

ST. CLOUD HOUSING & REDEVELOPMENT AUTHORITY  
REGULAR MEETING

Wednesday, June 24, 2020

A Regular Meeting for the St. Cloud HRA Board of Commissioners was held on Wednesday, June 24, 2020, City Hall Council Chambers, 400 2<sup>nd</sup> Street South, St. Cloud, MN. Chair Nancy Gohman called the meeting to order at 6:00 p.m. Pledge of allegiance was spoken.

1. Roll call was taken and the following Commissioners were present: Abdi Daisane, Seal Dwyer, Nancy Gohman, George Hontos, Jeff Goerger and Mike Conway. Absent: None. [The board has one vacancy.]
2. Approval of Agenda – Commissioner Hontos moved for approval of the consent items, pulling Items 5 and 6; Commissioner Conway moved to approve Items 2-4; Commissioner Daisane seconded the motion. The motion carried.
3. Approval of Regular Meeting Minutes, May 27, 2020 – approved as presented.
4. Approval of Extermination Services for all HRA properties – contract approved with Plunkett's Pest Control for two years with a two-year renewal option.
5. Approval of Contract to Purchase Air Conditioning Units – Commissioner Hontos moved for approval; Commissioner Goerger seconded the motion. Commissioner Hontos said he was curious as to why the large difference in the quotes received and if the HRA would then keep the air conditioners if someone moves. Louise Reis, Executive Director, responded the units will belong to the HRA and stay with the apartment. She said about 1/3 to 1/2 of the residents have personal units that will be replaced if theirs is to stop working.

Paul Soenneker, Project Manager, said he sent out bids to three local companies and these are the two he received; he was unsure why the cost difference. After a short discussion the Board determined it would be worthwhile to check with some of the box stores in the area to see what they have and prices if Quality Appliance is unable to provide all of them.

Contract approved to purchase window and sleeved air conditioning units for Wilson and Empire Apartments from Quality Appliance; due to inventory and high demand. If Quality is unable to provide all the units, Board approval is to purchase from Karl's with the option to check prices other vendors for a lessor amount.

6. Review of Financials: Central Office Cost Center Fund, Housing Choice Vouchers Fund, CDBG Housing Rehab Fund, Community Housing Fund, Housing Development Fund, Public Housing Fund (operating statements by AMP), Germain Towers Fund, Northway Projects A&B Fund, Eastwood Apartments Fund, Al Loehr Apartments Fund, and the seven-tax credit limited partnership funds – no action requested.

Commissioner Hontos asked if the average HAP payment of \$561.00 was sufficient to cover the newest addition of apartments built on the edge of St. Cloud in Sherburne County. Ms. Reis responded the three-bedroom units fall under the payment standards, however, the two bedrooms do not.

Old Business:

7. Public Hearing on the Transfer of Property at 110 15<sup>th</sup> Avenue North to Habitat for Humanity and Approval of Transfer of Property at 110 15<sup>th</sup> Avenue North to Habitat for Humanity – Ms. Reis gave a brief background of the purchase of the property in 2019 using NSP Funds and the demolition of the property.

Chair Gohman opened the public hearing at 6:19 p.m.; there being no one present to speak the public hearing closed. Commissioner Goerger moved for approval of the transfer; Commissioner Conway seconded the motion.

Art Buhs, Construction Manager for Habitat for Humanity, was present and thanked the Board for the opportunity to build on the property and their continued support for Habitat. He stated they will first have a family for the home and then will build. Mr. Buhs said it is expected the home will be completed in the fall of 2021. The motion carried unanimously.

New Business:

8. Approval of the Auditor's Reports for the Year Ended December 31, 2019 – Finance Director Karen Rizer gave an overview of the process gone through by an independent audit performed by Redpath and Company, led by Cathy Lydon, CPA.

Ms. Lydon addressed the Board and stated an unmodified opinion was issued meaning a "clean" report. She stated there were no financial statement findings and no Minnesota Legal Compliance findings. Ms. Lydon said under federal legislation an audit is performed using specific testing and review that was of the Housing Choice Voucher program. She said one finding was found under the rent reasonableness test for internal over-compliance deficiencies. Ms. Lydon praised Ms. Rizer and her staff and the agency for again have a great report. She assured the Board that they could be very confident in the numbers they are provided by Ms. Rizer throughout the year.

Commissioner Goerger moved for approval; Commissioner Dwyer seconded the motion. Commissioner Goerger also commended Ms. Rizer for her work and the staff. He was joined by all Board members as they said it makes their job as Commissioners much easier.

Chair Gohman asked Ms. Lydon for a little of her background to which she responded.

9. Report on Activities – Ms. Reis highlighted her report by saying the HRA has received an additional 9 Mainstream Vouchers making a total of 39.

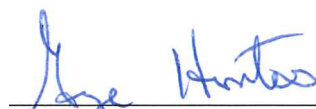
Commissioner Hontos congratulated her and staff on the PHA Score for 2019 of 95 points.

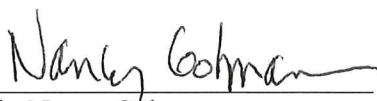
Commissioner Conway asked about the funding available for CDBG. Ms. Rizer said she would get the numbers for him. Commissioner Conway said the July meeting would be fine.

Open Discussion: none.

There being no further business the meeting adjourned at 6:35 p.m.

ATTEST:

  
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Secretary, George Hontos

  
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Chair, Nancy Gohman

**ST. CLOUD HOUSING & REDEVELOPMENT AUTHORITY  
STUDY SESSION**

**Wednesday, June 24, 2020**

A Study Session for the St. Cloud HRA Board of Commissioners was held on Wednesday, June 24, 2020, City Hall Chambers, 400 2<sup>nd</sup> Street South, St. Cloud, MN. Chair Nancy Gohman called the meeting to order at 5:00 p.m. Commissioners present: Mike Conway, Abdi Daisane, Seal Dwyer [5:28], Jeff Goerger, Nancy Gohman and George Hontos. Absent: [board has one vacancy].

Guest: Cathy Lydon, CPA, Redpath and Company.

Karen Rizer, Finance Director, introduced Cathy Lydon, CPA from Redpath and Company to review the 2019 Annual Financial Report and Management Letter with the Board and answer any questions or concerns they may have. Ms. Lydon opened by referring to page 7, the "Independent Auditor's Report" stating it is the responsibility of management to prepare the financial statements and maintain internal controls in doing so. She said it is Redpath's role to express an opinion on the statements. Ms. Lydon stated an unmodified opinion or clean report was issued and outlined on page 9 under *Opinions* along with required internal controls and compliance on page 11.

Ms. Lydon moved to page 13, a report prepared by management giving their perspective of the overview and analysis of the financials for the year 2019. She expressed this as the story behind the numbers. Moving on to pages 20-23, *Statement of Net Position*, stating each of the funds is considered a major fund and shown separately. She said the numbers are consistent from the prior year with exception to the activities changing with the addition of Westwood Village Apartments One, LP, Swisshelm Village Apartments One, LP and Westwood Village Apartments Two, LP. Ms. Lydon said the HRA's total net position increased by \$702,861. She said for 2018 it was approximately \$29 million and for 2019 approximately \$30 million.

Ms. Lydon then highlighted page 28-29, *Statement of Cash Flows* saying the direct method is used; actual cash inflows and outflows from operations.

Ms. Lydon moved on to page 30 showing the notes and disclosures. She stated the notes are similar to last year. Ms. Lydon referred to the bottom page and top of page 31, again stating the changes because of the three LP's now being blended component units; Swisshelm One, Swisshelm Two, and Westwood One. She said there were no other significant changes.

Ms. Lydon referred to page 39, Note 5 – capital assets. Moving on to Note 8 – B, bottom of page 42 and top of page 43 giving the debt related detail of the blended component units with original lenders and mortgage holders. She noted to the Board the unrecorded loans on page 43 for Empire Apartments and Wilson Apartments were technically loans for the elevator repairs but recorded as revenue because the loans are likely to be forgiven after 20 years. She also highlighted the note that indicated due to the uncertainties of COVID-19 it is not possible at this time to estimate the financial impact it may have for the Agency.

Ms. Lydon continued with *Minnesota Legal Compliance Report* beginning on page 53-54. She explained how they test compliance and internal controls. Ms. Lydon stated nothing came to their attention that caused them to believe that the audit identified any deficiencies in the internal controls to be considered as material weaknesses nor any instances of noncompliance. She stated they do not audit controls, however, unless they find a deficiency, and they did not.

Ms. Lydon moved onto page 59 *Independent Auditor's Report on Compliance for each Major Program and on Internal Control over compliance required by the Uniform Guidance*. She said their opinion states they have no

findings on compliance and it is a clean report. On page 61-63, Ms. Lydon stated they identified a deficiency in internal control over compliance which she will discuss in detail on page 68.

[Commissioner Dwyer joined]

Ms. Lydon referred to page 67 for the summary of the audit results, pointing out the \$750,000 threshold the program falls into.

Ms. Lydon stated on page 68 the finding 2019-001 is listed with the criteria, context and recommendation. She said the finding was for Section 8 Housing Choice Vouchers Program rent reasonableness of the rent to owner under Fair Market Rents. Ms. Lydon said they tested 25 tenants and one tenant did not have the documentation to support rent reasonableness. When the calculation was performed after it was found to be missing, the rent was in fact reasonable, so there was no noncompliance in dollars spent. In response she said the Voucher Programs Manager selected 40 additional files to review to see if this was an isolated incident or a more wide-spread problem. Ms. Lydon said management found it to be isolated and no additional noncompliance was found. Management also instituted additional internal controls to prevent it from happening in the future.

Ms. Lydon moved onto the Audit Management Letter saying there were no changes in accounting policies for the year. She stated these are required communications so the context is consistent with the prior year. Ms. Lydon said again the estimates considered sensitive are the land held for resale and the allowance for uncollectible loans.

Ms. Lydon said on page two of the letter it gives Note 6 (Joint Ventures), Note 13 (Related Party Transactions), Note 15 (Transfer of Operations) and Note 16 (Subsequent Events and Uncertainties) as the most sensitive disclosures. She said this is the first time the field work was handled completely remotely and they found no difficulties in conducting the audit or in dealing with management. Ms. Lydon stated there were no uncorrected misstatements and she assured Commissioners that the numbers they received throughout the year from Ms. Rizer are accurate and if there ever is a question it has been brought to their attention by Ms. Rizer. She commended Ms. Rizer and her staff for the great work they do and the attention they put into every aspect of the audit.

Commissioner Goerger, and was joined by other Commissioners, stated he was pleased to hear this and thanked Ms. Lydon for giving this assurance and for all the detail provided at this meeting.

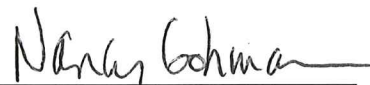
Chair Gohman asked Ms. Lydon, since she is new to working with the Agency, for her experience to which Ms. Lydon gave an overview of her career, including the work she did for the HRA in the past.

Executive Director Louise Reis moved the meeting along with a quick update on operations under the COVID-19 restrictions and regulations. After a short discussion and no further time, the meeting adjourned at 5:59 p.m.

ATTEST:



Secretary, George Hontos

  
Chair, Nancy Gohman