at this time.*

**GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32** *Effective for periods beginning after June 15, 2021.*

**GASB Statement No. 96, Subscription-Based Information Technology Arrangements** *Effective for fiscal years beginning after June 15, 2022.*

**GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance** **Effective Date:** *The requirements of this Statement are effective immediately.*

**GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements** *Effective for fiscal years beginning after June 15, 2022.*

**GASB Statement No. 93, Replacement of Interbank Offered Rates** *Effective dates range from reporting periods beginning after June 15, 2020, December 31, 2021 and June 15, 2021.*

**GASB Statement No. 92, Omnibus 2020** *Effective as mostly for fiscal years beginning after June 15, 2021.*

**GASB Statement No. 91, Conduit Debt Obligations** *Effective for reporting periods beginning after December 15, 2021.*

**GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61** **Effective Date:** *Effective for reporting periods beginning after December 15, 2019.*

**GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period** **Effective Date:** *Effective for reporting periods beginning after December 15, 2020.*

**GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements** *Effective for reporting periods beginning after June 15, 2019.*

**GASB Statement No. 87, Leases** *Effective for fiscal years beginning after June 15, 2021.*



**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY  
FAIRMONT, MINNESOTA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2021**

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY  
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YEAR ENDED SEPTEMBER 30, 2021**

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Fairmont Housing and Redevelopment Authority  
Fairmont, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Fairmont Housing and Redevelopment Authority (the Authority) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion 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 auditor's 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 entity'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 entity'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 opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of September 30, 2021, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 3 through 8 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 accompanying combining financial statements, financial data schedule, and statement and certification of actual modernization costs are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information including the combining financial statements, financial data schedule, and statement and certification of actual modernization costs 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Cavanaugh & Company, PLLC*

Cavanaugh & Company, PLLC  
Edina, Minnesota  
May 19, 2022

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2021**

The Fairmont Housing and Redevelopment Authority (the Authority) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the Authority's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Authority's net position increased by \$1,387,713 (or 38.7%) during 2021. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net position. Net position was \$4,969,220 and \$3,581,507 for 2021 and 2020, respectively.
- The operating revenue decreased by \$83,858 (or 8.4%) during 2021 and was \$911,477 and \$995,335 for 2021 and 2020, respectively.
- The total operating expenses decreased by \$188,231 (or 18.0%). Total operating expenses were \$859,122 and \$1,047,353 for 2021 and 2020, respectively.
- The net nonoperating revenues (expenses) increased by \$1,229,648 during 2021 and was \$1,227,492 and \$(2,156) for 2021 and 2020, respectively.

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2021**

**BASIC FINANCIAL STATEMENTS**

The basic 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 Authority consists of exclusively enterprise funds, which use full accrual basis of accounting. All the Authority's activities are reported as a single enterprise fund. This method of accounting is similar to accounting utilized by private sector accounting.

These statements include a *Statement of Net Position*, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The Statement of Net position presents financial information on all of the assets, liabilities, and deferred inflows/outflows of resources, with the difference, reported as net position. Assets and liabilities are presented in order of liquidity and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, and deferred inflows/outflows of resources, for the entire Authority. Net Position is reported in three broad categories:

*Net Investment in Capital Assets:* This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted Net Position:* This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

*Unrestricted Net Position:* Consists of Net Position that do not meet the definition of "Net Investment in Capital Assets", or "Restricted Net Position".

The basic financial statements also include a *Statement of Revenues, Expenses, and Changes in Net Position* (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income and operating grants, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as capital grant revenue, investment income, and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Finally, a *Statement of Cash Flows* is included, which discloses net cash provided by or used for operating activities, non-capital financing activities, from capital and related financing activities, and investing activities.

Many of the programs maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.



**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2021**

**BASIC FINANCIAL STATEMENTS**

**Statement of Net Position**

The following table reflects the condensed Statement of Net Position as of September 30, 2021 and 2020.

**TABLE 1  
STATEMENT OF NET POSITION**

	2021	2020	Increase (Decrease)
Current and Other Assets	\$ 2,746,315	\$ 1,793,934	\$ 952,381
Capital Assets	2,335,507	3,039,980	(704,473)
Total Assets	<u>5,081,822</u>	<u>4,833,914</u>	<u>247,908</u>
Current Liabilities	112,602	1,252,407	(1,139,805)
Total Liabilities	<u>112,602</u>	<u>1,252,407</u>	<u>(1,139,805)</u>
Net Position			
Net Investment in Capital Assets	2,335,507	1,929,437	406,070
Unrestricted	2,633,713	1,652,070	981,643
Total Net Position	<u>\$ 4,969,220</u>	<u>\$ 3,581,507</u>	<u>\$ 1,387,713</u>

For more detailed information, see the Statement of Net Position.

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2021**

**Statement of Revenues, Expenses and Changes in Net Position**

The following table reflects the Changes in Net Position for the years ended September 30, 2021 and 2020.

**TABLE 2  
CHANGES IN NET POSITION**

	2021	2020	Increase (Decrease)
Revenues			
Tenant Revenue	\$ 507,984	\$ 664,653	\$ (156,669)
Operating Grants	348,780	305,203	43,577
Other Revenue	54,713	25,479	29,234
Total Operating Revenue	<u>911,477</u>	<u>995,335</u>	<u>(83,858)</u>
Operating Expenses			
Administration	152,473	155,642	(3,169)
Tenant Services	32,984	36,503	(3,519)
Utilities	178,459	194,100	(15,641)
Ordinary Maintenance	272,919	337,142	(64,223)
General Expense	68,207	118,007	(49,800)
Depreciation	154,080	205,959	(51,879)
Total Operating Expenses	<u>859,122</u>	<u>1,047,353</u>	<u>(188,231)</u>
Operating Income (Loss)	<u>52,355</u>	<u>(52,018)</u>	<u>104,373</u>
Nonoperating Revenue (Expenses)			
Interest Income	11,419	31,221	(19,802)
Gain (Loss) on Disposal of Capital Assets	1,219,442	5,300	1,214,142
Interest Expense	(3,369)	(38,677)	35,308
Net Nonoperating Revenues (Expenses)	<u>1,227,492</u>	<u>(2,156)</u>	<u>1,229,648</u>
Capital Contributions	<u>107,866</u>	<u>292,279</u>	<u>(184,413)</u>
Change In Net Position	1,387,713	238,105	1,149,608
Net Position - Beginning	3,581,507	3,343,402	238,105
Net Position - Ending	<u>\$ 4,969,220</u>	<u>\$ 3,581,507</u>	<u>\$ 1,387,713</u>

For more detailed information, see the Financial Data Schedule.

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2021**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of September 30, 2021, the Authority had \$2,335,507 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions, and depreciation) of \$704,473 from the end of last year. The decrease is due to the sale of Burton Lane and Poetter Circle apartments.

**TABLE 3  
CAPITAL ASSETS AT YEAR END**

	2021	2020
Nondepreciable Assets		
Land	\$ 484,607	\$ 533,048
Construction in Progress	124,211	16,383
Depreciable Assets		
Buildings	5,864,154	7,576,909
Furniture, Equipment and Machinery	273,749	371,808
Accumulated Depreciation, Net	(4,411,214)	(5,458,168)
Net Capital Assets	<u>\$ 2,335,507</u>	<u>\$ 3,039,980</u>

The following reconciliation summarizes the change in capital assets, which is presented in the detail in the notes.

**TABLE 4  
CHANGE IN CAPITAL ASSETS**

Balance on September 30, 2020	\$ 3,039,980
Increases	144,979
Decreases	(1,896,406)
Accumulated Depreciation, Net	1,046,954
Balance on September 30, 2021	<u>\$ 2,335,507</u>

**LONG-TERM OBLIGATIONS**

As of September 30, 2021, the Authority had \$7,525 in long-term obligations outstanding.

**TABLE 5  
LONG-TERM OBLIGATIONS**

	2021	2020
Bonds Payable	\$ -	\$ 1,110,543
Compensated Absences	4,744	8,655
Net Capital Assets	<u>\$ 4,744</u>	<u>\$ 1,119,198</u>

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2021**

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development.
- Local inflationary, recessionary, and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, supplies, and other costs.

**FINANCIAL CONTACT**

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 Fairmont Housing and Redevelopment Authority's Executive Director, Gail Diede at 500 Home Street, Fairmont, MN 56031, call (507) 235-9691, or email at [fairmonthra@gmail.com](mailto:fairmonthra@gmail.com).

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY**  
**STATEMENT OF NET POSITION**  
**AS OF SEPTEMBER 30, 2021**

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$ 2,666,397
Cash and Cash Equivalents - Restricted	28,806
Accounts Receivable - Tenants, Net	12,490
Accounts Receivable - Other, Net	608
Prepaid Expenses and Other Assets	38,014
Total Current Assets	<u>2,746,315</u>

Capital Assets

Land	484,607
Building	5,864,154
Furniture, Equipment and Machinery	273,749
Construction in Progress	124,211
Accumulated Depreciation	(4,411,214)
Total Capital Assets, Net	<u>2,335,507</u>
Total Assets	<u>5,081,822</u>

**LIABILITIES**

Current Liabilities

Accounts Payable	30,664
Accrued Payroll Liabilities	8,027
Compensated Absences - Current	4,744
Accounts Payable - Other Government	24,237
Tenant Security Deposits	20,251
Unearned Revenue	8,555
Other Liabilities	16,124
Total Current Liabilities	<u>112,602</u>
Total Liabilities	<u>112,602</u>

**NET POSITION**

Net Investment in Capital Assets	2,335,507
Unrestricted	<u>2,633,713</u>
Total Net Position	<u>\$ 4,969,220</u>

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED SEPTEMBER 30, 2021**

**OPERATING REVENUES**

Net Tenant Rental Revenue	\$ 462,309
Tenant Revenue - Other	45,675
Total Tenant Revenue	<u>507,984</u>
HUD PHA Operating Grants	348,780
Other Revenue	54,713
Total Operating Revenues	<u>911,477</u>

**OPERATING EXPENSES**

Administrative	152,473
Tenant Services	32,984
Utilities	178,459
Ordinary Maintenance and Operations	272,919
Insurance Premiums	55,314
General Expenses	12,893
Depreciation Expense	154,080
Total Operating Expenses	<u>859,122</u>

**OPERATING INCOME (LOSS)**

52,355

**NONOPERATING REVENUES (EXPENSES)**

Interest Income - Unrestricted	11,419
Gain or Loss on Sale of Capital Assets	1,219,442
Interest Expense	(3,369)
Total Nonoperating Revenues (Expenses)	<u>1,227,492</u>

**INCOME (LOSS) BEFORE CONTRIBUTIONS**

1,279,847

HUD Capital Grants

107,866

**CHANGE IN NET POSITION**

1,387,713

Net Position - Beginning of Year

3,581,507

**NET POSITION - END OF YEAR**

\$ 4,969,220

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED SEPTEMBER 30, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Rent	\$ 475,749
Operating Subsidies - HUD	348,780
Cash Received from Other Sources	54,713
Cash Paid to Other Suppliers of Goods or Services	(575,077)
Cash Payments to Employees for Services	(130,644)
Net Cash Provided (Used) by Operating Activities	<u>173,521</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Operating Transfer In	43,686
Operating Transfers Out	(43,686)
Net Cash Provided (Used) By Noncapital And Related Financing Activities	<u>-</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Grants Received	107,866
Acquisition of Capital Assets	(144,980)
Proceeds from Sale of Capital Assets	1,914,815
Interest and Financing Charges Paid	(3,369)
Repayment of Long-term Debt	(1,110,543)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>763,789</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Received	12,427
Net Cash Provided by Investing Activities	<u>12,427</u>

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents - Beginning of Year	949,737
	<u>1,745,466</u>

**CASH AND CASH EQUIVALENTS - END OF YEAR**

	<u><u>2,695,203</u></u>
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**RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION**

Cash and Cash Equivalents	2,666,397
Cash and Cash Equivalents - Restricted	28,806
Cash and Cash Equivalents - End of Year	<u><u>\$ 2,695,203</u></u>

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED SEPTEMBER 30, 2021**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH  
PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ 52,355
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	154,080
(Increase) Decrease in Assets:	
Accounts Receivable	(7,033)
Prepayments	3,381
Increase (Decrease) in Liabilities:	
Accounts Payable	20,789
Accrued Payroll Liabilities	(3,210)
Due to other Governmental Units	(6,145)
Unearned Revenue	(25,202)
Tenants Security Deposits	(15,489)
Accrued Expenses	(5)
Net Cash Provided (Used) by Operating Activities	<u>\$ 173,521</u>



**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Statement**

The accompanying financial statements of the Fairmont Housing and Redevelopment Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Financial Reporting Entity**

The Authority was created for the purpose of providing housing and redevelopment services to the local area. The Authority's primary operations are the development and management of housing units, which are rented to low-income residents. The governing body consists of a five-member board of commissioners appointed by the Mayor and approved by the City Council.

Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Authority for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability, which includes:

- The organization is legally separate (can sue and be sued in their own name).
- The Authority holds the corporate powers of the organization.
- The Authority appoints a voting majority of the organization's board.
- The Authority is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the Authority.
- There is fiscal dependency by the organization on the Authority.

Based on the previous criteria, the Authority has determined that there are no component units that should be considered as part of the Authority reporting entity.

**Basis of Presentation**

The Authority's accounts are organized as a proprietary (enterprise) fund. The operations are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. Enterprise funds are used to account for operations that provide a service to the public financed by charges to users of that service and activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Fund Financial Statements**

The Authority segregates transactions related to certain functions or activities in separate programs in order to aid financial management and to demonstrate legal compliance. All programs have been combined into one enterprise fund for financial statement presentation. The Authority has presented the following major proprietary programs:

**Low Rent Public Housing**

This program accounts for the rental and other income, operating subsidies from HUD, and the expenses related to the operation and maintenance of low-income housing units owned by the Authority.

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (continued)**

**Capital Fund Program**

This program records the receipt of capital funding grants from HUD and the subsequent expenditure of those funds for capital improvements and operations.

**Business Activities**

This program accounts for the rental income and expenses related to the operation of eight-unit and sixteen-unit two-bedroom apartment buildings owned by the Authority. The buildings were sold on October 30, 2020, and the Authority is holding the funds for future investment.

**Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. According to the Authority's policy, governmental operating grants are considered operating revenues. The other principal operating revenues of the Authority are rent and maintenance charges to residents and operating fees earned. Operating expenses for proprietary funds include the administrative costs of providing the service. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Revenues susceptible to accrual include rental income and capital grants earned but not received. Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenue is recognized when the corresponding expenditure is incurred. The Authority also receives an annual appropriation from HUD, which is recognized as revenue when received, unless it is received prior to the period to which it applies. In that case, revenue recognition is then deferred until the appropriate period.

Investment earnings and revenue from other sources are recognized when earned.

**Budget Information**

The Authority adopts an estimated revenue and expenditure budget for each program. Comparisons of estimated revenues and budgeted expenditures to actual are not presented in the financial statements. Amendments to the original budget require board approval. Appropriations lapse at year-end. The Authority does not use encumbrance accounting.

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Position Accounts**

**Assets**

*Cash and Cash Equivalents*

The Authority's cash and cash equivalents are considered to be cash on hand, negotiable certificates of deposit, money market funds, savings accounts, demand deposits, share accounts, and short-term investments with original maturities of three months or less.

Minnesota Statutes requires all deposits to be protected by federal depository insurance, corporate surety bonds, or collateral. The total amount of the collateral computed at its market value shall be at least 10% more than the amount on deposit at the close of the financial institution's banking day, except that where the collateral is irrevocable standby letters of credit issued by Federal Home Loan Banks, the amount of collateral shall be at least equal to the amount on deposit at the close of the financial institution's banking day. The financial institution may furnish both a surety bond and collateral aggregating the required amount.

*Investments*

Investments are stated at fair value, except for nonnegotiable certificates of deposit, which are on a cost basis, and short-term money market investments, which are stated at amortized cost. The fair value of investments is based on quoted market prices. Short-term investments are valued at cost, which approximates fair value.

*Accounts Receivable*

Accounts receivable are shown net of an allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience. Accounts are written off when deemed uncollectable.

*Prepaid Items*

Certain payments made for insurance reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

*Restricted Assets*

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by grantors and other external parties.

*Transactions Between Funds*

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of each fund involved.

*Capital Assets*

Capital assets, which include property, buildings, furniture, and equipment, are reported in the applicable business-type activities for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments greater than \$5,000 are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Position Accounts (continued)**

*Capital Assets (Continued)*

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

Buildings	15-40 years
Furniture, Equipment and Machinery	5-10 years

**Liabilities**

*Accounts Payable and Other Liabilities*

All liabilities are recorded as incurred in the appropriate program.

*Unearned Revenue*

The Authority reports prepaid revenues on its statement of net position. Prepaid revenues arise when resources are received by the Authority before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for prepaid revenue is removed from the statement of net position and the revenue is recognized.

*Compensated Absences*

Under the Authority's personnel policies, employees are granted annual leave in varying amounts ranging from 12 days to 18 days per year based on years of service. Annual leave may be accumulated but not to exceed 5 days in addition to that accrued in the current calendar year. Sick pay is accumulated at a rate of 1.17 days per month with a maximum accumulation of 120 days. Accumulated annual leave is paid at the time of separation from service and no accumulated sick leave will be paid for sick leave not taken.

**Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted are amounts that do not meet the definition of restricted or net investment in capital assets.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

**Subsequent Events**

Subsequent events have been evaluated through May 19, 2022, which is the date the financial statements were available to be issued.

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Coronavirus (COVID-19)**

On March 11, 2020, the World Health Organization classified the coronavirus (COVID-19) outbreak as a pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Authority's financial condition, liquidity, and future results of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Authority is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The Authority's cash and cash equivalents at September 30, 2021, were comprised of demand deposits and certificates of deposit. The Authority had no investments as of September 30, 2021.

*Custodial Credit Risk - Deposits:* This is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's deposits must be collateralized as required by Minnesota Statutes for an amount exceeding FDIC coverage. As of September 30, 2021, the Authority's bank balances of \$2,539,623 were not exposed to custodial credit risk and were fully collateralized.

**NOTE 3 - RESTRICTED ASSETS**

**Tenant Security Deposits**

The Authority holds security deposits from tenants. Security deposits were \$20,251 as of September 30, 2021.

**Other Restricted Assets**

The Authority maintains restricted cash in the amount of unearned revenue for modernization and development. As of September 30, 2021, the restricted cash was \$8,555.

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year-ended September 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>				
<u>Capital Assets Not Being Depreciated</u>				
Land and Improvements	\$ 533,048	\$ -	\$ (48,441)	\$ 484,607
Construction in Progress	16,383	107,828	-	124,211
Total Capital Assets Not Being Depreciated	<u>549,431</u>	<u>107,828</u>	<u>(48,441)</u>	<u>608,818</u>
<u>Capital Assets Being Depreciated</u>				
Buildings	7,576,909	19,753	(1,732,508)	5,864,154
Equipment and Other	371,808	17,398	(115,457)	273,749
Total Capital Assets Being Depreciated	<u>7,948,717</u>	<u>37,151</u>	<u>(1,847,965)</u>	<u>6,137,903</u>
Accumulated Depreciation	<u>(5,458,168)</u>	<u>(154,080)</u>	<u>1,201,034</u>	<u>(4,411,214)</u>
Total Capital Assets Being Depreciated, Net	<u>2,490,549</u>	<u>(116,929)</u>	<u>(646,931)</u>	<u>1,726,689</u>
Total Capital Assets, Net	<u>\$ 3,039,980</u>	<u>\$ (9,101)</u>	<u>\$ (695,372)</u>	<u>\$ 2,335,507</u>

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

Low Rent Public Housing	\$ 148,582
Business Activities	5,498
Total Depreciation Expense	<u>\$ 154,080</u>

**NOTE 5 – LONG-TERM OBLIGATIONS**

The summary of long-term obligations transactions for the year-ended September 30, 2021, is as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business Activities</b>					
<b>Bonds Payable</b>					
Bond 1 - Burton Lane	\$ 273,871	\$ -	\$ 273,871	\$ -	\$ -
Bond 2 - Poetter Circle	836,672	-	836,672	-	-
<b>Compensated Absences</b>	8,655	4,614	8,525	4,744	4,744
Total	<u>\$ 1,119,198</u>	<u>\$ 4,614</u>	<u>\$ 1,119,068</u>	<u>\$ 4,744</u>	<u>\$ 4,744</u>

**Bond Payable 1**

On May 15, 2001, the Authority issued an Essential Function Housing Development Revenue Bond, backed by the Business Activities Burton Lane building, for \$575,000 with a maturity date of March 1, 2032. Starting on March 1, 2007, and every subsequent five years, the interest rate will be reset and the note re-amortized based on the prime rate as published in the Wall Street Journal, less 2.5%. The current interest rate is 1.25% and the monthly payment is \$2,132.

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2021**

**NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)**

**Bond Payable 2**

On August 21, 2003, the Authority issued an Essential Function Housing Development Revenue Bond, backed by the Business Activities Poetter Circle building, for \$1,344,300 with a maturity date of July 1, 2034. Starting July 1, 2009, and every subsequent five years, the interest rate will be reset and the note re-amortized based on the published U.S. Federal Reserve rate for five-year constant maturities of U.S. Treasury Notes plus .5%. The interest rate adjustment shall not be more than 2% of the current rate and the total adjusted rate cannot be below 4.5% or exceed 7.5%. The current interest rate is 4.5% and the monthly payment is \$6,776.

Both buildings sold on October 30, 2020, and the bonds were paid-off at that time.

**NOTE 6 - EMPLOYEES RETIREMENT PLAN**

The Authority has established a 401(a), defined contribution retirement plan. Currently there are three eligible employees. The Authority pays a contribution 6.50% and the employee must pay 6.00% of the gross wages. Employer contributions for the year ended September 30, 2021, were \$8,105.

**NOTE 7 - RISK MANAGEMENT**

The Authority is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; workers' compensation claims; and natural disasters. Property and casualty and worker's compensation liabilities are insured. The Authority retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the general-purpose financial statements.

**NOTE 8 – CONTINGENCIES**

Under the terms of Federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

**NOTE 9 - ECONOMIC DEPENDENCY**

The Authority is economically dependent on annual contributions and grants from the U.S. Department of Housing and Urban Development (HUD). The Authority operates at a loss prior to receiving contributions and grants from HUD.

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY**  
**COMBINING STATEMENT OF NET POSITION**  
**AS OF SEPTEMBER 30, 2021**

	Low Rent Public Housing	Capital Fund Program	Business Activities	ELIM	Total
<b>ASSETS</b>					
Current Assets					
Cash and Cash Equivalents	\$ 1,514,775	\$ -	\$ 1,151,622	\$ -	\$ 2,666,397
Cash and Cash Equivalents - Restricted	28,806	-	-	-	28,806
Accounts Receivable - Tenants, Net	12,490	-	-	-	12,490
Accounts Receivable - Other, Net	608	-	-	-	608
Prepaid Expenses and Other Assets	38,014	-	-	-	38,014
Total Current Assets	1,594,693	-	1,151,622	-	2,746,315
Capital Assets					
Land	484,607	-	-	-	484,607
Building	5,864,154	-	-	-	5,864,154
Furniture, Equipment and Machinery	273,749	-	-	-	273,749
Leasehold Improvements	-	-	-	-	-
Construction in Progress	124,211	-	-	-	124,211
Infrastructure	-	-	-	-	-
Accumulated Depreciation	(4,411,214)	-	-	-	(4,411,214)
Total Capital Assets, Net	2,335,507	-	-	-	2,335,507
Total Assets	3,930,200	-	1,151,622	-	5,081,822
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable	30,664	-	-	-	30,664
Accrued Payroll Liabilities	8,027	-	-	-	8,027
Compensated Absences - Current	4,744	-	-	-	4,744
Accounts Payable - Other Government	24,237	-	-	-	24,237
Tenant Security Deposits	20,251	-	-	-	20,251
Unearned Revenue	8,555	-	-	-	8,555
Other Liabilities	16,124	-	-	-	16,124
Total Current Liabilities	112,602	-	-	-	112,602
Total Liabilities	112,602	-	-	-	112,602
<b>NET POSITION</b>					
Net Investment in Capital Assets	2,335,507	-	-	-	2,335,507
Unrestricted	1,482,091	-	1,151,622	-	2,633,713
Total Net Position	\$ 3,817,598	\$ -	\$ 1,151,622	\$ -	\$ 4,969,220



**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED SEPTEMBER 30, 2021**

	Low Rent Public Housing	Capital Fund Program	Business Activities	ELIM	Total
<b>OPERATING REVENUES</b>					
Net Tenant Rental Revenue	\$ 442,829	\$ -	\$ 19,480	\$ -	\$ 462,309
Tenant Revenue - Other	45,675	-	-	-	45,675
Total Tenant Revenue	488,504	-	19,480	-	507,984
HUD PHA Operating Grants	305,094	43,686	-	-	348,780
Other Revenue	41,525	-	13,188	-	54,713
Total Operating Revenues	835,123	43,686	32,668	-	911,477
<b>OPERATING EXPENSES</b>					
Administrative	145,500	-	6,973	-	152,473
Tenant Services	32,984	-	-	-	32,984
Utilities	178,381	-	78	-	178,459
Ordinary Maintenance and Operations	268,379	-	4,540	-	272,919
Insurance Premiums	54,660	-	654	-	55,314
General Expenses	12,893	-	-	-	12,893
Depreciation Expense	148,582	-	5,498	-	154,080
Total Operating Expenses	841,379	-	17,743	-	859,122
<b>OPERATING INCOME (LOSS)</b>	(6,256)	43,686	14,925	-	52,355
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest Income - Unrestricted	8,332	-	3,087	-	11,419
Gain or Loss on Sale of Capital Assets	-	-	1,219,442	-	1,219,442
Interest Expense	-	-	(3,369)	-	(3,369)
Total Nonoperating Revenues (Expenses)	8,332	-	1,219,160	-	1,227,492
Income (Loss) before Contributions and Transfers	2,076	43,686	1,234,085	-	1,279,847
HUD Capital Grants	-	107,866	-	-	107,866
Transfers	156,852	(151,552)	(5,300)	-	-
<b>CHANGE IN NET POSITION</b>	158,928	-	1,228,785	-	1,387,713
Net Position - Beginning of Year	3,658,670	-	(77,163)	-	3,581,507
<b>NET POSITION - END OF YEAR</b>	<u>\$ 3,817,598</u>	<u>\$ -</u>	<u>\$ 1,151,622</u>	<u>\$ -</u>	<u>\$ 4,969,220</u>

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**YEAR ENDED SEPTEMBER 30, 2021**

	Low Rent Public Housing	Capital Fund Program	Business Activities	ELIM	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received from Rent	\$ 474,136	\$ -	\$ 1,613	\$ -	\$ 475,749
Operating Subsidies - HUD	305,094	43,686	-	-	348,780
Cash Received from Other Sources	41,525	-	13,188	-	54,713
Cash Paid to Other Suppliers of Goods or Services	(533,260)	-	(41,817)	-	(575,077)
Cash Payments to Employees for Services	(130,644)	-	-	-	(130,644)
Net Cash Provided (Used) by Operating Activities	156,851	43,686	(27,016)	-	173,521
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating Transfer In	48,986	-	(5,300)	-	43,686
Operating Transfers Out	-	(43,686)	-	-	(43,686)
Net Cash Provided (Used) By Noncapital And Related Financing Activities	48,986	(43,686)	(5,300)	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital Grants Received	-	107,866	-	-	107,866
Acquisition of Capital Assets	(37,114)	(107,866)	-	-	(144,980)
Proceeds from Sale of Capital Assets	-	-	1,914,815	-	1,914,815
Interest and Financing Charges Paid	-	-	(3,369)	-	(3,369)
Repayment of Long-term Debt	-	-	(1,110,543)	-	(1,110,543)
Net Cash Provided (Used) by Capital and Related Financing Activities	(37,114)	-	800,903	-	763,789
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Received	9,340	-	3,087	-	12,427
Net Cash Provided by Investing Activities	9,340	-	3,087	-	12,427
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
	178,063	-	771,674	-	949,737
Cash and Cash Equivalents - Beginning of Year	1,365,518	-	379,948	-	1,745,466
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>					
	1,543,581	-	1,151,622	-	2,695,203
<b>RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION</b>					
Cash and Cash Equivalents	1,514,775	-	1,151,622	-	2,666,397
Cash and Cash Equivalents - Restricted	28,806	-	-	-	28,806
Cash and Cash Equivalents - End of Year	\$ 1,543,581	\$ -	\$ 1,151,622	\$ -	\$ 2,695,203

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**YEAR ENDED SEPTEMBER 30, 2021**

	<u>Low Rent Public Housing</u>	<u>Capital Fund Program</u>	<u>Business Activities</u>	<u>ELIM</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ (6,256)	\$ 43,686	\$ 14,925	\$ -	\$ 52,355
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	148,582	-	5,498	-	154,080
(Increase) Decrease in Assets:					
Accounts Receivable	(8,646)	-	1,613	-	(7,033)
Prepayments	(2,950)	-	6,331	-	3,381
Increase (Decrease) in Liabilities:					
Accounts Payable	20,789	-	-	-	20,789
Accrued Payroll Liabilities	(3,210)	-	-	-	(3,210)
Due to other Governmental Units	12,894	-	(19,039)	-	(6,145)
Unearned Revenue	(5,722)	-	(19,480)	-	(25,202)
Tenants Security Deposits	1,375	-	(16,864)	-	(15,489)
Accrued Expenses	(5)	-	-	-	(5)
Net Cash Provided (Used) by Operating Activities	<u>\$ 156,851</u>	<u>\$ 43,686</u>	<u>\$ (27,016)</u>	<u>\$ -</u>	<u>\$ 173,521</u>

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY  
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS  
YEAR ENDED SEPTEMBER 30, 2021**

The actual modernization costs are as follows:

	<u>MN46P054501-18</u>	<u>MN46P054501-19</u>	<u>MN46P054501-20</u>	<u>MN46P054501-21</u>
Funds Approved	\$ 191,172	\$ 202,470	\$ 218,211	\$ 210,695
Funds Expended	159,616	176,213	165,636	21,000
Excess of Funds Approved	<u>31,556</u>	<u>26,257</u>	<u>52,575</u>	<u>189,695</u>
Funds Advanced	159,616	176,213	165,636	21,000
Funds Expended	159,616	176,213	165,636	21,000
Excess of Funds Advanced	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Received During Current Year	<u>\$ 57,866</u>	<u>\$ 72,686</u>	<u>\$ -</u>	<u>\$ 21,000</u>

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY**  
**FINANCIAL DATA SCHEDULE - BALANCE SHEET SUMMARY**  
**SEPTEMBER 30, 2021**

Line Item #	Description	Low Rent Public Housing	Capital Fund Program	Business Activities	ELIM	Total
111	Cash - Unrestricted	\$1,514,775	\$ -	\$1,151,622	\$ -	\$2,666,397
114	Cash - Tenant Security Deposits	20,251	-	-	-	20,251
115	Cash - Restricted for Payment of Current Liabilities	8,555	-	-	-	8,555
100	Total Cash	1,543,581	-	1,151,622	-	2,695,203
126	Accounts Receivable - Tenants	36,703	-	-	-	36,703
126	Allow ance for Doubtful Accounts -Tenants	(24,213)	-	-	-	(24,213)
129	Accrued Interest Receivable	608	-	-	-	608
120	Total Receivables, Net of Allow ances for Doubtful Accounts	13,098	-	-	-	13,098
142	Prepaid Expenses and Other Assets	38,014	-	-	-	38,014
150	Total Current Assets	1,594,693	-	1,151,622	-	2,746,315
161	Land	484,607	-	-	-	484,607
162	Buildings	5,864,154	-	-	-	5,864,154
163	Furniture, Equipment & Machinery - Dw ellings	132,486	-	-	-	132,486
164	Furniture, Equipment & Machinery - Administration	141,263	-	-	-	141,263
166	Accumulated Depreciation	(4,411,214)	-	-	-	(4,411,214)
167	Construction in Progress	124,211	-	-	-	124,211
160	Total Capital Assets, Net of Accumulated	2,335,507	-	-	-	2,335,507
290	Total Assets and Deferred Outflow of Resources	3,930,200	-	1,151,622	-	5,081,822
312	Accounts Payable <= 90 Days	30,664	-	-	-	30,664
321	Accrued Wage/Payroll Taxes Payable	8,027	-	-	-	8,027
322	Accrued Compensated Absences - Current Portion	4,744	-	-	-	4,744
333	Accounts Payable - Other Government	24,237	-	-	-	24,237
341	Tenant Security Deposits	20,251	-	-	-	20,251
342	Unearned Revenue	8,555	-	-	-	8,555
346	Accrued Liabilities - Other	16,124	-	-	-	16,124
310	Total Current Liabilities	112,602	-	-	-	112,602
300	Total Liabilities	112,602	-	-	-	112,602
508	Net Investment in Capital Assets	2,335,507	-	-	-	2,335,507
512	Unrestricted Net Position	1,482,091	-	1,151,622	-	2,633,713
513	Total Equity - Net Assets / Position	3,817,598	-	1,151,622	-	4,969,220
600	Total Liabilities, Deferred Inflow s of Resources and Equity - Net	\$3,930,200	\$ -	\$1,151,622	\$ -	\$5,081,822

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY**  
**FINANCIAL DATA SCHEDULE - REVENUE AND EXPENSE SUMMARY**  
**SEPTEMBER 30, 2021**

Line Item#	Description	Low Rent Public Housing	Capital Fund Program	Business Activities	ELIM	Total
70300	Net Tenant Rental Revenue	\$ 442,829	\$ -	\$ 19,480	\$ -	\$ 462,309
70400	Tenant Revenue - Other	45,675	-	-	-	45,675
70500	Total Tenant Revenue	488,504	-	19,480	-	507,984
70600	HUD PHA Operating Grants	305,094	43,686	-	-	348,780
70610	Capital Grants	-	107,866	-	-	107,866
71100	Investment Income - Unrestricted	8,332	-	3,087	-	11,419
71500	Other Revenue	41,525	-	13,188	-	54,713
71600	Gain or Loss on Sale of Capital Assets	-	-	1,219,442	-	1,219,442
70000	Total Revenue	843,455	151,552	1,255,197	-	2,250,204
91100	Administrative Salaries	59,992	-	-	-	59,992
91200	Auditing Fees	8,650	-	-	-	8,650
91400	Advertising and Marketing	125	-	-	-	125
91500	Employee Benefit Contributions - Administrative	24,544	-	-	-	24,544
91600	Office Expenses	14,189	-	1,030	-	15,219
91700	Legal Expense	25,554	-	-	-	25,554
91800	Travel	269	-	-	-	269
91900	Other	12,177	-	5,942	-	18,119
91000	Total Operating - Administrative	145,500	-	6,972	-	152,472
92200	Relocation Costs	549	-	-	-	549
92400	Tenant Services - Other	32,435	-	-	-	32,435
92500	Total Tenant Services	32,984	-	-	-	32,984
93100	Water	20,827	-	-	-	20,827
93200	Electricity	113,463	-	72	-	113,535
93300	Gas	3,643	-	7	-	3,650
93800	Other Utilities Expense	40,448	-	-	-	40,448
93000	Total Utilities	178,381	-	79	-	178,460
94100	Ordinary Maintenance and Operations - Labor	67,442	-	-	-	67,442
94200	Ordinary Maintenance and Operations - Materials and Other	39,750	-	812	-	40,562
94300	Ordinary Maintenance and Operations Contracts	132,429	-	3,729	-	136,158
94500	Employee Benefit Contributions - Ordinary	28,758	-	-	-	28,758
94000	Total Maintenance	268,379	-	4,541	-	272,920
96110	Property Insurance	40,572	-	581	-	41,153
96120	Liability Insurance	7,578	-	-	-	7,578
96130	Workmen's Compensation	5,847	-	72	-	5,919
96140	All Other Insurance	663	-	-	-	663
96100	Total Insurance Premiums	54,660	-	653	-	55,313
96300	Payments in Lieu of Taxes	12,893	-	-	-	12,893
96000	Total Other General Expenses	12,893	-	-	-	12,893
96710	Interest of Mortgage (or Bonds) Payable	-	-	3,369	-	3,369
96700	Total Interest Expense and Amortization Cost	-	-	3,369	-	3,369
96900	Total Operating Expenses	\$ 692,797	\$ -	\$ 15,614	\$ -	\$ 708,411

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY**  
**FINANCIAL DATA SCHEDULE - REVENUE AND EXPENSE SUMMARY**  
**SEPTEMBER 30, 2021**

Line Item#	Description	Low Rent Public Housing	Capital Fund Program	Business Activities	ELIM	Total
97000	Excess of Operating Revenue over Operating Expenses	\$ 150,658	\$ 151,552	\$1,239,583	\$ -	\$1,541,793
97400	Depreciation Expense	148,582	-	5,498	-	154,080
90000	Total Expenses	841,379	-	21,112	-	862,491
10010	Operating Transfer In	48,986	-	-	(48,986)	-
10020	Operating transfer Out	-	(43,686)	(5,300)	48,986	-
10100	Total Other financing Sources (Uses)	48,986	(43,686)	(5,300)	-	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 51,062	\$ 107,866	\$1,228,785	\$ -	\$1,387,713
11030	Beginning Equity	3,658,670	-	(77,163)	-	3,581,507
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	107,866	(107,866)	-	-	-
11190	Unit Months Available	1,500	-	-	-	1,500
11210	Number of Unit Months Leased	1,485	-	-	-	1,485
11270	Excess Cash	1,386,344	-	-	-	1,386,344
11620	Building Purchases	4,093	107,866	-	-	111,959
11640	Furniture & Equipment - Administrative Purchases	17,399	-	-	-	17,399



**INDEPENDENT AUDITOR'S 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  
Fairmont Housing and Redevelopment Authority  
Fairmont, 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 Fairmont Housing and Redevelopment Authority (the Authority), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 19, 2022.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations as item 2021-001 that we consider to be a significant deficiency.



## **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*.

## **The Authority's Response to Findings**

The Authority's response to the findings identified in our audit is described in the accompanying corrective action plan. The Authority's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

## **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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cavanaugh & Company, PLLC*

Cavanaugh & Company, PLLC  
Edina, Minnesota  
May 19, 2022



## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Commissioners  
Fairmont Housing and Redevelopment Authority  
Fairmont, 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 Fairmont Housing and Redevelopment Authority (the Authority), as of and for the year ended September 30, 2021, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 19, 2022.

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. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the Authority does not have any established tax increment financing districts.

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

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

*Cavanaugh & Company, PLLC*

Cavanaugh & Company, PLLC  
Edina, Minnesota  
May 19, 2022

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
YEAR ENDED SEPTEMBER 30, 2021**

**FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

**SIGNIFICANT DEFICIENCY**

**Audit Finding 2021-001 – Lack of Segregation of Duties**

*Criteria:* Internal control is a process, affected by the Fairmont Housing and Redevelopment Authority's (the Authority) board of commissioners, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

*Condition:* Due to the limited employees and resources available to the Authority, many aspects of the internal control structure that rely on segregation of duties are missing. Specific accounting processes noted that are affected by the lack of segregation of duties include: cash disbursements, payroll disbursements, cash receipting, and specific reporting functions required for the Authority.

*Cause:* Due to the limited number of personnel within the Authority, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of the Authority; however, management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

*Effect:* Inadequate segregation of duties could adversely affect the Authority's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by personnel in the normal course of performing their assigned functions.

*Recommendation:* We recommend that the Authority's board of commissioners and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure the internal control policies and procedures are being implemented by personnel to the extent possible.

*View of Responsible Officials:* Management agrees with the finding.

**FAIRMONT HOUSING AND REDEVELOPMENT AUTHORITY  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2021**

**FINANCIAL STATEMENTS FINDINGS**

Audit Finding 2020-001 – Lack of Segregation of Duties

Please refer to finding 2021-001 for financial statements finding that was present in the current and prior year.

**FINDINGS RELATED TO MINNESOTA LEGAL COMPLIANCE**

Audit Finding 2020-002 – Insufficient Collateral

Condition: Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. If irrevocable standby letters of credit from Federal Home Loan Banks are used as collateral, the amount must be equal to the amount of the excess deposits at the close of the banking day. The Authority did not have sufficient pledged collateral as of September 30, 2020. The Authority's deposits were under collateralized by approximately \$784,175 at September 30, 2020.

Status: Corrective action was taken and finding has been resolved.

Fairmont Housing & Redevelopment Authority  
500 Home Street  
Fairmont, MN 56031  
Ph. 507-235-9691 Fax 507-235-9230  
Email: fairmonthra@gmail.com

## CORRECTIVE ACTION PLAN

May 19, 2022

U.S. Department of Housing and Urban Development

Fairmont Housing and Redevelopment Authority (the Authority) respectfully submits the following corrective action plan for the fiscal year ended September 30, 2021.

Name and address of independent public accounting firm:

Cavanaugh & Company, PLLC  
4570 West 77<sup>th</sup> Street, #310  
Edina, MN 55435

Audit period: Fiscal year ended September 30, 2021.

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The findings from the September 30, 2021, schedule of findings and recommendations are discussed below.

### FINDINGS – FINANCIAL STATEMENT AUDIT

#### SIGNIFICANT DEFICIENCY

2021-001      Lack of Segregation of Duties

*Corrective Action Planned:* Due to the Authority's size, it is cost-prohibitive and impractical to achieve the ideal level of segregation of duties. The Authority has implemented as many controls and segregation of duties as practically possible for an organization of this size.

*Completion Date:* Ongoing

If there are any questions regarding this plan, please contact me at (507) 235-9691.

Respectfully Submitted,



Gail Diede, Executive Director



## **Resolution 231-2022**

### **Offline Unit #1 C**

**6-13-2022**

BE IT RESOLVED by the Board of Directors of the Housing and Redevelopment Authority of Fairmont, approved to take unit # 1 C offline for modernization.

#### **Purpose of Unit needing to be off rent roll:**

Undergoing remediation from methamphetamine use in the unit. Will hire a contractor to come and remediate contaminated areas. Will retest unit and see if it measures below the 1.5ug/100 cm<sup>2</sup> before unit is repainted, and flooring replaced. If unable to get reading below 1.5ug/100 cm<sup>2</sup>, demo will follow.

**Funds:** Insurance and operating funds

**Effective Date:** June 1, 2022, to October 31, 2022.

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Ronald Kopischke, Chairman of the Board

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Date

**Fairmont Housing & Redevelopment Authority**  
**500 Home Street**  
**Fairmont, MN 56031**  
**Ph. 507-235-9691 Fax 507-235-9230**  
**Email: fairmonthra@gmail.com**

**Project Number:** MN054

**Unit Address:** 500 Home St. # 1 C

**Building Name:** Friendship Village

**City:** Fairmont

**Purpose of Unit needing to be off rent roll:**

Undergoing remediation from methamphetamine use in the unit. Will hire a contractor to come and remediate contaminated areas. Will retest unit and see if it measures below the 1.5ug/100 cm<sup>2</sup> before unit is repainted, and flooring replaced. If HRA cannot get reading below 1.5ug/100 cm<sup>2</sup> demo will have to follow.

**Funds:** Insurance and operating funds

**Effective Date:** June 1, 2022, to October 31, 2022.

Date of Board resolution: June 13, 2022  
Board Resolution 231-2022





# EMSL Analytical, Inc.

200 Route 130 North Cinnaminson, NJ 08077  
Phone/Fax: (800) 220-3675 /  
<http://www.EMSL.com> / [IndustrialHygienelab@emsl.com](mailto:IndustrialHygienelab@emsl.com)

EMSL Order ID: 282201681  
Customer ID: SPCD75  
Customer PO:  
Project ID:

**Attn:** Carissa Kuball  
Servpro Of Mankato/Owatonna  
1150 N. River Dr.  
North Mankato, MN 56003

**Phone:** (507) 200-3700  
**Fax:**  
**Collected:** 5/03/2022  
**Received:** 5/04/2022  
**Analyzed:** 5/04/2022

**Proj:** HRA-Fairmont

## Test Report: Methamphetamine - wipe samples to 0.1 ug by NIOSH 9111M

Sample ID	Identification	Area	Sample Weight	Sample Concentration	Reporting Limit
Wall1 282201681-0001	Wall	100 cm <sup>2</sup>	8.3 µg	8.3 µg/100 cm <sup>2</sup>	0.10 µg/100 cm <sup>2</sup>
Wall 2 282201681-0002	Wall	100 cm <sup>2</sup>	42 µg	42 µg/100 cm <sup>2</sup>	0.10 µg/100 cm <sup>2</sup>
Kitchen 282201681-0003	Wall	100 cm <sup>2</sup>	1.6 µg	1.6 µg/100 cm <sup>2</sup>	0.10 µg/100 cm <sup>2</sup>
Lab Blank		N/A	<0.10 µg	<0.10 µg	N/A

N/A = Not Applicable

### Analyst(s)

Nicholas Klahn

No discernable Field Blanks in this sample set.

Scott Van Etten, CIH, Laboratory Manager

Any questions please contact Scott VanEtten.

Initial report from: 05/06/2022 09:56:13

EMSL maintains liability limited to cost of analysis. Interpretation and use of test results are the responsibility of the client. This report relates only to the samples reported above, and may not be reproduced, except in full, without written approval by EMSL. EMSL bears no responsibility for sample collection activities or analytical method limitations. The report reflects the samples as received. Results are generated from the field sampling data (sampling volumes and areas, locations, etc.) provided by the client on the Chain of Custody. Samples are within quality control criteria and met method specifications unless otherwise noted. Sample results are blank corrected unless otherwise noted. Discernable field blank(s) submitted with samples if listed above.

Samples analyzed by EMSL Analytical - Industrial Hygiene Cinnaminson, NJ AIHA-LAP, LLC--IHLAP Accred. Lab 100194



Fairmont HRA <fairmonthra@gmail.com>

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**Fw: Lawsuit Damages**

1 message

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Law Clerk <lawclerk@coanlyons.com>

Fri, Jun 3, 2022 at 12:30 PM

Dear Plaintiffs:

I am forwarding the exciting message below on behalf of attorney, Carl Coan, III.  
If you have any questions, please do not hesitate to reach out to me.

Have a lovely weekend!

All the best,  
Joseph Fons

---

**From:** Carl A. S. Coan, III <ccoan@coanlyons.com>

**Sent:** Friday, June 3, 2022 12:58 PM

**To:** Law Clerk <lawclerk@coanlyons.com>

**Subject:** Lawsuit Damages

Dear Plaintiffs:

The lawsuit on behalf of your housing Authority (HA) against HUD was filed in November 2017. Now, four and a half years later, we have reached the end. Today, I mailed checks to everyone for the damages that were awarded by the Court to your HA.

Please note that alphabetically for HAs in Alabama through Illinois, but not all HAs in Illinois, the checks are not dated. I apologize for this oversight.

For these HAs, please insert a date when you receive your check. All of the other checks were dated June 1. Therefore, I suggest that if you receive a check without a date that you also date your check June 1. However, you may date the check any date this month up to the date you deposit your check.

I know it has taken longer than we anticipated when we filed the lawsuit in 2017. However, the Government defended this lawsuit much more aggressively than they did the first lawsuit, including the filing of an appeal to the U. S. Court of Appeals for the Federal Circuit. However, the important thing is that we ultimately prevailed.

Several plaintiffs have asked whether the damages they receive should be considered federal funds. It is my opinion that the damages you receive are not federal funds. The only restrictions you may have on spending the funds are any restrictions imposed by your charter or any applicable State or local law.

Thank you for your patience and your faith in allowing me to litigate this case on your behalf. I hope that the funds you receive will benefit the low-income people you strive to help.

Please let me or Joseph know if you have any questions. Have a wonderful weekend.

Carl A. S. Coan, III

Coan & Lyons  
1100 Connecticut Avenue, N.W.  
Suite 600  
Washington, DC 20036  
(202) 728-1070