

CITY OF CROOKSTON, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2007

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CITY OF CROOKSTON, MINNESOTA
DECEMBER 31, 2007

OFFICIAL DIRECTORY

Elected Officials:

Mayor	Dave Genereux
Council Member 1 st Ward	Craig Bunes
Council Member 2 nd Ward	Marlys Mjoen
Council Member 3 rd Ward	Keith Mykleseth
Council Member 4 th Ward	Wayne Melbye
Council Member 5 th Ward	Harry Manole
Council Member 6 th Ward	Tom Vedbraaten
Council Member – At Large	Frank Lindgren
Council Member – At Large	Guy Martin

Appointed:

City Administrator	Aaron Parrish
City Clerk-Treasurer	Betty Arvidson
Police Chief	Tim Motherway
Fire Chief	Richard Rock

Drees, Risky & Vallager, Ltd.

Certified Public Accountants

Grand Forks:

1405 Library Circle
Telephone (701) 746-4466
FAX (701) 772-6659

Crookston:

117 South Broadway
Telephone (218) 281-3789
FAX (218) 281-5245

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Crookston
Crookston, Minnesota

We have audited the accompanying statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Crookston, Minnesota as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Crookston, Minnesota's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Crookston, Minnesota as of December 31, 2007 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 – 12 and the budgetary comparison schedules on pages 45 – 54 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated, June 26, 2008, on our consideration of the City of Crookston, Minnesota'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 the 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 internal control over financial reporting or on compliance. That report is as an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Crookston, Minnesota's basic financial statements. The other supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DREES, RISKEY & VALLAGER, LTD.

Certified Public Accountants

June 26, 2008
Crookston, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF CROOKSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007**

The discussion and analysis of the City of Crookston, Minnesota's financial performance provides an overview and analysis of the City of Crookston's financial activities for the year ended December 31, 2007. It should be read in conjunction with the accompanying basic financial statements. This discussion and analysis does include comparative data for the prior year.

Financial Highlights

- The assets of the City of Crookston exceeded its liabilities at the close of the most recent fiscal year by \$29,352,281 (*net assets*). Of this amount, \$6,518,233 (*unrestricted net assets*) may be used to meet the City of Crookston's ongoing obligations to citizens and creditors.
- The City of Crookston's total net assets increased by \$3,822,847. The increase resulted from the City of Crookston's investment in capital assets. Of the increase \$3,398,663 was in the governmental activities net assets and \$424,184 was in the business-type activities net assets.
- As of December 31, 2007, the City of Crookston's governmental funds reported combined ending fund balance of \$6,145,994, an increase of \$656,344 in comparison to the prior year.
- The City of Crookston's long-term debt decreased by \$881,761 during the current year. The City of Crookston did not issue any new debt in the current year.
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$2,047,014 or 45% of the total General Fund operating revenues.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Crookston that are principally supported by taxes and intergovernmental revenues (*governmental activities*)

from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the City of Crookston include general government, public safety, streets, recreation & culture, community & economic development, and sanitation. The business-type activities of the City of Crookston include water and wastewater (sewer).

The component unit is included in the basic financial statements and consists of a legally separated entity for which the City of Crookston is financially accountable and has the majority of the governing board positions being appointed by the City of Crookston, Minnesota. The discretely presented component unit of the City of Crookston is the Crookston Development Authority.

The government-wide financial statements can be found on pages 13 - 14 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Crookston, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Crookston can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Crookston maintains 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, park & recreation fund, improvement fund, intermediary relending program fund, special assessment bond fund, special service district bond fund, street improvements fund and flood improvement fund, all of which have been presented as major funds of the City of Crookston. The information for the other 16 funds has been combined into an aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the supplementary section of this report.

The City of Crookston adopts an annual appropriated budget for its general fund and various governmental funds. A budgetary comparison statement has been provided for the general fund and major governmental funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 15 - 18 of this report.

Proprietary fund. The City of Crookston maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Crookston uses enterprise funds to account for its water and wastewater (sewer). An internal service fund is used to account for the accumulation and allocation of costs relating to equipment maintenance and operation. The internal service fund primarily services the general fund and is included with governmental activities in the government-wide financial statements.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, all of which are considered to be major funds of the City of Crookston.

The basic proprietary fund financial statements can be found on pages 19 - 22 of this report.

Notes to the basic financial statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found starting on page 23 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Crookston, assets exceeded liabilities by \$29,352,281 at December 31, 2007.

By far, the largest portion of the City of Crookston's net assets (65 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Crookston uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Crookston's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

SUMMARY OF NET ASSETS
DECEMBER 31, 2007

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
ASSETS						
Current assets	\$ 12,177,687	\$ 9,088,102	\$ 1,539,498	\$ 1,467,622	\$ 13,717,185	\$ 10,555,724
Capital assets	13,674,044	11,575,320	10,220,388	10,448,374	23,894,432	22,023,694
Other non-current assets	<u>1,178,398</u>	<u>2,877,632</u>	<u>1,808,288</u>	<u>1,499,128</u>	<u>2,986,686</u>	<u>4,376,760</u>
Total Assets	\$ <u>27,030,129</u>	\$ <u>23,541,054</u>	\$ <u>13,568,174</u>	\$ <u>13,415,124</u>	\$ <u>40,598,303</u>	\$ <u>36,956,178</u>
LIABILITIES						
Current liabilities	\$ 5,752,520	\$ 5,090,298	\$ 376,493	\$ 399,919	\$ 6,129,013	\$ 5,490,217
Long-term liabilities	<u>2,391,969</u>	<u>2,963,779</u>	<u>2,725,040</u>	<u>2,972,748</u>	<u>5,117,009</u>	<u>5,936,527</u>
Total Liabilities	\$ <u>8,144,489</u>	\$ <u>8,054,077</u>	\$ <u>3,101,533</u>	\$ <u>3,372,667</u>	\$ <u>11,246,022</u>	\$ <u>11,426,744</u>
NET ASSETS						
Investment in capital assets, net of related debt	\$ 12,087,271	\$ 9,380,711	\$ 7,361,272	\$ 7,337,949	\$ 19,448,543	\$ 16,718,660
Restricted	1,514,065	1,942,947	1,871,450	1,499,128	3,385,515	3,442,075
Unrestricted	<u>5,284,304</u>	<u>4,163,319</u>	<u>1,233,919</u>	<u>1,205,380</u>	<u>6,518,223</u>	<u>5,368,699</u>
Total Net Assets	\$ <u>18,885,640</u>	\$ <u>15,486,977</u>	\$ <u>10,466,641</u>	\$ <u>10,042,457</u>	\$ <u>29,352,281</u>	\$ <u>25,529,434</u>

Governmental Activities:

Governmental activities increased the City of Crookston's net assets by \$2,526,833 accounting for 89 percent of the total growth of net assets for the City of Crookston. Key elements of this increase are as follows:

CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

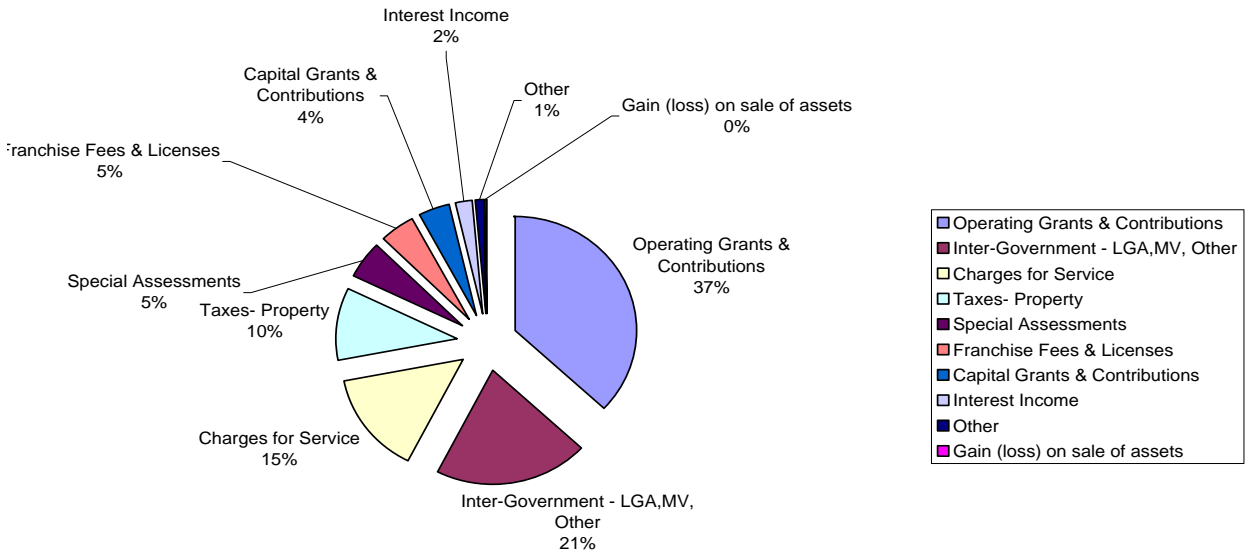
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
REVENUES						
Program Revenues						
Charges for services	\$ 732,365	\$ 644,137	\$ 1,663,389	\$ 1,601,446	\$ 2,395,754	\$ 2,245,583
Operating grants and contributions	6,065,206	2,132,425	-	-	6,065,206	2,132,425
Capital grants and contributions	690,295	303,040	-	-	690,295	303,040
General Revenues:						
Taxes, assessments & fees	3,301,261	3,319,665	-	-	3,301,261	3,319,665
Intergovernmental	3,376,113	3,025,292	-	-	3,376,113	3,025,292
Interest earnings	241,513	191,641	154,955	80,276	396,468	271,917
Other	182,851	254,698	-	-	182,851	254,698
Gain on sale of assets	28,506	149,035	-	-	28,506	149,035
Total Revenue	14,618,110	10,019,933	1,818,344	1,681,722	16,436,454	11,701,655
EXPENSES						
General government	1,105,065	1,216,016	-	-	1,105,065	1,216,016
Public safety	7,500,929	2,525,045	-	-	7,500,929	2,525,045
Streets & highways	229,189	1,573,715	-	-	229,189	1,573,715
Health & sanitation	170,690	156,478	-	-	170,690	156,478
Recreational & culture	1,296,603	1,349,627	-	-	1,296,603	1,349,627
Community & economic develop	121,780	201,718	-	-	121,780	201,718
Airport	241,534	131,882	-	-	241,534	131,882
Other	411,948	143,441	-	-	411,948	143,441
Interest on long-term debt	104,972	105,178	-	-	104,972	105,178
Water	-	-	988,234	1,021,154	988,234	1,021,154
Wastewater	-	-	352,663	352,635	352,663	352,635
Total Expenses	11,182,710	7,403,100	1,340,897	1,373,789	12,523,607	8,776,889
Increase in Net Assets						
Before Transfers	3,435,400	2,616,833	477,447	307,933	3,912,847	2,924,766
Transfers	(36,737)	(90,000)	(53,263)	-	(90,000)	(90,000)
Increase in Net Assets	3,398,663	2,526,833	424,184	307,933	3,822,847	2,834,766
Net Assets, January 1	15,486,977	12,960,144	10,042,457	9,734,524	25,529,434	22,694,668
Net Assets, December 31	\$18,885,640	\$15,486,977	\$10,466,641	\$10,042,457	\$29,352,281	\$25,529,434

- The City of Crookston's total net assets increased by \$3,822,847. Most of this increase resulted from the addition of new assets and growth of business-type activities as required by GASB Statement No. 34.

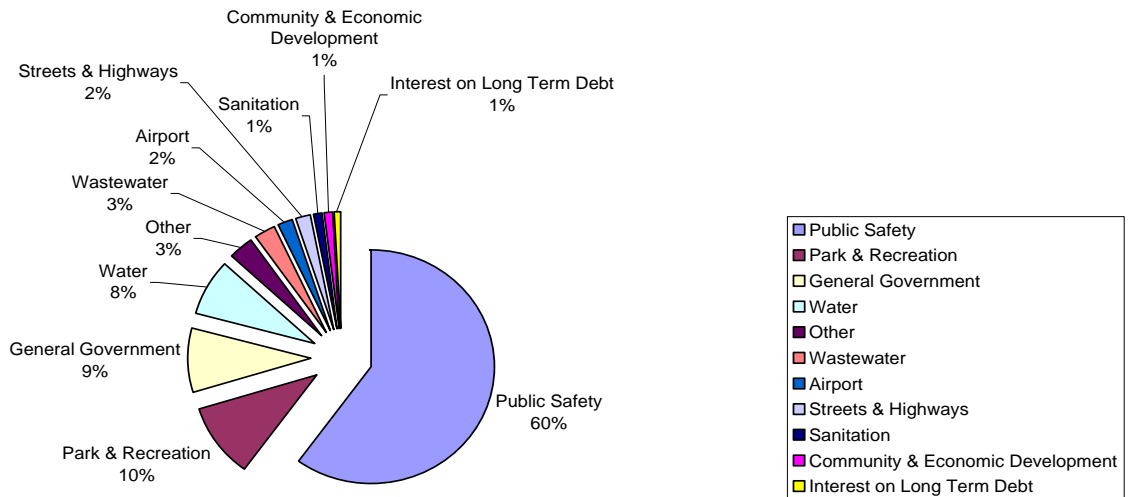
Governmental Funds

These charts illustrate the City of Crookston's governmental activities - expense by fund and revenue by source.

City of Crookston Revenue



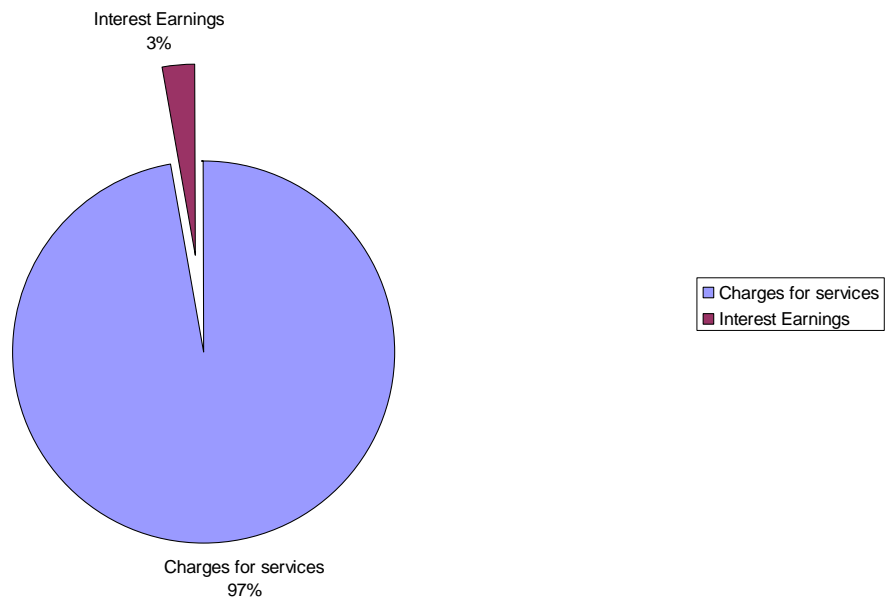
City of Crookston Expenses



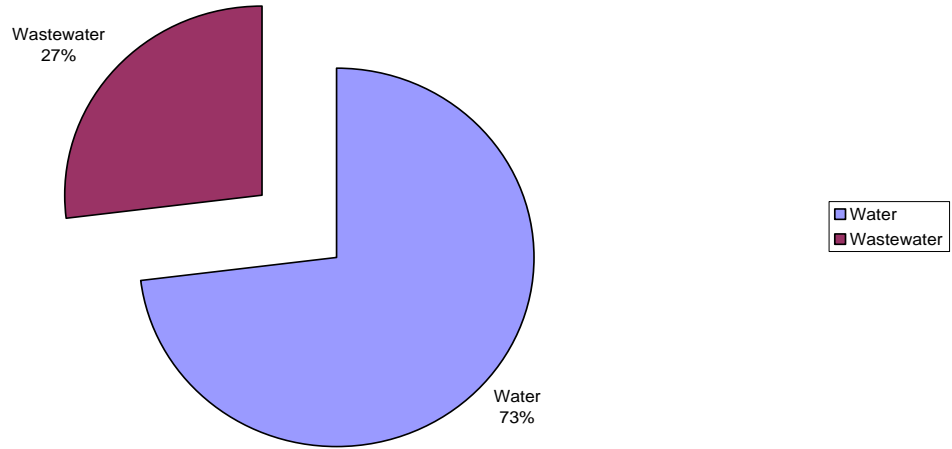
Business-Type Activities:

Business-type activities increased the City of Crookston's net assets by \$307,933 accounting for 11 percent of the total growth in the City of Crookston's net assets.

Revenue - Business Activities



Expenses - Business Activities



Capital Assets

At the end of the fiscal year 2007, the City of Crookston had over \$32 million invested in capital assets, which includes buildings, infrastructure, water distribution and wastewater treatment facilities, police, fire, sanitation, recreation and equipment. Below is a summary of capital assets as of December 31, 2007:

	Governmental Activities			Business-Type Activities		
	Cost	Accum		Cost	Accum	
		Depreciation	Net		Depreciation	Net
Land	\$ 4,721,209	\$ -	\$ 4,721,209	\$ 254,605	\$ -	\$ 254,605
Land improvements	909,940	507,974	401,966	-	-	-
Buildings and improvements	5,550,250	3,225,336	2,324,914	-	-	-
Equipment	3,620,682	2,190,468	1,430,214	-	-	-
Infrastructure	5,182,254	386,513	4,795,741	-	-	-
Water distribution system	-	-	-	13,256,596	4,845,041	8,411,555
Wastewater treatment facility	-	-	-	2,440,556	886,328	1,554,228
	<u>\$ 19,984,335</u>	<u>\$ 6,310,291</u>	<u>\$ 13,674,044</u>	<u>\$ 15,951,757</u>	<u>\$ 5,731,369</u>	<u>\$ 10,220,388</u>

This year's major additions included:

Governmental Activities

The General Fund purchased office equipment, vehicles, outdoor siren and equipment for city hall, fire, police and public works in the amount of \$111,310. The Library Fund contracted for roof repair in the amount of \$62,338. The Park and Recreation Fund made improvements to the Central Park (lights), mower, office furniture and equipment of \$37,656.

The Airport Fund completed the airport entrance/exit project and hangar repair for a total of \$295,167. The Municipal and Building Fund purchased 160 acres of land in the amount of \$289,634. The Street Improvement Fund completed street projects totaling \$1,581,881. The Flood Control Project Fund purchased property totaling \$194,715. The 6th Street Landslide fund purchased property totaling \$75,505.

Business-type activities

The Water Fund made improvements to the new well, several water main projects, vehicles and water meters for a total of \$147,351. The Wastewater Fund purchased a generator in the amount of \$25,414.

Long-Term Debt

At December 31, 2007, the City of Crookston had \$5,215,011 in bonds, notes outstanding and other long-term obligations, which is a decrease of \$907,940 from the prior year. In addition, compensated absences amount to \$561,276, which is an increase of \$26,176 from the prior year. Bonds and notes outstanding at year-end are summarized below:

	<u>Beginning of Year</u>	<u>New Issues</u>	<u>Debt Retired</u>	<u>End of Year Balance</u>
<u>Governmental Activities:</u>				
G.O. Improvement Bonds	\$ 2,160,000	\$ -	\$ 600,000	\$ 1,560,000
State Loans	34,609	-	7,836	26,773
Other Loans	817,917	-	48,795	769,122
Compensated absences	427,781	27,571	-	455,352
	<u>3,440,307</u>	<u>27,571</u>	<u>656,631</u>	<u>2,811,247</u>
<u>Business-Type Activities:</u>				
G.O. Revenue Bond, net of premiums/discounts	3,110,425	991	252,300	2,859,116
Compensated absences	107,323	-	1,399	105,924
	<u>3,217,748</u>	<u>991</u>	<u>253,699</u>	<u>2,965,040</u>
Total	<u>\$ 6,658,055</u>	<u>\$ 28,562</u>	<u>\$ 910,330</u>	<u>\$ 5,776,287</u>

The City of Crookston maintained its Baa1 rating from Moody’s on all of its general obligation debt.

State statutes limit the amount of general obligation debt a Minnesota city may issues to 2% of total Estimated Market Value. The current debt limitation for the City of Crookston is \$4,505,602.00. None of the City’s outstanding debt is counted against the statutory limitation.

Economic Factors and Next Year’s Budgets and Rates

The Mayor and City Council considered many factors when setting the fiscal year 2008 budget, tax rates and fees that will be charged for the business-type activities.

A major factor when producing a General Fund budget is the status of the City of Crookston’s allocation of Local Government Aid (LGA). In 2003 the City of Crookston’s LGA was cut 13.82%. In 2007 the level of LGA funding was slightly higher than the original allocation for 2003, prior to the cut. In light of this situation the City of Crookston continues to look to diversify our sources of revenue to reduce our dependency on State funding and lower the tax rate for its citizens. The City of Crookston is expected to receive an increase in LGA of \$161,777 or 5.4% in 2008.

The Council continually evaluates fees the City of Crookston charges for services and adjusts them when needed. In 2007 the City Council evaluated the City of Crookston's sanitation program. It was determined the revenue collected was not enough to cover expenses. In September, 2007 the garbage rate was increased to cover expenses. The rent for the arena was also renegotiated with an increase to both UMC and Crookston Public Schools.

The City of Crookston continues to evaluate overall staffing levels and salary allocation for city staff among the General, Special Revenue and Enterprise funds. The City of Crookston continues to look for ways to streamline operations without having an adverse impact on services provided.

Combining the increase in LGA and the modest growth in the tax base, the City of Crookston was able to reduce their levy by 3% for 2008 while providing the same level of service it has in the past.

Requests for Information

This financial report is designed to provide a general overview of the City of Crookston's finances for all those with an interest in the City of Crookston's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk/Treasurer, City of Crookston, 124 North Broadway, Crookston, Minnesota 56716.

BASIC FINANCIAL STATEMENTS

CITY OF CROOKSTON, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and cash equivalents	\$ 3,208,368	\$ 1,070,918	\$ 4,279,286	\$ 946,167
Investments	2,307,416	100,008	2,407,424	-
Receivables:				
Accounts	1,522,172	195,917	1,718,089	858
Taxes	270,710	-	270,710	-
Special assessments	1,755,790	102,435	1,858,225	-
Due to other funds	2,713,075	-	2,713,075	-
Due to other governments	294,409	-	294,409	-
Inventories	97,854	63,137	160,991	-
Prepaid expenses	7,893	7,083	14,976	-
Restricted assets:				
Cash and equivalents	365,446	1,808,288	2,173,734	-
Notes receivable	812,952	-	812,952	245,148
Capital assets, net	13,674,044	10,220,388	23,894,432	953
Total Assets	<u>\$ 27,030,129</u>	<u>\$ 13,568,174</u>	<u>\$ 40,598,303</u>	<u>\$ 1,193,126</u>
LIABILITIES:				
Accounts payable	\$ 812,117	\$ 15,321	\$ 827,438	\$ -
Accrued liabilities	118,034	16,126	134,160	635
Accrued interest	33,459	45,062	78,521	-
Due to other funds	2,713,075	-	2,713,075	-
Due to other governments	84	27,931	28,015	-
Customer deposits	10,589	32,053	42,642	-
Deferred revenue	1,645,884	-	1,645,884	-
Other noncurrent liabilities:				
Due within one year	419,278	240,000	659,278	-
Due in more than one year	2,391,969	2,725,040	5,117,009	-
Total Liabilities	<u>8,144,489</u>	<u>\$ 3,101,533</u>	<u>\$ 11,246,022</u>	<u>\$ 635</u>
NET ASSETS:				
Investment in capital assets, net of related debt	12,087,271	\$ 7,361,272	\$ 19,448,543	\$ 953
Restricted	1,514,065	1,871,450	3,385,515	395,148
Unrestricted	5,284,304	1,233,919	6,518,223	796,390
Total Net Assets	<u>18,885,640</u>	<u>\$ 10,466,641</u>	<u>\$ 29,352,281</u>	<u>\$ 1,192,491</u>

See notes to basic financial statements.

CITY OF CROOKSTON, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Function/Program Activities	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating	Capital	Primary Government			Component Unit
			Grants & Contributions	Grants & Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental Activities:								
General government	\$ (1,105,065)	\$ 46,609	\$ -	\$ -	\$ (1,058,456)		\$ (1,058,456)	\$ -
Public safety	(7,500,929)	32,859	5,898,735	-	(1,569,335)		(1,569,335)	-
Streets & highways	(229,189)	13,242	112,022	690,295	586,370		586,370	-
Health & sanitation	(170,690)	187,385	-	-	16,695		16,695	-
Recreation & culture	(1,296,603)	233,337	20,080	-	(1,043,186)		(1,043,186)	-
Community & economic development	(121,780)	98,398	-	-	(23,382)		(23,382)	-
Airport	(241,534)	85,297	34,369	-	(121,868)		(121,868)	-
Other / Unallocated	(411,948)	238	-	-	(411,710)		(411,710)	-
Interest on long-term debt	(104,972)	35,000	-	-	(69,972)		(69,972)	-
Total Governmental Activities	(11,182,710)	732,365	6,065,206	690,295	(3,694,844)		(3,694,844)	-
Business-Type Activities:								
Water	(988,234)	1,206,554	-	-		218,320	218,320	-
Wastewater	(352,663)	456,835	-	-		104,172	104,172	-
Total Business-Type Activities	(1,340,897)	1,663,389	-	-		322,492	322,492	-
Total Primary Government	(12,523,607)	2,395,754	6,065,206	690,295	(3,694,844)	322,492	(3,372,352)	-
Component Unit:								
Crookston Development Authority	(119,201)	21,554	-	-				(97,647)
General Revenues:								
Taxes:								
Property					1,672,714	-	1,672,714	-
Special assessments					863,486	-	863,486	-
Franchise fees, licenses & other					765,061	-	765,061	-
Intergovernmental					3,376,113	-	3,376,113	-
Interest income					241,513	154,955	396,468	45,760
Other					182,851	-	182,851	-
Gain (Loss) on sale of assets					28,506	-	28,506	-
Transfers					(36,737)	(53,263)	(90,000)	90,000
Total General Revenues, Special Items & Transfers					7,093,507	101,692	7,285,199	135,760
Change in Net Assets					3,398,663	424,184	3,822,847	38,113
Net Assets, beginning					15,486,977	10,042,457	25,529,434	1,154,378
Net Assets, ending					\$ 18,885,640	\$ 10,466,641	\$ 29,352,281	\$ 1,192,491

See notes to basic financial statements.

CITY OF CROOKSTON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	General	Municipal Land & Building	SSD Flood Control	Improvement	Intermediary Relending Program	Street Construction	Special Assessment Bonds	Flood Improvement	Nonmajor Governmental Funds	Total
ASSETS										
Cash and equivalents	\$ 76,237	\$ 280,952	\$ 328,113	\$ 77,351	\$ 448,944	\$ -	\$ 452,429	\$ -	\$ 1,115,333	\$ 2,779,359
Investments	2,070,989	-	236,427	-	-	-	-	-	-	2,307,416
Receivables, net:										
Accounts	179,424	-	-	-	-	29,824	-	1,296,264	15,842	1,521,354
Taxes	20,265	12,207	-	13,895	-	-	43,311	-	181,032	270,710
Special assessments	3,424	-	36,862	1,073,156	-	-	641,292	-	1,056	1,755,790
Due from other funds	263,075	1,000,000	1,000,000	300,000	-	-	-	-	-	2,563,075
Due from other governments	294,409	-	-	-	-	-	-	-	-	294,409
Inventory	37,880	-	-	-	-	-	-	-	58,175	96,055
Prepaid expenses	7,088	-	-	-	280	-	-	-	525	7,893
Restricted assets:										
Cash and equivalents	365,446	-	-	-	-	-	-	-	-	365,446
Notes receivable	-	-	-	-	812,952	-	-	-	-	812,952
Long-term due from other fund	-	-	-	-	-	-	-	-	150,000	150,000
TOTAL ASSETS	\$ 3,318,237	\$ 1,293,159	\$ 1,601,402	\$ 1,464,402	\$ 1,262,176	\$ 29,824	\$ 1,137,032	\$ 1,296,264	\$ 1,521,963	\$ 12,924,459
LIABILITIES AND FUND BALANCE										
Liabilities:										
Accounts payable	\$ 96,722	\$ -	\$ 4,052	\$ -	\$ -	\$ 66,150	\$ 1,000	\$ 505,269	\$ 123,437	\$ 796,630
Accrued liabilities	88,788	-	-	-	-	-	-	-	28,714	117,502
Due to other funds	-	-	-	-	-	1,106,274	-	1,374,247	82,554	2,563,075
Due to other governments	81	-	-	-	-	-	-	-	5	86
Customer deposits	-	-	2,791	-	500	-	-	-	7,298	10,589
Deferred revenue:										
Taxes	18,992	11,390	-	13,638	-	-	41,509	-	168,616	254,145
Special assessments	3,358	-	30,092	1,065,959	-	-	640,983	-	957	1,741,349
Notes	-	-	-	-	812,952	-	-	-	-	812,952
Other	317,636	-	-	-	-	-	-	-	14,501	332,137
Long-term due to other fund	-	-	-	-	-	-	-	-	150,000	150,000
Total Liabilities	525,577	11,390	36,935	1,079,597	813,452	1,172,424	683,492	1,879,516	576,082	6,778,465
Fund Balance (Deficit):										
Reserved	745,646	200,000	-	-	170,464	-	-	-	397,955	1,514,065
Designated for debt service	-	-	-	-	-	-	453,540	-	8,455	461,995
Unreserved										
General fund	2,047,014	-	-	-	-	-	-	-	-	2,047,014
Special revenue funds	-	-	1,564,467	384,805	278,260	-	-	-	607,601	2,835,133
Capital projects funds	-	1,081,769	-	-	-	(1,142,600)	-	(583,252)	(68,130)	(712,213)
Total Fund Balance	2,792,660	1,281,769	1,564,467	384,805	448,724	(1,142,600)	453,540	(583,252)	945,881	6,145,994
TOTAL LIABILITIES & FUND BALANCE	\$ 3,318,237	\$ 1,293,159	\$ 1,601,402	\$ 1,464,402	\$ 1,262,176	\$ 29,824	\$ 1,137,032	\$ 1,296,264	\$ 1,521,963	\$ 12,924,459

See notes to basic financial statements.

CITY OF CROOKSTON, MINNESOTA
RECONCILIATION OF BALANCE SHEET TO STATEMENT OF ACTIVITIES
DECEMBER 31, 2007

Amount reported for governmental activities in the statement of net assets are different because:

Total fund balance per balance sheet	\$ 6,145,994
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the balance sheet	13,666,131
Long-term notes receivable not available to pay for current period expenditures and therefore deferred in the fund	812,952
Taxes, special assessments and other long-term receivables are not available to pay for current period expenditures and therefore deferred in the fund	681,748
Internal service fund, Central Garage, is used by management to charge the cost of repair and maintenance of equipment and equipment rental to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.	416,060
Accrued interest on long-term bonds and notes payable is included in the statement of net assets but not due and payable in the current period and therefore not reported in the fund.	(33,459)
Long-term liabilities, including bonds payable, notes payable and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(2,803,786)</u>
Net Assets - Governmental Activities	<u>\$ 18,885,640</u>

See notes to financial statements.

CITY OF CROOKSTON, MINNESOTA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Municipal Land & Building	SSD Flood Control	Improvement	Intermediary Relending Program	Street Construction	Special Assessment Bonds	Flood Improvement	Nonmajor Governmental Funds	Total
REVENUES:										
Property taxes	\$ 90,770	\$ 80,082	\$ -	\$ 23,176	\$ -	\$ -	\$ 178,940	\$ -	\$ 1,284,034	\$ 1,657,002
Special assessments	-	-	320,541	282,368	-	-	122,544	-	42,571	768,024
Intergovernmental	3,232,128	308,828	-	47,497	-	690,295	19,155	5,648,827	184,884	10,131,614
Licenses, permits & fees	765,061	-	-	-	-	-	-	-	-	765,061
Fines & forfeitures	57,850	-	-	-	-	-	-	-	-	57,850
Charges for services	257,723	-	14,142	-	334,837	-	-	-	371,590	978,292
Investment earnings	125,307	43,737	79,064	28,194	16,729	-	13,620	-	48,620	355,271
Miscellaneous	57,204	10,835	-	-	-	-	35,000	35,225	26,855	165,119
Total Revenues	<u>4,586,043</u>	<u>443,482</u>	<u>413,747</u>	<u>381,235</u>	<u>351,566</u>	<u>690,295</u>	<u>369,259</u>	<u>5,684,052</u>	<u>1,958,554</u>	<u>14,878,233</u>
EXPENDITURES:										
General government	1,102,439	16,512	-	-	-	-	-	-	-	1,118,951
Public safety	2,233,668	-	75,704	-	-	-	-	6,045,731	56,166	8,411,269
Streets & highways	715,341	-	-	2,617	-	1,213,849	-	-	-	1,931,807
Sanitation	170,690	-	-	-	-	-	-	-	-	170,690
Recreation & culture	-	-	-	-	-	-	-	-	1,484,009	1,484,009
Community & economic development	-	-	-	-	50,997	-	-	-	89,394	140,391
Airport	-	-	-	-	-	-	-	-	161,650	161,650
Other	25,450	-	-	-	-	-	-	-	9,465	34,915
Debt Service:										
Principal	-	-	-	-	27,505	-	280,000	-	352,779	660,284
Interest & agent fees	-	-	-	-	5,395	-	63,920	-	45,380	114,695
Total Expenditures	<u>4,247,588</u>	<u>16,512</u>	<u>75,704</u>	<u>2,617</u>	<u>83,897</u>	<u>1,213,849</u>	<u>343,920</u>	<u>6,045,731</u>	<u>2,198,843</u>	<u>14,228,661</u>
Revenues Over (Under) Expenditures	338,455	426,970	338,043	378,618	267,669	(523,554)	25,339	(361,679)	(240,289)	649,572
OTHER FINANCING SOURCES (USES):										
Proceeds from sale of assets	5,886	-	-	-	-	-	-	22,620	-	28,506
Transfers from other funds	15,213	330,739	-	13,774	-	1,186,243	110,223	-	149,156	1,805,348
Transfers to other funds	(995,136)	(178,638)	-	(375,106)	-	-	(1,033)	-	(187,169)	(1,737,082)
Transfers to component unit	(90,000)	-	-	-	-	-	-	-	-	(90,000)
Net Other Financing Sources (Uses)	<u>(1,064,037)</u>	<u>152,101</u>	<u>-</u>	<u>(361,332)</u>	<u>-</u>	<u>1,186,243</u>	<u>109,190</u>	<u>22,620</u>	<u>(38,013)</u>	<u>6,772</u>
Net Change in Fund Balance	(725,582)	579,071	338,043	17,286	267,669	662,689	134,529	(339,059)	(278,302)	656,344
Fund Balance (Deficit), January 1	<u>3,518,242</u>	<u>702,698</u>	<u>1,226,424</u>	<u>367,519</u>	<u>181,055</u>	<u>(1,805,289)</u>	<u>319,011</u>	<u>(244,193)</u>	<u>1,224,183</u>	<u>5,489,650</u>
Fund Balance (Deficit), December 31	<u>\$ 2,792,660</u>	<u>\$ 1,281,769</u>	<u>1,564,467</u>	<u>\$ 384,805</u>	<u>\$ 448,724</u>	<u>\$ (1,142,600)</u>	<u>\$ 453,540</u>	<u>\$ (583,252)</u>	<u>\$ 945,881</u>	<u>\$ 6,145,994</u>

See notes to basic financial statements.

CITY OF CROOKSTON, MINNESOTA
RECONCILIATION OF STATEMENT REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities:

Net change in fund balance, from above	656,344
Governmental funds reported capital assets as expenditures. However, in the statement of activities the costs are capitalized and allocated over their estimated useful lives as depreciation expense. This activity is reconciled as follows:	
Assets capitalized	3,086,060
Depreciation	(919,123)
Revenues in the fund statements which were subject to accrual in the prior year are additions to beginning nets assets, and therefore, may not be reported as revenue in the statement of activities in the current year.	111,174
Long-term notes receivable are reported as expenditures when made and as revenue when repayments are received in the governmental funds. However, there is no impact in the statement of activities when these loans are made and repaid. This activity is as follows:	
New loans made	50,000
Loan principal payments received	(288,364)
Accrued interest payable recognized for statement of activities but is not due and payable in the current period and therefore not reported as a liability in the governmental funds.	12,972
Repayment of long-term debt is an expenditure in the governmental funds but the repayment changes long-term liabilities in the in the statement of net assets.	656,631
Increase in long-term compensated absences is treated as expense in statement of activities, but not a use of financial resources so not recorded in the fund statements.	(20,111)
Internal service funds are used by management to charge the cost of equipment maintenance and equipment rental to individual funds. The net revenue of the internal service fund is reported with governmental activities.	<u>53,080</u>
Change in Net Assets	<u>\$ 3,398,663</u>

CITY OF CROOKSTON, MINNESOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2007

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal
	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>	<u>Service Fund</u>
ASSETS:				
Current Assets:				
Cash and equivalents	\$ 553,524	\$ 517,394	\$ 1,070,918	\$ 429,009
Investments	100,008	-	100,008	-
Receivables:				
Accounts	145,393	50,524	195,917	818
Special assessments	101,523	912	102,435	-
Inventory	63,137	-	63,137	1,799
Prepaid expenses	4,550	2,533	7,083	-
Total Current Assets	<u>968,135</u>	<u>571,363</u>	<u>1,539,498</u>	<u>431,626</u>
Restricted Assets:				
Cash & equivalents	<u>1,808,288</u>	-	<u>1,808,288</u>	-
Property, Plant and Equipment	13,491,501	2,460,256	15,951,757	78,565
Accumulated depreciation	<u>(4,845,041)</u>	<u>(886,328)</u>	<u>(5,731,369)</u>	<u>(70,652)</u>
Net Property, Plant & Equipment	<u>8,646,460</u>	<u>1,573,928</u>	<u>10,220,388</u>	<u>7,913</u>
Total Assets	<u>\$ 11,422,883</u>	<u>\$ 2,145,291</u>	<u>\$ 13,568,174</u>	<u>\$ 439,539</u>
LIABILITIES AND NET ASSETS:				
Current Liabilities:				
Current portion bonds payable	\$ 175,000	\$ 65,000	\$ 240,000	\$ -
Accounts payable	12,340	2,981	15,321	15,487
Due to other governments	27,931	-	27,931	-
Accrued interest payable	37,060	8,002	45,062	-
Other accrued liabilities	12,069	4,057	16,126	531
Customer deposits	<u>32,053</u>	-	<u>32,053</u>	-
Total Current Liabilities	<u>296,453</u>	<u>80,040</u>	<u>376,493</u>	<u>16,018</u>
Non-Current Liabilities:				
Bonds payable, net of current & discounts	2,181,555	437,561	2,619,116	-
Compensated absences	<u>80,536</u>	<u>25,388</u>	<u>105,924</u>	<u>7,461</u>
Total Non-Current Liabilities	<u>2,262,091</u>	<u>462,949</u>	<u>2,725,040</u>	<u>7,461</u>
Total Liabilities	<u>2,558,544</u>	<u>542,989</u>	<u>\$ 3,101,533</u>	<u>23,479</u>
Net Assets:				
Investment in capital assets, net of related debt	6,289,905	1,071,367	7,361,272	7,913
Restricted	1,871,450	-	1,871,450	395,148
Unrestricted	<u>702,984</u>	<u>530,935</u>	<u>1,233,919</u>	<u>12,999</u>
Total Net Assets	<u>\$ 8,864,339</u>	<u>\$ 1,602,302</u>	<u>\$ 10,466,641</u>	<u>\$ 416,060</u>

See notes to basic financial statements.

CITY OF CROOKSTON, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal
	Water	Wastewater	Total	Service Fund
OPERATING REVENUES:				
Charges for services	\$ 1,162,650	\$ 456,835	\$ 1,619,485	\$ 195,881
Other	43,904	-	43,904	1,143
Total Operating Revenues	<u>1,206,554</u>	<u>456,835</u>	<u>1,663,389</u>	<u>197,024</u>
OPERATING EXPENSES:				
Power for pumping	17,298	-	17,298	-
Purification chemicals	16,075	-	16,075	-
Distribution	266,694	268,246	534,940	-
Administration	249,273	-	249,273	-
Equipment maintenance	22,672	-	22,672	147,692
Depreciation	321,186	62,262	383,448	3,693
Total Expenditures	<u>893,198</u>	<u>330,508</u>	<u>1,223,706</u>	<u>151,385</u>
Operating Income (Loss)	313,356	126,327	439,683	45,639
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	128,455	26,500	154,955	22,444
Interest expense	(95,036)	(22,155)	(117,191)	-
Net Nonoperating Revenues (Expenses)	<u>33,419</u>	<u>4,345</u>	<u>37,764</u>	<u>22,444</u>
Income (Loss) Before Contributions and Transfers	346,775	130,672	477,447	68,083
Transfers Out	(53,263)	-	(53,263)	(15,003)
Change in Net Assets	293,512	130,672	424,184	53,080
Net Assets, beginning	<u>8,570,827</u>	<u>1,471,630</u>	<u>10,042,457</u>	<u>362,980</u>
Net Assets, ending	<u>\$ 8,864,339</u>	<u>\$ 1,602,302</u>	<u>\$ 10,466,641</u>	<u>\$ 416,060</u>

See notes to basic financial statements.

CITY OF CROOKSTON, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-Type Activities			Governmental
	Enterprise Funds			Activities -
	Water	Wastewater	Total	Internal Service Fund
Cash Flows From Operating Activities:				
Receipts from customers	\$ 1,203,296	\$ 459,195	\$ 1,662,491	\$ 196,206
Payments from suppliers	(311,862)	(202,155)	(514,017)	(110,940)
Payments to employees	(256,589)	(93,615)	(350,204)	(26,864)
Net Cash Provided (Used) by Operating Activities	<u>634,845</u>	<u>163,425</u>	<u>798,270</u>	<u>58,402</u>
Cash Flows From Noncapital Financing Activities:				
Transfers out	(53,263)	-	(53,263)	(15,003)
Receipt (payments) on interfund balances	300,000	221,636	521,636	300,000
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>246,737</u>	<u>221,636</u>	<u>468,373</u>	<u>284,997</u>
Cash Flows From Capital Financing Activities:				
Property and equipment additions	(138,418)	(17,039)	(155,457)	-
Principal payments on bonds	(170,000)	(75,000)	(245,000)	-
Interest payments on bonds	(98,688)	(28,729)	(127,417)	-
Net Cash Flows Provided (Used) by Capital Financing Activities	<u>(407,106)</u>	<u>(120,768)</u>	<u>(527,874)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Investment purchased	(2,501)	-	(2,501)	-
Interest earned	128,455	26,500	154,955	22,444
Cash Flows Provided (Used) by Investing Activities	<u>125,954</u>	<u>26,500</u>	<u>152,454</u>	<u>22,444</u>
Net Increase (Decrease) in Cash	600,430	290,793	891,223	365,843
Cash, January 1	<u>1,761,382</u>	<u>226,601</u>	<u>1,987,983</u>	<u>63,166</u>
Cash, December 31	<u>\$ 2,361,812</u>	<u>\$ 517,394</u>	<u>\$ 2,879,206</u>	<u>\$ 429,009</u>
Total Cash:				
Cash and equivalents	\$ 553,524	\$ 517,394	\$ 1,070,918	\$ 429,009
Restricted cash and equivalents	1,808,288	-	1,808,288	-
	<u>\$ 2,361,812</u>	<u>\$ 517,394</u>	<u>\$ 2,879,206</u>	<u>\$ 429,009</u>

CITY OF CROOKSTON, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal
	Water	Wastewater	Total	Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 313,356	\$ 126,327	\$ 439,683	\$ 45,639
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	321,186	62,262	383,448	3,693
Changes in assets and liabilities:				
Receivables	(4,998)	2,364	(2,634)	(818)
Inventories	(5,126)	-	(5,126)	(61)
Prepaid expenses	-	(1,193)	(1,193)	
Accounts payable	(75)	(18,203)	(18,278)	9,877
Due to other governments	599	(4)	595	
Other accrued liabilities	1,364	70	1,434	(442)
Compensated absences	6,799	(8,198)	(1,399)	514
Customer deposits	1,740	-	1,740	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 634,845</u>	<u>\$ 163,425</u>	<u>\$ 798,270</u>	<u>\$ 58,402</u>

See notes to basic financial statements.

CITY OF CROOKSTON, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	<u>Crookston Development Authority</u>
ASSET	
Cash and cash equivalents	\$ 946,167
Receivables:	
Accounts	858
Notes receivable	245,148
Capital assets, net	<u>953</u>
Total Assets	<u>\$ 1,193,126</u>
 LIABILITIES	
Accounts payable	\$ -
Accrued liabilities	<u>635</u>
Total Liabilities	<u>\$ 635</u>
 NET ASSETS:	
Investment in capital assets, net of related debt	\$ 953
Restricted	395,148
Unrestricted	<u>796,390</u>
Total Net Assets	<u><u>\$ 1,192,491</u></u>

See notes to basic financial statements.

CITY OF CROOKSTON, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Crookston Development Authority</u>
REVENUES	
Revolving loan interest and fees	\$ 12,966
Investment earnings	45,760
Other	<u>8,588</u>
Total Revenue	<u>67,314</u>
EXPENSES	
Salaries and benefits	82,874
Office and general	17,607
Economic development	17,132
Depreciation	636
Loan write-offs	<u>952</u>
Total Expenses	<u>119,201</u>
Income From Operations	(51,887)
OTHER SOURCES (USES)	
Transfer from primary government	<u>90,000</u>
Net Change in Net Assets	38,113
Net Assets, January 1	<u>1,154,378</u>
Net Assets, December 31	<u><u>\$ 1,192,491</u></u>

See notes to basic financial statements.

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

The City of Crookston, Minnesota, (the "City ") was incorporated as a statutory city, under the provision of the State of Minnesota. The City operates under a mayor and an eight member council. It provides the following services: public safety, streets, public improvements, planning and zoning, water, sewer and general administrative services.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or after November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements.

The Reporting Entity

The financial statements of the City include all funds, account groups and component units over which the City Council exercises significant influence over and, or is financially accountable or organizations for which the nature and significance of their relationship with the City is such that exclusion would cause the City of Crookston, Minnesota's financial statements to be misleading. The following activities are not separate legal entities from the City and have been included in the presentation of the primary government's financial information; Crookston Park and Recreation, Valley Technology Park and Crookston Municipal Airport.

The Crookston Fire Relief Association does not meet the definition of a component unit of the City and therefore not included in these financial statements. Its members have sole authority over daily operations and financial activities.

Component Units

The discretely presented component unit includes the Crookston Economic Development Authority, which was created August 25, 1987, under the provisions of Minnesota Statutes 458C. The Authority is governed by seven commissioners appointed from among the residents and business owners of the City. Two of the commissioners must be members of the City Council and one representative from each of the following organizations; Crookston Jobs, Inc., Crookston Area Chamber of Commerce, Housing Authority, Education and Healthcare sectors. The Authority's primary operations include those activities necessary to encourage the promotion and development of the City, which is reported in its General Fund. The Authority reports its leasing activity with a local manufacturer in a separate fund.

The Crookston Economic Development Authority did not issue separate audited financial statements. Copies of component unit financial information may be obtained from the City's general accounting office in Crookston, Minnesota.

B. Basis of Presentation

Government-Wide Financial Statement

The Statement of Net Assets and Statement of Activities display information about the reporting

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

government taken as a whole. They include all funds of the reporting entity except any fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange receipts. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are typically organized into three categories: governmental, proprietary and fiduciary. The City currently has no fiduciary funds.

An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that type, AND
2. Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5% of the corresponding total for all governmental funds combined.

Governmental Funds

General Fund

The general fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

The special revenue fund is used to account for the proceeds of specific revenue sources (other than capital projects) where the expenditures are designated to finance a particular function or activity of the City. The City includes the following special revenue funds:

<u>Special Revenue Funds</u>	<u>Description</u>
<i>Major Funds:</i>	
Improvement Fund	Accounts for revenues received in connection with improvement projects completed.
Intermediary Relending Program Fund	Accounts for revenues and expenditures relating to the City's IRP revolving business loan pool.
SSD Flood Control Fund	Accounts for special service district assessment restricted for the use of flood control within the City.

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

<u>Special Revenue Funds</u>	<u>Description</u>
<i>Nonmajor Funds:</i>	
Library Fund	Accounts for the cost-share of the Lake Agassiz Regional Library.
TIF Fund	Accounts for tax increment revenue received by City on various TIF Districts.
Dam Maintenance Fund	Accounts for revenues received in designated for the maintenance of the City's dam.
Airport	Accounts for the activities of the Crookston Municipal Airport.
Enterprise Zone Loan Fund	Accounts for all revenue received relating to enterprise business loans made to promote economic development.
Federal Revenue Sharing Fund	Account for residual revenue generated from a prior federal revenue sharing improvement program.
Code Enforcement Fund	Account for revenues generated from a prior residential rehab program.
Valley Technology Park Fund	Accounts for the activities of Valley Technology Park, a business incubator created through the City in collaboration with other governmental entities.
Park and Recreation	Accounts for recreational facilities and services provided by the City.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, interest and principal on long-term general obligation debt and related costs.

<u>Debt Service Funds</u>	<u>Description</u>
<i>Major Fund:</i>	
Special Assessments Bond Fund	Accounts for special assessment taxes levied to pay for improvements that were funded by debt issues.
<i>Nonmajor Funds:</i>	
Special Service District Bond Fund	Account for revenue received designated for the retirement of the 1996 Special Service District Bond issue.
T-Hanger Loan Fund	Account for rents received designated for the retirement of the 2001 MNDoT T-hanger loan.
Tax Increment Bond Fund	Accounts for tax increment received designated for the retirement of the 1997 Tax Increment Refunding Bonds.
Johnson Control Contract Fund	Account for recovery of costs of energy efficient improvements financed by the City.

Capital Project Funds

Capital Project Funds are used to account for revenues and expenditures associated with major capital projects.

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

<u>Fund</u>	<u>Description</u>
<i>Major Funds:</i>	
Street Construction Fund	Accounts for projects costs of council approved street improvement projects.
Municipal Land & Building Fund	Accounts for contributions, specific revenue and transfers from other City funds and expenditures for various capital projects designated by City Council.
Flood Improvement Fund	Accounts for various flood prevention grants awarded for specific flood prevention projects.
<i>Nonmajor Funds:</i>	
Erosion & Dam Modification Fund	Accounts for revenue received and project costs relating to the City's dam removal and riverbank stabilization project.
Valley Technology Park Construction	Accounts for revenue received and project costs relating to the construction of the Valley Technology Park facility.
6th Street Landslide	Accounts for revenue received and project costs relating to the relocation and reconstruction of property effected by landslide.

Proprietary Funds

Enterprise Funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activities focuses on net income measurement similar to the private sector. The City includes the following enterprise funds as major:

Water Fund – account for the activities in providing water services to the public users.

Wastewater Fund – account for the activities in providing sewer services to the public users.

Internal Service Fund

Internal service funds account for services or goods provided to other departments of the City on a cost reimbursement basis. The City has one internal service fund. The Central Garage Fund provides for the operations and maintenance of motor vehicle equipment of the City.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe the recognition of revenues and expenditures within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using, the “current financial resources” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures and claims and judgments (if any), are recorded only when payment is due.

If both restricted and unrestricted resources are available to use for the same purpose, it is the City’s policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Budgets

The annual budget was adopted this year through the passage of an annual budget ordinance and amended as required for the general fund. The budget is prepared using the modified accrual basis of accounting. However, it is modified for transactions that do not result in a “net cash flow” (i.e. capital assets acquired through long-term debt issues and transfer of state relief payments to the relief association). Any budget changes are approved by the Council. All unencumbered appropriations lapse at year-end.

E. Revenues

The City has the following program revenues; charges for services, licenses, permit and fees, rental income, revolving loan interest payments and operating and capital grants or contributions that are specific to a program. All other governmental revenues and general tax levies are classified as general revenue.

F. Property Taxes

Property taxes are set by the City Council in October of each year, and are certified to the County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

The County spreads all levies over taxable property. Such taxes become an enforceable lien on January 1. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. The County provides tax settlements to the City throughout the year. Property taxes are all considered susceptible to accrual and so have been recognized as revenues in the current fiscal period. However, delinquent taxes may not be collected soon enough in the following year to be available for current expenditures, therefore offset by deferred revenue.

G. Cash and Investments

Cash balances of the City for funds are pooled and invested to the extent available in certificates of deposits or in obligations of the federal government or its agencies as authorized by resolution of the City Council. Earnings from investments are allocated based on average cash and investment balances.

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

For the purpose of the Statement of Cash Flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalent. Currently, the City has no cash equivalents.

H. Restricted Assets

Certain assets of the general fund, water fund and component unit are classified as restricted assets because their use is completely restricted due to debt covenant agreements or per City resolution. These assets are offset by reserved fund balance in the fund financial statements to indicate that they are not available for appropriation and are not expendable available financial resources.

I. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as “Due to/from Other Funds.” All interfund receivables and payables that are expected to be eliminated in the subsequent year are reported as current. Long-term interfund loans are classified as “Advances to/from Other Funds.” Advances to/from other funds in the fund financial statements are offset by a reserved fund balance account representing that which is not available expendable resources.

J. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (i.e. roads, bridges, sidewalks, storm sewers and similar improvements), are reported in the government-wide statements in the applicable governmental or business-type activities column. Capital assets that have been purchased or constructed have been valued at historical cost or estimated historical cost. Donated assets are recorded at estimated fair market value at the time of donation. Estimated historical cost has been used to value capital assets for governmental activities acquired prior to January 1, 1980 that actual historical information could not be obtained.

Depreciation on exhaustible capital assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of useful lives by type of asset and capitalization threshold are as follows:

	<u>Threshold</u>	<u>Estimated Life</u>
Land improvements	\$25,000	5 – 20 years
Building and improvements	\$25,000	7 – 40 years
Furniture and equipment	\$ 5,000	4 – 10 years
Utility facilities and distribution systems	\$25,000	4 – 50 years
Infrastructure	\$50,000	10 – 50 years

K. Compensated Absences

Under the terms of union contracts and personnel policies, City employees are granted vacations in varying amounts depending upon length of service and union contract or employee classification. All full-time employees accumulate one day of sick leave per month until 140 days are accumulated. Thereafter ½ day per month is credited. Upon termination, employees are paid for all unused vacation and severance pay equal to 50% of their unused sick leave.

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

The estimated liability for compensated absences has been accrued as an expense in the proprietary funds, governmental and business-type activities in the statement of net assets. Governmental funds report vacation and sick pay as expenditures in the year paid.

L. Bond Discounts/Premiums

Bond discounts or premiums in proprietary funds are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of the bonds payable and premiums are presented as an addition to the face amount of the bonds payable.

M. Long-Term Debt

In the government-wide statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities and proprietary fund financial statements.

In the governmental fund financial statements long-term debt is not recognized as a liability. Instead, proceeds from the issuance of debt and repayment of debt principal are recognized as “Other Financing Uses” and “Expenditures”, respectively, in the fund financial statements.

N. Equity

In the government-wide financial statements equity is classified as “net assets” and displayed in three components:

1. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

O. Interfund Balances

In the process of aggregating the fund information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

P. 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS

Minnesota Statutes require that all deposits with financial institutions be collateralized in an amount equal to 110% of deposits in excess of FDIC (140% if collateralized with notes secured by first mortgages).

As of December 31, 2007, the City had the following investments and maturities:

<u>Investment</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Interest Rate</u>	<u>Maturity (In Years)</u>		
				<u>1 - 5 yrs</u>	<u>6 - 10 yrs</u>	<u>over 10 yrs</u>
Federal Nat'l Mortgage Assn Notes	568,715	AAA	4.0 - 5.5%	-	568,715	-
Federal Home Loan Bank Bonds	199,911	Aaa/AAA	4.0 - 5.0%	199,911	-	-
Federal Home Loan Mtg Corp Notes	1,638,798	AAA	4.0 - 6.0%	434,132	1,104,747	99,919
	<u>\$ 2,407,424</u>			<u>\$ 634,043</u>	<u>\$ 1,673,462</u>	<u>\$ 99,919</u>

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The City is authorized by Minnesota Statutes to invest in the following: direct obligations or obligations guaranteed by the federal government or its agencies; share of investment companies registered under the Federal Investment Company Act of 1940 and is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better, general obligations of Minnesota Housing Finance Agency rated "A" or better; commercial paper issued by United States' corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank or insurance company, domestic branch of a foreign bank and with a credit quality in one of the top two highest categories; repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. More than 65% of the City's investments are obligations issued by Federal Home Loan Mortgage Corporation.

NOTE 3. NOTES RECEIVABLE

Intermediary relending program loans are offered by the City through a revolving loan pool funded by the U.S. Department of Agriculture that provides loans to qualifying local businesses. These loans carry interest rates from 5.0% to 8.0% and are typically payable over 15 years. At December 31, 2007, the +balance remaining on the loans was \$812,952, which is entirely offset by deferred revenue in the government funds for the portion that is not considered to be available to liquidate current liabilities.

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

The Crookston Economic Development Authority administers a revolving loan pool. Loans have been made to qualifying businesses. Terms on these notes are negotiated based on the financial circumstances of each business with stated interest rates range from 5% to 8% and are payable over 7 years. At December 31, 2007, the balance remaining on the loans was \$245,148.

NOTE 4. CAPITAL ASSETS

Changes in capital assets for governmental activities for the year ended December 31, 2007 are as follows:

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
Land	\$ 3,751,459	\$ 1,030,082	\$ 60,332	\$ 4,721,209
Capital Assets Being Depreciated:				
Land improvements	906,243	3,697	-	909,940
Building and improvements	5,502,726	50,281	2,757	5,550,250
Equipment and machinery	1,678,507	251,592	37,704	1,892,395
Office equipment	419,318	101,414	-	520,732
Vehicles	1,186,145	27,903	6,493	1,207,555
Infrastructure	3,561,163	1,621,091	-	5,182,254
	<u>13,254,102</u>	<u>2,055,978</u>	<u>46,954</u>	<u>15,263,126</u>
Total Capital Assets	<u>17,005,561</u>	<u>3,086,060</u>	<u>107,286</u>	<u>19,984,335</u>
Less Accumulated Depreciation:				
Land improvements	485,246	22,728	-	507,974
Building and improvements	2,659,751	568,342	2,757	3,225,336
Equipment and machinery	1,046,408	66,287	33,516	1,079,179
Office equipment	320,388	6,368	-	326,756
Vehicles	720,784	70,242	6,493	784,533
Infrastructure	197,664	188,849	-	386,513
Total Accumulated Depreciation	<u>5,430,241</u>	<u>922,816</u>	<u>42,766</u>	<u>6,310,291</u>
Net Capital Assets - Governmental Activities	<u>\$ 11,575,320</u>	<u>\$ 2,163,244</u>	<u>\$ 64,520</u>	<u>\$ 13,674,044</u>

Changes in capital assets for business-type activities for the year ended December 31, 2007, are as follows:

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
Water Fund:				
Land	\$ 234,905	\$ -	\$ -	\$ 234,905

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
Capital Assets Being Depreciated:				
Wells	\$ 2,088,555	\$ -	\$ -	\$ 2,088,555
Plant and equipment	1,867,784	1,764	-	1,869,548
Office equipment	108,280	11,198	11,068	108,410
Distribution system	9,064,627	125,456	-	9,190,083
	<u>13,129,246</u>	<u>138,418</u>	<u>11,068</u>	<u>13,256,596</u>
Total Capital Assets	<u>13,364,151</u>	<u>138,418</u>	<u>11,068</u>	<u>13,491,501</u>
Less Accumulated Depreciation:				
Wells	381,374	67,264	-	448,638
Plant and equipment	761,202	29,515	11,068	779,649
Office equipment	95,528	9,445	-	104,973
Distribution system	3,296,819	214,962	-	3,511,781
Total Accumulated Depreciation	<u>4,534,923</u>	<u>321,186</u>	<u>11,068</u>	<u>4,845,041</u>
Net Water Fund	<u>\$ 8,829,228</u>	<u>\$ (182,768)</u>	<u>\$ -</u>	<u>\$ 8,646,460</u>
Wastewater Fund:				
Land	<u>\$ 19,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,700</u>
Capital Assets Being Depreciated:				
Lift station	884,375	-	-	884,375
Lagoons	642,784	-	-	642,784
Distribution system	805,251	-	-	805,251
Equipment	116,232	17,039	25,125	108,146
	<u>2,448,642</u>	<u>17,039</u>	<u>25,125</u>	<u>2,440,556</u>
Total Capital Assets	<u>2,468,342</u>	<u>17,039</u>	<u>25,125</u>	<u>2,460,256</u>
Less Accumulated Depreciation:				
Lift station	345,757	21,984	-	367,741
Lagoons	249,078	16,070	-	265,148
Distribution system	197,099	20,062	-	217,161
Equipment	57,257	4,146	25,125	36,278
Total Accumulated Depreciation	<u>849,191</u>	<u>62,262</u>	<u>25,125</u>	<u>886,328</u>
Net Wastewater Fund	<u>\$ 1,619,151</u>	<u>\$ (45,223)</u>	<u>\$ -</u>	<u>\$ 1,573,928</u>
Net Capital Assets - Business-Type	<u>\$ 10,448,379</u>	<u>\$ (227,991)</u>	<u>\$ -</u>	<u>\$ 10,220,388</u>

Changes in capital assets for the discretely presented component unit for the year ended December 31, 2007, are as follows:

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
Crookston Development Authority (CDA):				
Capital Assets:				
Office equipment	1,589	-	-	1,589
Total Capital Assets	1,589	-	-	1,589
Less Accumulated Depreciation:				
Office equipment	318	318	-	636
Total Accumulated Depreciation	318	318	-	636
Net Capital Assets - CDA	\$ 1,271	\$ (318)	\$ -	\$ 953

Depreciation expense charged to functions as follows in the Statement of Activities:

Primary Government:	
Governmental Activities:	
General government	\$ 29,524
Public safety	94,681
Streets & highways	222,882
Culture & recreation	60,759
Airport	99,696
Community & economic development	31,388
Unallocated	383,886
Total Governmental Activities	<u>\$ 922,816</u>
Business-Type Activities:	
Water	\$ 321,186
Wastewater	62,262
	<u>\$ 383,448</u>
Component Unit:	
Crookston Development Authority	<u>\$ 318</u>

NOTE 5. LONG-TERM DEBT

The following is a summary of the long-term debt transactions for the year:

	Balance Beginning of Year	New Issues	Debt Retired	Balance End of Year	Due Within One Year
PRIMARY GOVERNMENT:					
<u>Governmental Activities:</u>					
Bonds Payable:					
GO Special Service District Bonds, 1996A	\$ 225,000	\$ -	\$ 225,000	\$ -	\$ -
GO Tax Increment Refunding Bonds, Series 1997A	345,000	-	95,000	250,000	100,000

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance Beginning of Year	New Issues	Debt Retired	Balance End of Year	Due Within One Year
GO Improvement Bonds, Series 1998B	\$ 195,000	\$ -	\$ 75,000	\$ 120,000	\$ 65,000
GO Improvement Bonds, Series 1999B	730,000	-	75,000	655,000	80,000
GO Improvement Bonds, Series 2003B	665,000	-	130,000	535,000	115,000
	<u>2,160,000</u>	<u>-</u>	<u>600,000</u>	<u>1,560,000</u>	<u>360,000</u>
State Loans Payable:					
MNDOT Ag Service Hanger Loan - 2001	34,609	-	7,836	26,773	7,836
Other Loans Payable:					
Citimortgage, Inc.	224,619	-	14,612	210,007	16,726
NW MN Foundation	58,901	-	6,524	52,377	6,884
USDA - Intermediary Loan Program	534,397	-	27,659	506,738	27,832
	<u>817,917</u>	<u>-</u>	<u>48,795</u>	<u>769,122</u>	<u>51,442</u>
Compensated Absences	427,781	27,571	-	455,352	-
Total - Governmental Activities	<u>3,440,307</u>	<u>27,571</u>	<u>656,631</u>	<u>2,811,247</u>	<u>419,278</u>
<u>Business-Type Activities:</u>					
Bonds Payable:					
Wastewater Facility Revenue Refunding					
Bonds, Series 2005A	380,000	-	75,000	305,000	65,000
GO FmHA Revenue Bonds, Series 1996A	207,100	-	7,300	199,800	-
GO Water Revenue Bonds, Series 1998A	1,035,000	-	65,000	970,000	70,000
GO Water Revenue Bonds, Series 2003A	1,495,000	-	105,000	1,390,000	105,000
	<u>3,117,100</u>	<u>-</u>	<u>252,300</u>	<u>2,864,800</u>	<u>240,000</u>
Adjust for deferred amounts for issuance premiums (discounts)	<u>(6,675)</u>	<u>991</u>	<u>-</u>	<u>(5,684)</u>	<u>-</u>
	<u>3,110,425</u>	<u>991</u>	<u>252,300</u>	<u>2,859,116</u>	<u>240,000</u>
Compensated Absences	107,323	-	1,399	105,924	-
Total Business-Type Activities	<u>3,217,748</u>	<u>991</u>	<u>253,699</u>	<u>2,965,040</u>	<u>240,000</u>
Total Primary Government	<u>\$ 6,658,055</u>	<u>\$ 28,562</u>	<u>\$ 910,330</u>	<u>\$ 5,776,287</u>	<u>\$ 659,278</u>

Long-term indebtedness is made up of the following issues as of December 31, 2007:

	Retirement Funding Source	Original Issue	Interest Rates	Final Payment Date	Outstanding
<u>Business-Type Activities:</u>					
Bonds Payable:					
GO FmHA Revenue Bonds, Series 1996A	User fees	263,000	5.125%	1/1/2025	199,800
Wastewater Facility Revenue Refunding					
Bonds, Series 2005A	User fees	660,000	2.4 - 3.4%	2/1/2011	305,000
GO Water Revenue Bonds, Series 1998A	User fees	1,495,000	4.75 - 5.0%	2/1/2018	970,000
GO Water Revenue Bonds, Series 2003A	User fees	1,745,000	2.375-3.7%	2/1/2018	1,390,000
Business-Type Activities					<u>\$ 2,864,800</u>

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

	Retirement Funding Source	Original Issue	Interest Rates	Final Payment Date	Outstanding
<u>Governmental Activities:</u>					
Bonds Payable:					
GO Tax Increment Refunding Bonds, Series 1997A	TIF collected	800,000	4.8 - 5.2%	2/1/2010	\$ 250,000
GO Improvement Bonds, Series 1998B	Spec assess	855,000	4.1 - 4.5%	2/1/2009	120,000
GO Improvement Bonds, Series 1999B	Spec assess	1,115,000	5.0 - 5.6%	2/1/2015	655,000
GO Improvement Bonds, Series 2003B	Spec assess	1,060,000	2.5-3.25%	2/1/2013	535,000
State Loans Payable:					
MNDOT Ag Service Hanger Loan - 2001	Rents	73,789	none	5/1/2011	26,773
Other Loans Payable:					
Citimortgage, Inc.	General	224,619	4.29%	1/1/2016	210,007
NW MN Foundation	Rents	100,000	6.0%	10/20/2005	52,377
USDA - Intermediary Loan Program	Loan pmts	789,922	1.0%	1/1/2023	506,738
Total Governmental Activities					<u>\$ 2,355,895</u>

The annual debt service requirements to maturity, including principal and interest, for long-term debt, except compensated absences, as of December 31, 2007 are as follows:

Year Ended	Governmental Activities					
	Bonds		Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 360,000	\$ 60,806	\$ 59,278	\$ 16,792	\$ 419,278	\$ 77,598
2009	340,000	46,166	61,466	15,419	401,466	61,585
2010	235,000	33,884	63,723	13,959	298,723	47,843
2011	170,000	25,481	61,394	12,408	231,394	37,889
2012	150,000	18,873	74,281	10,633	224,281	29,506
2013 - 2017	305,000	22,586	260,093	28,091	565,093	50,677
2018 - 2022	-	-	156,823	7,673	156,823	7,673
2023 - 2027	-	-	58,837	802	58,837	802
	<u>\$ 1,560,000</u>	<u>\$ 207,796</u>	<u>\$ 795,895</u>	<u>\$ 105,777</u>	<u>\$ 2,355,895</u>	<u>\$ 313,573</u>

Year Ended	Business-Type Activities					
	Water Revenue Bonds		Wastewater Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 175,000	\$ 89,789	\$ 65,000	\$ 8,827	\$ 240,000	\$ 98,616
2009	180,000	83,776	82,600	16,910	262,600	100,686
2010	185,000	77,307	88,000	14,040	273,000	91,347
2011	195,000	70,159	93,500	10,885	288,500	81,044
2012	205,000	62,451	8,900	9,005	213,900	71,456
2013 - 2017	1,155,000	179,664	51,700	37,716	1,206,700	217,380
2018 - 2022	265,000	5,618	66,500	23,022	331,500	28,640
2023 - 2027	-	-	48,600	5,063	48,600	5,063
	<u>\$ 2,360,000</u>	<u>\$ 568,764</u>	<u>\$ 504,800</u>	<u>\$ 125,468</u>	<u>\$ 2,864,800</u>	<u>\$ 694,232</u>

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. CONDUIT DEBT

The City of Crookston has issued four special limited obligations for various expansion projects at Villa St. Vincent and Riverview Healthcare Association, both facilities are located in Crookston, Minnesota. The bonds and interest are limited obligations of the City payable solely from payments derived pursuant to the issues. The bonds do not constitute an indebtedness, pecuniary liability, a moral or general obligation of the City, nor does it constitute a charge, lien, or encumbrance, legal or equitable, against the property, funds, general credit or taxing powers of the City. The aggregate principal amount payable on these issues at December 31, 2007, is \$14,402,395.

NOTE 7. INTERFUND BALANCES AND TRANSFERS

Details on interfund receivable/payable balances are as follows as of December 31, 2007:

<u>Due From Other Funds</u>		
General Fund	Interim financing for deficit cash	\$ 263,075
Improvement Fund	Interim financing for deficit cash	300,000
Municipal Land & Building Fund	Interim financing for deficit cash	1,000,000
SSD Flood Control Fund	Interim financing for deficit cash	1,000,000
Nonmajor Governmental Funds	Noncurrent interfund borrowing	150,000
		<u>\$ 2,713,075</u>
<u>Due To Other Funds</u>		
Street Construction Fund	Interim financing for deficit cash	\$ 1,106,274
Flood Improvement Fund	Interim financing for deficit cash	1,374,247
Nonmajor Governmental Funds	Interim financing for deficit cash	232,554
		<u>\$ 2,713,075</u>

During the year, the City has to make occasional interfund transfers. These transfers are approved by council and are used to assist in the operation of the fund receiving the transfer. Transfers during the year are summarized below:

<u>Transfer In</u>		
General Fund	Other financing source required	\$ 15,213
Municipal Land & Building Fund	Other financing source required	330,739
Special Assessment Bond Fund	Other financing source required	110,223
Street Construction Fund	Other financing source required	1,186,243
Nonmajor Governmental Funds	Other financing source required	149,156
		<u>\$ 1,791,574</u>
<u>Transfer Out</u>		
General Fund	Other financing use required	\$ 981,362
Special Assessment Bond Fund	Other financing use required	1,033
Improvement Fund	Other financing use required	375,106
Municipal Land & Building Fund	Other financing use required	178,638
Nonmajor Governmental Funds	Other financing use required	187,169
Water	Other financing use required	53,263
Central Garage (Internal Service) Fund	Other financing use required	15,003
		<u>\$ 1,791,574</u>

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Description

All full-time and certain part-time employees of the City of Crookston, Minnesota are covered by a defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plan. These plans are established and administered in accordance with Minnesota Statutes, Chapter 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90.

Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree. No survivor annuity is payable. There are also various types of joint and survivor annuity options available which will reduce the monthly normal annuity amount, because the annuity is payable over joint lives. Members may also leave their contributions in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the web at mnpera.com or by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 5.75%, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan will increase in 2008 to 6.00%. PEPFF members were required to contribute 7.8% of their annual covered salary in 2007. That rate will increase to 8.6% in 2008. The City of Crookston, Minnesota is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.25% for Coordinated Plan PERF members and 11.7% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.50% and 12.9% respectively, effective January 1, 2008. The City's contributions to the Public Employees Retirement Fund for the years ending December 30, 2007, 2006 and 2005 were \$102,263, \$96,273 and \$86,897, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2007, 2006 and 2005 were \$135,650, \$118,793 and \$101,460, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 9. DEFINED CONTRIBUTION PLAN

Council members of the City of Crookston are covered by the Public Employees Defined Contribution Plan (PEDCP), a multi-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and four-tenths of one percent of the assets in each members account annually.

Total contributions made by the City of Crookston, Minnesota during the year ended December 31, 2007 were:

<u>Contribution Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required</u>
<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Rates</u>
1,200	1,200	6.0%	6.0%	6.0%

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10. DEFERRED COMPENSATION PLAN

The City of Crookston offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are placed in trust for the exclusive benefit of all participants and their beneficiaries and are not available to the creditors of the City. For this reason, the assets and related liabilities of the plan are not included in the accompanying financial statements.

NOTE 11. RESERVED FUND EQUITY

Following is a summary of fund equity reserves and designations as of December 31, 2007:

PRIMARY GOVERNMENT:

General Fund:

Reserve for:

Prepays	\$	9,970
Inventory		37,879
Severance pay		91,029
Health / BCBS tobacco		53,020
Future infrastructure		81,469
Pest control		141,732
Recycling		16,030
Community improvement		41,599
Equipment & furnishings		4,845
Siren		5,380
Fire truck and other		183,004
Fire Homeland program		3,588
Police		64,200
Drug forfeitures & investigations		4,310
D.W.I. program		2,009
E.O.C.		5,582
Total		<u>745,646</u>

Federal Revenue Sharing Fund:

Reserve for long-term interfund rec'ble	<u>150,000</u>
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Enterprise Zone Revolving Loan Fund:

Reserve for mortgage buy downs	<u>10,000</u>
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Intermediary Relending Program Fund:

Reserve for:

Prepays	560
Relending	122,902
Loan losses	<u>47,562</u>
Total	<u>170,464</u>

Library Fund:

Reserve for:

Severance pay	<u>11,494</u>
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CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

Park and Recreation Fund:	
Reserve for:	
Prepays	525
Inventory	58,175
Severance pay	18,071
Arena improvements & equipment	45,000
Beverage contract	5,000
Special recreation programs	1,143
Playground equipment	10,000
Park development	28,965
Mower and vehicle	25,000
Storage building	12,500
Highland development	7,082
Baseball field improvements	15,000
Total	<u>226,461</u>
Municipal Land & Building Fund:	
Arena relocation	<u>200,000</u>
Total Reserved	<u>\$ 1,514,065</u>

Water Fund:	
Reserve for:	
Debt retirement	\$ 1,858,716
Main & hydrant replacement	216
Line repairs	<u>12,518</u>
	<u>\$ 1,871,450</u>

COMPONENT UNIT:

Reserve for:	
Revolving loans	<u>\$ 395,148</u>

NOTE 12. FUND DEFICIENCIES / DEFICITS

The following funds have deficit fund balances at December 31, 2007:

Special Revenue Funds:	
Library	\$ 41,262
Debt Service Funds:	
Johnson Control Contract	10,988
Capital Projects Funds:	
Street Construction	1,142,600
6th Street Landslide	68,130
Flood Improvement	583,252

The deficits are expected to be recovered by future revenues, or if necessary, by transfers from other funds.

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

Expenditures exceed appropriations in certain individual funds for the year ended December 31, 2007, as follows:

General Fund	\$ 10,974
Special Revenue Fund:	
SSD Flood Control	53,476
Debt Service Fund:	
Special Assessment Bonds	1,334
Capital Projects Funds:	
Street Construction	813,849
Flood Improvement	5,245,731

NOTE 13. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law, for workers compensation. The City's workers compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experienced is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Property and casualty insurance coverage is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT which reinsures through commercial companies for claims in excess of various amounts. The City retains risk from the deductible portions.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance for any of the past three years.

NOTE 14. CONTINGENCIES

Grants

The City participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at December 31, 2007, may be impaired. The City is not aware of any significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

Claims and Litigation

The City is involved in various legal actions undertaken or attempted to be undertaken relating to claims filed against the City. Although the outcomes cannot be determined, the City’s attorney believes any potential liability that may occur would not have a material impact on the financial condition of the City.

NOTE 15. LEVY LIMITATION

Traditionally cities in Minnesota operate under a state levy limitation law which limits tax levies of local governments to its adjusted levy limit base plus any additional levy authorized under state statutes. However for 2007 the State did not impose a levy limitation on city governments.

NOTE 16. TAX INCREMENT DISTRICTS

The City of Crookston is the administering authority for the following tax increment districts:

	Pre-1979	Redevel.	Housing Development		
	Original	District	District	District	District
	District	2-1	3-4	3-5	3-7
Year Established	1973	1990	1997	1997	1998
Expected Year of Decertification	2009	2016	2026	2025	2025
Original Net Tax Capacity	\$ 20,634	\$ 1,210	\$ 41	\$ 2,441	\$ 59
Current Net Tax Capacity	63,741	20,431	7,914	28,031	5,077
Captured Net Tax Capacity:					
Retained by Authority	43,105	19,221	7,873	25,589	5,018
Total Bonds Issued	1,375,000	-	-	-	-
Total Loans Issued	150,000	-	-	-	-

NOTE 17. SUBSEQUENT EVENT

As of January 1, 2008 the Crookston Housing and Redevelopment Authority was combined with the Crookston Economic Development Authority. The new entity, Crookston Housing and Economic Development Authority, will be reported as a discretely presented component unit of the City of Crookston.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CROOKSTON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 60,542	\$ 53,384	\$ 90,770	\$ 37,386
Intergovernmental:				
State	3,125,344	3,159,762	3,158,292	\$ (1,470)
Federal	16,000	16,000	33,668	17,668
Other local	34,800	64,114	40,168	(23,946)
Total intergovernmental	<u>3,176,144</u>	<u>3,239,876</u>	<u>3,232,128</u>	<u>(7,748)</u>
License, Fees & Permits	<u>629,200</u>	<u>629,200</u>	<u>765,061</u>	<u>135,861</u>
Other:				
Fines & penalties	48,300	48,300	57,850	9,550
Charges for services	212,435	212,435	257,723	45,288
Interest	40,000	40,000	125,307	85,307
Miscellaneous	5,600	7,987	57,204	49,217
Total other revenue	<u>306,335</u>	<u>308,722</u>	<u>498,084</u>	<u>189,362</u>
Total Revenue	<u>4,172,221</u>	<u>4,231,182</u>	<u>4,586,043</u>	<u>354,861</u>
EXPENDITURES:				
General Government				
Mayor & council	140,487	140,487	290,798	(150,311)
City administrator	158,396	159,551	158,050	1,501
Assessor	28,000	28,000	26,664	1,336
City clerk	253,449	253,449	247,197	6,252
Legal & auditing	106,000	106,000	141,942	(35,942)
Election	800	800	-	800
City hall	169,642	172,029	154,894	17,135
Planning & zoning	138,777	138,777	82,894	55,883
Total general government	<u>995,551</u>	<u>999,093</u>	<u>1,102,439</u>	<u>(103,346)</u>
Police Department:				
Salaries and benefits	1,140,254	1,152,663	1,147,453	5,210
Other	340,314	340,314	316,329	23,985
Capital outlay	49,600	56,400	50,803	5,597
Total police department	<u>1,530,168</u>	<u>1,549,377</u>	<u>1,514,585</u>	<u>34,792</u>
Fire Department:				
Salaries and benefits	472,723	472,723	476,806	(4,083)
Other	153,378	153,378	161,488	(8,110)
Capital outlay	59,250	59,250	61,872	(2,622)
Total fire department	<u>685,351</u>	<u>685,351</u>	<u>700,166</u>	<u>(14,815)</u>

CITY OF CROOKSTON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Civil Defense	\$ 21,750	\$ 21,750	\$ 13,119	8,631
Flood Control	10,982	10,982	5,798	5,184
Highways & Streets:				
Public works	85,717	112,977	105,873	7,104
Street & alley maintenance	311,900	324,468	316,691	7,777
Street lighting & signs	101,088	101,088	112,540	(11,452)
Snow removal	137,249	137,249	120,540	16,709
Parking lots	1,315	1,315	183	1,132
Street sweeping	34,910	34,910	25,445	9,465
Tree trimming	25,583	25,583	34,069	(8,486)
Total highways & streets	697,762	737,590	715,341	22,249
Sanitation:				
Garbage hauling	175,672	175,672	142,951	32,721
Pest control	24,424	24,424	23,019	1,405
Weed control	3,080	3,080	2,034	1,046
Lagoon farming	2,700	2,700	2,686	14
Total sanitation	205,876	205,876	170,690	35,186
Other:				
Miscellaneous	-	-	795	(795)
Dutch Elm disease program	26,595	26,595	24,655	1,940
Total other	26,595	26,595	25,450	1,145
Total Expenditures	4,174,035	4,236,614	4,247,588	(10,974)
Revenues Over (Under) Expenditures	(1,814)	(5,432)	338,455	(343,887)
OTHER SOURCES (USES):				
Proceeds from sale of assets	-	-	5,886	5,886
Transfers from other funds	67,314	38,000	15,213	(22,787)
Transfers to other funds	-	(632,500)	(995,136)	(362,636)
Transfers to component unit	(90,000)	(90,000)	(90,000)	-
Net Other Sources (Uses)	(22,686)	(684,500)	(1,064,037)	(379,537)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(24,500)	(689,932)	(725,582)	35,650
Fund Balance, January 1	3,518,242	3,518,242	3,518,242	-
Fund Balance, December 31	\$ 3,493,742	\$ 2,828,310	\$ 2,792,660	\$ 35,650

CITY OF CROOKSTON, MINNESOTA
BUDGETARY COMPARISON SCHEDULES
MAJOR SPECIAL REVENUE FUND
INTERMEDIARY RELENDING PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 2,000	\$ 2,000	\$ 16,729	\$ 14,729
Loan repayments	121,000	121,000	334,837	213,837
Total Revenues	<u>123,000</u>	<u>123,000</u>	<u>351,566</u>	<u>228,566</u>
EXPENDITURES				
Economic development	100,000	100,000	50,997	49,003
Debt service:				
Principal	27,284	27,284	27,505	(221)
Interest	<u>5,616</u>	<u>5,616</u>	<u>5,395</u>	<u>221</u>
Total Expenditures	<u>132,900</u>	<u>132,900</u>	<u>83,897</u>	<u>49,003</u>
Net Change in Fund Balance	(9,900)	(9,900)	267,669	277,569
Fund Balance, January 1	<u>181,055</u>	<u>181,055</u>	<u>181,055</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 171,155</u>	<u>\$ 171,155</u>	<u>\$ 448,724</u>	<u>\$ 277,569</u>

CITY OF CROOKSTON, MINNESOTA
BUDGETARY COMPARISON SCHEDULES
MAJOR SPECIAL REVENUE FUND
SPECIAL SERVICE DISTRICT - FLOOD CONTROL
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget Amounts</u>		<u>Actual</u> Amounts	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUES				
Special assessments	\$ 300,000	\$ 300,000	\$ 320,541	\$ 20,541
Charges for services	10,000	10,000	14,142	4,142
Investment earnings	10,000	10,000	79,064	69,064
Total Revenues	<u>320,000</u>	<u>320,000</u>	<u>413,747</u>	<u>93,747</u>
EXPENDITURES				
Public safety	<u>22,228</u>	<u>22,228</u>	<u>75,704</u>	<u>(53,476)</u>
Revenues Over (Under) Expenditures	297,772	297,772	338,043	40,271
OTHER SOURCES (USES)				
Transfer to other funds	<u>(400,000)</u>	<u>(400,000)</u>	<u>-</u>	<u>400,000</u>
Net Other Sources (Uses)	<u>(400,000)</u>	<u>(400,000)</u>	<u>-</u>	<u>400,000</u>
Net Change in Fund Balance	(102,228)	(102,228)	338,043	440,271
Fund Balance, January 1	<u>1,226,424</u>	<u>1,226,424</u>	<u>1,226,424</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 1,124,196</u>	<u>\$ 1,124,196</u>	<u>\$ 1,564,467</u>	<u>\$ 440,271</u>

CITY OF CROOKSTON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
MAJOR SPECIAL REVENUE FUND
IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 25,000	\$ 22,503	\$ 23,176	\$ 673
Special assessments	130,000	130,000	282,368	152,368
Intergovernmental:				
State	45,000	47,497	47,497	-
Investment Earnings	5,000	5,000	28,194	23,194
Total Revenues	<u>205,000</u>	<u>205,000</u>	<u>381,235</u>	<u>176,235</u>
EXPENDITURES:				
General government	<u>70,000</u>	<u>70,000</u>	<u>2,617</u>	<u>67,383</u>
Revenues Over (Under) Expenditures	135,000	135,000	378,618	243,618
OTHER SOURCES (USES):				
Proceeds from sale of asset	30,000	30,000	-	(30,000)
Transfer from other funds	-	-	13,774	13,774
Transfer to other funds	<u>-</u>	<u>-</u>	<u>(375,106)</u>	<u>(375,106)</u>
Net Other Sources (Uses)	<u>30,000</u>	<u>30,000</u>	<u>(361,332)</u>	<u>(391,332)</u>
Net Change in Fund Balance	165,000	165,000	17,286	(147,714)
Fund Balance, January 1	<u>367,519</u>	<u>367,519</u>	<u>367,519</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 532,519</u>	<u>\$ 532,519</u>	<u>\$ 384,805</u>	<u>\$ (147,714)</u>

CITY OF CROOKSTON, MINNESOTA
BUDGETARY COMPARISON SCHEDULES
MAJOR DEBT SERVICE FUND
SPECIAL ASSESSMENT BONDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget Amounts</u>		<u>Actual</u> Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 191,768	\$ 172,614	\$ 178,940	\$ 6,326
Special assessments	130,818	130,818	122,544	(8,274)
Intergovernmental:				
State	-	19,154	19,155	1
Interest	-	-	13,620	13,620
Other	-	-	35,000	35,000
Total Revenues	<u>322,586</u>	<u>322,586</u>	<u>369,259</u>	<u>46,673</u>
EXPENDITURES				
Debt service:				
Principal	280,000	280,000	280,000	-
Interest	<u>62,586</u>	<u>62,586</u>	<u>63,920</u>	<u>(1,334)</u>
Total Expenditures	<u>342,586</u>	<u>342,586</u>	<u>343,920</u>	<u>(1,334)</u>
Revenues Over (Under) Expenditures	(20,000)	(20,000)	25,339	45,339
OTHER SOURCES (USES):				
Transfer from other fund	20,000	20,000	110,223	90,223
Transfer to other fund	<u>-</u>	<u>-</u>	<u>(1,033)</u>	<u>(1,033)</u>
Net Other Sources (Uses)	<u>20,000</u>	<u>20,000</u>	<u>109,190</u>	<u>89,190</u>
Net Change in Fund Balance	-	-	134,529	
Fund Balance, January 1	<u>319,011</u>	<u>319,011</u>	<u>319,011</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 299,011</u>	<u>\$ 299,011</u>	<u>\$ 453,540</u>	<u>\$ 154,529</u>

CITY OF CROOKSTON, MINNESOTA
BUDGETARY COMPARISON SCHEDULES
MAJOR CAPITAL PROJECTS FUND
STREET CONSTRUCTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 400,000	\$ 400,000	\$ 690,295	\$ 290,295
Miscellaneous	-	-	-	-
Total Revenue	<u>400,000</u>	<u>400,000</u>	<u>690,295</u>	<u>290,295</u>
EXPENDITURES				
Capital improvement	<u>400,000</u>	<u>400,000</u>	<u>1,213,849</u>	<u>(813,849)</u>
Net Revenues Over (Under) Expenditures	-	-	(523,554)	(523,554)
OTHER SOURCES				
Transfer from other fund	-	-	<u>1,186,243</u>	<u>1,186,243</u>
Net Change in Fund Balance	-	-	662,689	662,689
Fund Balance, January 1	<u>(1,805,289)</u>	<u>(1,805,289)</u>	<u>(1,805,289)</u>	<u>-</u>
Fund Balance, December 31	<u>\$ (1,805,289)</u>	<u>\$ (1,805,289)</u>	<u>\$ (1,142,600)</u>	<u>\$ 662,689</u>

CITY OF CROOKSTON, MINNESOTA
BUDGETARY COMPARISON SCHEDULES
MAJOR CAPITAL PROJECTS FUND
MUNICIPAL LAND AND BUILDING FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 88,379	\$ 79,552	\$ 80,082	\$ 530
Intergovernmental				
State	100,000	108,827	308,828	200,001
Interest	-	-	43,737	43,737
Miscellaneous	-	-	10,835	10,835
Total Revenue	<u>188,379</u>	<u>188,379</u>	<u>443,482</u>	<u>54,572</u>
EXPENDITURES				
Capital improvement	<u>188,379</u>	<u>188,379</u>	<u>16,512</u>	<u>171,867</u>
Net Revenues Over (Under) Expenditures	-	-	426,970	226,439
OTHER SOURCES (USES)				
Transfer from other fund	-	-	330,739	330,739
Transfer to other fund	-	-	(178,638)	(178,638)
Net Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>152,101</u>	<u>152,101</u>
Net Change in Fund Balance	-	-	579,071	378,540
Fund Balance, January 1	<u>702,698</u>	<u>702,698</u>	<u>702,698</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 702,698</u>	<u>\$ 702,698</u>	<u>\$ 1,281,769</u>	<u>\$ 378,540</u>

CITY OF CROOKSTON, MINNESOTA
BUDGETARY COMPARISON SCHEDULES
MAJOR CAPITAL PROJECTS FUND
FLOOD IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget Amounts</u>		<u>Actual</u> Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
State	\$ -	\$ -	\$ 5,648,827	\$ 5,648,827
Miscellaneous	-	-	35,225	35,225
Total Revenue	<u>-</u>	<u>-</u>	<u>5,684,052</u>	<u>5,684,052</u>
EXPENDITURES				
Capital improvement	800,000	800,000	6,004,003	(5,204,003)
Other	<u>-</u>	<u>-</u>	<u>41,728</u>	<u>(41,728)</u>
Total Expenditures	<u>800,000</u>	<u>800,000</u>	<u>6,045,731</u>	<u>(5,245,731)</u>
Net Revenues Over (Under) Expenditures	(800,000)	(800,000)	(361,679)	438,321
OTHER SOURCES (USES)				
Transfers from other funds	800,000	800,000	-	(800,000)
Proceeds from sale of assets	<u>-</u>	<u>-</u>	<u>22,620</u>	<u>22,620</u>
Net Change in Fund Balance	-	-	(339,059)	(339,059)
Fund Balance, January 1	<u>(244,193)</u>	<u>(244,193)</u>	<u>(244,193)</u>	<u>-</u>
Fund Balance, December 31	<u>\$ (244,193)</u>	<u>\$ (244,193)</u>	<u>\$ (583,252)</u>	<u>\$ (339,059)</u>

CITY OF CROOKSTON, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007

State law requires the City to prepare a budget for the General Fund. The City also prepares budgets for its major governmental funds. Budgets are prepared on the modified accrual basis of accounting. Under State law the City is required to have a truth and taxation hearing prior to final approval of the budget. The original budget for the year is approved in December for the subsequent year. During the year the budget may be amended through Council approval. Unexpended appropriations lapse at year end.

OTHER SUPPLEMENTARY INFORMATION

CITY OF CROOKSTON, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,095,890	\$ 19,443	\$ -	\$ 1,115,333
Receivables:				
Accounts	15,842		-	15,842
Taxes	177,906	3,126	-	181,032
Special assessments	1,056	-	-	1,056
Due from other funds	-	-	-	-
Inventory	58,175	-	-	58,175
Prepaid expenses	525	-	-	525
Long-term due from other fund	150,000	-	-	150,000
	<u>1,499,394</u>	<u>22,569</u>	<u>-</u>	<u>1,521,963</u>
TOTAL ASSETS	<u>\$ 1,499,394</u>	<u>\$ 22,569</u>	<u>\$ -</u>	<u>\$ 1,521,963</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 106,470	\$ -	\$ 16,967	\$ 123,437
Due to other funds	20,213	11,178	51,163	82,554
Accrued liabilities	28,714	-	-	28,714
Customer deposits	7,298	-	-	7,298
Due to other governments	5	-	-	5
Deferred revenue:				
Taxes	165,680	2,936	-	168,616
Special assessments	957	-	-	957
Other	14,501	-	-	14,501
Long-term due to other fund	150,000	-	-	150,000
	<u>493,838</u>	<u>14,114</u>	<u>68,130</u>	<u>576,082</u>
Total Liabilities	<u>493,838</u>	<u>14,114</u>	<u>68,130</u>	<u>576,082</u>
Fund Balance:				
Reserved	397,955	-	-	397,955
Unreserved:				
Undesignated -				
Special revenue funds	607,601	-	-	607,601
Debt service funds	-	8,455	-	8,455
Capital projects fund	-	-	(68,130)	(68,130)
	<u>1,005,556</u>	<u>8,455</u>	<u>(68,130)</u>	<u>945,881</u>
Total Fund Balance	<u>1,005,556</u>	<u>8,455</u>	<u>(68,130)</u>	<u>945,881</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,499,394</u>	<u>\$ 22,569</u>	<u>\$ -</u>	<u>\$ 1,521,963</u>

CITY OF CROOKSTON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	\$ 1,265,455	\$ 18,579	\$ -	\$ 1,284,034
Special assessments	71	42,500	-	42,571
Intergovernmental	182,780	2,104	-	184,884
Charges for services	371,590	-	-	371,590
Interest	47,740	880	-	48,620
Miscellaneous	26,855	-	-	26,855
	<u>1,894,491</u>	<u>64,063</u>	<u>-</u>	<u>1,958,554</u>
Total Revenues				
EXPENDITURES				
Parks and recreation	1,175,698	-	-	1,175,698
Public safety	-	-	56,166	56,166
Library	308,311	-	-	308,311
Airport	161,650	-	-	161,650
Economic development	89,394	-	-	89,394
Other	-	9,465	-	9,465
Debt service:				
Principal	6,524	346,255	-	352,779
Interest & fees	3,076	42,304	-	45,380
	<u>1,744,653</u>	<u>398,024</u>	<u>56,166</u>	<u>2,198,843</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	149,838	(333,961)	(56,166)	(240,289)
OTHER SOURCES (USES)				
Proceeds from sale of property	-	-	-	-
Transfers from other funds	18,579	131,032	(455)	149,156
Transfers to other funds	(130,204)	(56,959)	(6)	(187,169)
	<u>(111,625)</u>	<u>74,073</u>	<u>(461)</u>	<u>(38,013)</u>
Net Other Sources (Uses)				
Net Change in Fund Balance	38,213	(259,888)	(56,627)	(278,302)
Fund Balance, January 1	<u>967,343</u>	<u>268,343</u>	<u>(11,503)</u>	<u>1,224,183</u>
Fund Balance, December 31	<u>\$ 1,005,556</u>	<u>\$ 8,455</u>	<u>\$ (68,130)</u>	<u>\$ 945,881</u>

CITY OF CROOKSTON, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2007

	Library	Park & Recreation	TIF	Dam Maintenance	Airport	Enterprise Zone Loans	Code Enforcement	Federal Revenue Sharing	Valley Tech Park	Total
ASSETS										
Cash and cash equivalents	\$ -	\$ 405,003	\$ 281,540	\$ -	\$ 182,953	\$ 113,606	\$ 57,568	\$ 34,591	\$ 20,629	\$ 1,095,890
Receivables, net:										
Accounts	-	3,370	-	-	10,347	-	-	-	2,125	15,842
Taxes	44,126	129,575	-	-	3,820	-	-	-	385	177,906
Special assessments	-	1,056	-	-	-	-	-	-	-	1,056
Due from other funds	-	-	-	-	-	-	-	-	-	-
Inventory	-	58,175	-	-	-	-	-	-	-	58,175
Prepaid expenses	-	525	-	-	-	-	-	-	-	525
Long-term due from other funds	-	-	-	-	-	-	-	150,000	-	150,000
TOTAL ASSETS	\$ 44,126	\$ 597,704	\$ 281,540	\$ -	\$ 197,120	\$ 113,606	\$ 57,568	\$ 184,591	\$ 23,139	\$ 1,499,394
LIABILITIES AND FUND BALANCE										
Liabilities:										
Accounts payable	\$ 22,508	\$ 63,877	\$ -	\$ -	\$ 16,770	\$ -	\$ -	\$ -	\$ 3,315	\$ 106,470
Accrued liabilities	1,397	26,903	-	-	48	-	-	-	366	28,714
Due from other funds	20,213	-	-	-	-	-	-	-	-	20,213
Due to other governments	-	5	-	-	-	-	-	-	-	5
Customer deposits	-	-	-	-	4,398	-	-	-	2,900	7,298
Deferred revenue:										
Taxes	41,270	120,440	-	-	3,598	-	-	-	372	165,680
Special assessments	-	957	-	-	-	-	-	-	-	957
Other	-	-	-	-	14,501	-	-	-	-	14,501
Long-term due to other fund	-	-	150,000	-	-	-	-	-	-	150,000
Total Liabilities	85,388	212,182	150,000	-	39,315	-	-	-	6,953	493,838
Fund Balance (Deficit):										
Reserved	11,494	226,461	-	-	-	10,000	-	150,000	-	397,955
Unreserved - special revenue fund	(52,756)	159,061	131,540	-	157,805	103,606	57,568	34,591	16,186	607,601
Total Fund Balance	(41,262)	385,522	131,540	-	157,805	113,606	57,568	184,591	16,186	1,005,556
TOTAL LIABILITIES AND FUND BALANCE	\$ 44,126	\$ 597,704	\$ 281,540	\$ -	\$ 197,120	\$ 113,606	\$ 57,568	\$ 184,591	\$ 23,139	\$ 1,499,394

CITY OF CROOKSTON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Library	Park & Recreation	TIF	Dam Maintenance	Airport	Enterprise Zone Loans	Code Enforcement	Federal Revenue Sharing	Valley Tech Park	Total
REVENUES										
Property taxes	\$ 263,668	\$ 848,543	\$ 133,540	\$ -	\$ 19,649	\$ -	\$ -	\$ -	\$ 55	\$ 1,265,455
Special assessments	-	71	-	-	-	-	-	-	-	71
Intergovernmental	28,630	112,328	5,370	-	36,452	-	-	-	-	182,780
Charges for services	-	233,306	-	-	85,297	-	-	-	52,987	371,590
Interest	-	7,476	20,148	-	8,691	6,402	2,458	1,950	615	47,740
Other	80	24,639	-	-	-	-	-	-	2,136	26,855
Total Revenues	<u>292,378</u>	<u>1,226,363</u>	<u>159,058</u>	<u>-</u>	<u>150,089</u>	<u>6,402</u>	<u>2,458</u>	<u>1,950</u>	<u>55,793</u>	<u>1,894,491</u>
EXPENDITURES										
Library	308,311	-	-	-	-	-	-	-	-	308,311
Park and recreation	-	1,175,698	-	-	-	-	-	-	-	1,175,698
Economic development	-	-	57,901	-	-	-	-	-	31,493	89,394
Airport	-	-	-	-	161,650	-	-	-	-	161,650
Debt service:										
Principal	-	-	-	-	-	-	-	-	6,524	6,524
Interest & fees	-	-	-	-	-	-	-	-	3,076	3,076
Total Expenditures	<u>308,311</u>	<u>1,175,698</u>	<u>57,901</u>	<u>-</u>	<u>161,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,093</u>	<u>1,744,653</u>
Excess (Deficiency) of Revenues Over Expenditures	(15,933)	50,665	101,157	-	(11,561)	6,402	2,458	1,950	14,700	149,838
OTHER SOURCES (USES)										
Transfers from other funds	-	-	18,124	-	-	-	-	-	455	18,579
Transfers to other funds	-	-	(130,000)	(204)	-	-	-	-	-	(130,204)
Net Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>(111,876)</u>	<u>(204)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>455</u>	<u>(111,625)</u>
Net Change in Fund Balance	(15,933)	50,665	(10,719)	(204)	(11,561)	6,402	2,458	1,950	15,155	38,213
Fund Balance (Deficit), January 1	(25,329)	334,857	142,259	204	169,366	107,204	55,110	182,641	1,031	967,343
Fund Balance (Deficit), December 31	<u>\$ (41,262)</u>	<u>\$ 385,522</u>	<u>\$ 131,540</u>	<u>\$ -</u>	<u>\$ 157,805</u>	<u>\$ 113,606</u>	<u>\$ 57,568</u>	<u>\$ 184,591</u>	<u>\$ 16,186</u>	<u>\$ 1,005,556</u>

CITY OF CROOKSTON, MINNESOTA
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL DEBT SERVICE FUNDS
DECEMBER 31, 2007

	<u>T-hanger State Loan</u>	<u>Tax Increment Bonds</u>	<u>Johnson Control Contract</u>	<u>Special Service District Bonds</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 11,968	\$ 7,475	\$ -	\$ -	\$ 19,443
Receivables:					
Taxes	452	-	2,674	-	3,126
Due from other funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 12,420</u>	<u>\$ 7,475</u>	<u>\$ 2,674</u>	<u>\$ -</u>	<u>\$ 22,569</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	11,178	-	11,178
Deferred revenue:					
Taxes	452	-	2,484	-	2,936
Special assessments	-	-	-	-	-
Total Liabilities	<u>452</u>	<u>-</u>	<u>13,662</u>	<u>-</u>	<u>14,114</u>
Fund Balance:					
Unreserved:					
Debt service funds	<u>11,968</u>	<u>7,475</u>	<u>(10,988)</u>	<u>-</u>	<u>8,455</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 12,420</u>	<u>\$ 7,475</u>	<u>\$ 2,674</u>	<u>\$ -</u>	<u>\$ 22,569</u>

CITY OF CROOKSTON, MINNESOTA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>T-hanger State Loan</u>	<u>Tax Increment Bonds</u>	<u>Johnson Control Contract</u>	<u>Special Service District Bonds</u>	<u>Total</u>
REVENUES					
Property taxes	\$ -	\$ -	\$ 18,579	\$ -	\$ 18,579
Intergovernmental	-	-	2,104	-	2,104
Special assessments	-	-	-	42,500	42,500
Interest	880	-	-	-	880
Total Revenues	<u>880</u>	<u>-</u>	<u>20,683</u>	<u>42,500</u>	<u>64,063</u>
EXPENDITURES					
Other	-	6,058	3,407	-	9,465
Debt service:					
Principal	7,836	95,000	18,419	225,000	346,255
Interest & fees	-	18,187	9,845	14,272	42,304
Total Expenditures	<u>7,836</u>	<u>119,245</u>	<u>31,671</u>	<u>239,272</u>	<u>398,024</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,956)	(119,245)	(10,988)	(196,772)	(333,961)
OTHER SOURCES (USES)					
Transfers from other funds	-	130,000	-	1,032	131,032
Transfers to other funds	-	-	-	(56,959)	(56,959)
Net Other Sources (Uses)	<u>-</u>	<u>130,000</u>	<u>-</u>	<u>(55,927)</u>	<u>74,073</u>
Net Change in Fund Balance	(6,956)	10,755	(10,988)	(252,699)	(259,888)
Fund Balance, January 1	<u>18,924</u>	<u>(3,280)</u>	<u>-</u>	<u>252,699</u>	<u>268,343</u>
Fund Balance (Deficit), December 31	<u>\$ 11,968</u>	<u>\$ 7,475</u>	<u>\$ (10,988)</u>	<u>\$ -</u>	<u>\$ 8,455</u>

CITY OF CROOKSTON, MINNESOTA
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL CAPITAL PROJECT FUNDS
DECEMBER 31, 2007

	<u>6th Street Landslide</u>	<u>Erosion and Dam Modification</u>	<u>Valley Tech Park Construction</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 16,967	\$ -	\$ -	\$ 16,967
Due to other funds	51,163	-	-	51,163
Total Liabilities	<u>68,130</u>	<u>-</u>	<u>-</u>	<u>68,130</u>
Fund Balance:				
Unreserved:				
Capital projects funds	(68,130)	-	-	(68,130)
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CROOKSTON, MINNESOTA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>6th Street Landslide</u>	<u>Erosion and Dam Modification</u>	<u>Valley Tech Park Construction</u>	<u>Total</u>
REVENUES				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Capital improvements	<u>56,166</u>	<u>-</u>	<u>-</u>	<u>56,166</u>
Excess (Deficiency) of Revenues Over Expenditures	(56,166)	-	-	(56,166)
OTHER SOURCES (USES)				
Transfers from other funds	-	-	(455)	(455)
Transfers to other funds	<u>-</u>	<u>(6)</u>	<u>-</u>	<u>(6)</u>
Net Other Sources (Uses)	<u>-</u>	<u>(6)</u>	<u>(455)</u>	<u>(461)</u>
Net Change in Fund Balance	(56,166)	(6)	(455)	(56,627)
Fund Balance (Deficit), January 1	<u>(11,964)</u>	<u>6</u>	<u>455</u>	<u>(11,503)</u>
Fund Balance (Deficit), December 31	<u>\$ (68,130)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (68,130)</u>

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AUDITORS' REPORT ON LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Crookston
Crookston, MN 56568

We have audited the financial statements of the City of Crookston, Minnesota, as of and for the year ended December 31, 2007, and have issued our report thereon dated June 26, 2008.

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 and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the Legal Compliance Task Force pursuant to Minn. Stat. 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers six main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested the City of Crookston, Minnesota complied with the material terms and conditions of applicable legal provisions. Further, for the items not tested, based on our audit and the procedures referred to above, nothing came to our attention to indicate that the City of Crookston, Minnesota had not complied with such legal provisions.

This report is intended solely for the information and use of the Mayor and City Council, management, and the Office of the State Auditor of Minnesota and is not intended to be and should not be used by anyone other than these specified parties.

DREES, RISKEY & VALLAGER, LTD.

Certified Public Accountants

June 26, 2008
Crookston, Minnesota

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Managers
City of Crookston
Crookston, MN 56568

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and aggregate remaining fund information of City of Crookston, Minnesota, as of and for the year ended December 31, 2007, which collectively comprise the City of Crookston, Minnesota's basic financial statements and have issued our report thereon dated June 26, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Crookston, Minnesota's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of control deficiencies and noncompliance to be a significant deficiency in internal control over financial reporting as item 2007-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Crookston, Minnesota's financial statements are free of 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 that would be required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the City of Crookston, Minnesota's Board of Managers, management, federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specific parties.

DREES, RISKEY & VALLAGER, LTD.

Certified Public Accountants

June 26, 2008
Crookston, Minnesota

CITY OF CROOKSTON, MINNESOTA
SCHEDULE OF CONTROL DEFICIENCIES AND NONCOMPLIANCE
FOR THE YEAR ENDED DECEMBER 31, 2007

Deficiency 2007-1

Condition: Lack of sufficient segregation of duties or oversight relating to general journal entries.

Cause: Monthly journal entries made by Deputy Clerk are not formally reviewed and approved.

Effect: The lack of segregation of duties reduces the level of internal controls over financial reporting which could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Recommendation: The City should consider segregating recurring monthly entries from non-routine adjusting entries. We suggest different numbering sequences be used to distinguish between the two types of entries and a review or approval process be put in place for all non-routine entries.

Management's Response: The City is aware of this situation and will work on developing a cost-effective review process.