



# **2020 Audited Financial Statements**

**Approved by Resolution 27321  
on September 27, 2021 at the regular  
City Council meeting.**

At a second regular meeting of the City Council of the City of Crookston held on the 27<sup>th</sup> day of September, 2021, Council Member Clayton Briggs offered the following resolution which was seconded by Council Member Donald Cavalier,

**RESOLUTION ACCEPTING THE 2020 AUDITED FINANCIALS FROM BRADY, MARTZ & ASSOCIATES, PC**

**WHEREAS**, the City engaged Brady, Martz & Associates, PC to prepare the 2020 audited financials for the City of Crookston.

**IT IS RESOLVED** the City of Crookston City Council accepts this audit and the City Administrator is authorized to take the necessary steps to publish and submit this audit as required.

Upon the call of ayes and nays the vote stood as follows:

Council Members voting in the affirmative: Jerde Erickson, Briggs, Cavalier, Kresl, Klatt, Melbye and Vedbraaten

Council Members in the negative:

Upon this vote, the Mayor declares this resolution Passed and, if passed, effective upon the Mayor's

signature this 27th Day of September, 2021, at 8:27PM

Attest:

  
Ashley Rystad Deputy City Clerk

  
Dale Stainbrook Mayor

**CITY OF CROOKSTON  
CROOKSTON, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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**CITY OF CROOKSTON, MINNESOTA**  
**OFFICIAL DIRECTORY**  
**DECEMBER 31, 2020**

Elected Officials:

|                                     |                 |
|-------------------------------------|-----------------|
| Mayor                               | Dale Stainbrook |
| Council Member 1 <sup>st</sup> Ward | Jake Fee        |
| Council Member 2 <sup>nd</sup> Ward | Steve Erickson  |
| Council Member 3 <sup>rd</sup> Ward | Clayton Briggs  |
| Council Member 4 <sup>th</sup> Ward | Don Cavalier    |
| Council Member 5 <sup>th</sup> Ward | Joe Kresl       |
| Council Member 6 <sup>th</sup> Ward | Dylane Klatt    |
| Council Member – At Large           | Bobbie Baird    |
| Council Member – At Large           | Tom Vedbraaten  |

Appointed:

|                       |                |
|-----------------------|----------------|
| City Administrator    | Amy Finch      |
| City Finance Director | Ryan Lindtwed  |
| Police Chief          | Paul Biermaier |
| Fire Chief            | Tim Froeber    |

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Crookston, Minnesota  
Crookston, MN 56716

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Crookston, Minnesota, as of December 31, 2020, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

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 combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The official directory has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on the directory.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2021, 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 that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Crookston, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Crookston, Minnesota's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.  
CROOKSTON, MINNESOTA**

September 17, 2021

**CITY OF CROOKSTON, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2020**

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, 2020. 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 and deferred outflows of resources of the City of Crookston exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$72,929,631 (*net position*). Of this amount, \$6,045,593 (*unrestricted net position*) may be used to meet the City of Crookston's ongoing obligations to citizens and creditors.
- The City of Crookston's total net position decreased by \$1,191,092. The change in net position is made up of a \$1,121,468 decrease in the governmental activities net position and \$69,624 decrease in the business-type activities net position. Beginning net position in the governmental activities was decreased by \$93,274 for a change in inventory valuation.
- As of December 31, 2020, the City of Crookston's governmental funds reported a combined ending fund balance of \$12,046,522, which decreased by \$315,673. Beginning fund balance in the governmental funds was decreased by \$93,274 for a change in inventory valuation.
- The City of Crookston's long-term liabilities decreased by \$40,788 during the current year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$3,011,489 or 54% of the total General Fund operating expenditure budget for the year.

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

**CITY OF CROOKSTON, MINNESOTA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
DECEMBER 31, 2020

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

Both of the government-wide financial statements distinguish functions of the 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 is the Crookston Housing & Economic Development Authority.

The government-wide financial statements are noted in the table of contents.

### **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 governments, 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*.

**CITY OF CROOKSTON, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**DECEMBER 31, 2020**

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, special service district flood control fund, improvement fund, park & recreation fund, street construction fund, and municipal land & building fund all of which have been presented as major funds of the City of Crookston. The information for the nonmajor 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 are listed in the table of contents.

***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.

***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 24 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The largest portion of the City of Crookston's net position (83 percent) reflects its net 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.

**CITY OF CROOKSTON, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**DECEMBER 31, 2020**

**Summary of Net Position**

|                                  | Governmental Activities |               | Business-Type Activities |               | Total         |               |
|----------------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
|                                  | 2020                    | 2019          | 2020                     | 2019          | 2020          | 2019          |
| <b>ASSETS</b>                    |                         |               |                          |               |               |               |
| Current assets                   | \$ 13,717,369           | \$ 14,615,759 | \$ 2,865,893             | \$ 2,908,302  | \$ 16,583,262 | \$ 17,524,061 |
| Capital assets                   | 50,454,722              | 50,784,631    | 10,951,733               | 11,037,256    | 61,406,455    | 61,821,887    |
| Other non-current assets         | 921,892                 | 1,149,452     | 274,536                  | 249,903       | 1,196,428     | 1,399,355     |
| Total Assets                     | 65,093,983              | 66,549,842    | 14,092,162               | 14,195,461    | 79,186,145    | 80,745,303    |
| <b>DEFERRED OUTFLOWS</b>         | 1,128,753               | 1,722,876     | 34,034                   | 38,076        | 1,162,787     | 1,760,952     |
| <b>LIABILITIES</b>               |                         |               |                          |               |               |               |
| Current liabilities              | 752,007                 | 884,225       | 107,349                  | 117,939       | 859,356       | 1,002,164     |
| Long-term liabilities            | 4,438,689               | 4,048,824     | 601,346                  | 564,176       | 5,040,035     | 4,613,000     |
| Total Liabilities                | 5,190,696               | 4,933,049     | 708,695                  | 682,115       | 5,899,391     | 5,615,164     |
| <b>DEFERRED INFLOWS</b>          | 1,487,353               | 2,580,240     | 32,557                   | 96,854        | 1,519,910     | 2,677,094     |
| <b>NET POSITION</b>              |                         |               |                          |               |               |               |
| Net investment in capital assets | 50,454,722              | 50,784,631    | 10,951,733               | 11,037,256    | 61,406,455    | 61,821,887    |
| Restricted                       | 5,203,047               | 4,201,843     | 274,536                  | 249,903       | 5,477,583     | 4,451,746     |
| Unrestricted                     | 3,886,918               | 5,772,955     | 2,158,675                | 2,167,409     | 6,045,593     | 7,940,364     |
| Total Net Position               | \$ 59,544,687           | \$ 60,759,429 | \$ 13,384,944            | \$ 13,454,568 | \$ 72,929,631 | \$ 74,213,997 |

**CITY OF CROOKSTON, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**DECEMBER 31, 2020**

**Statement of Activities Summary**

|  | Governmental Activities |                      | Business-Type Activities |                      | Total                |                      |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|  | 2020                    | 2019                 | 2020                     | 2019                 | 2020                 | 2019                 |
| <b>REVENUES</b>                            |                         |                      |                          |                      |                      |                      |
| Program Revenues                           |                         |                      |                          |                      |                      |                      |
| Charges for services                       | \$ 1,256,738            | \$ 1,208,655         | \$ 1,809,895             | \$ 1,914,467         | \$ 3,066,633         | \$ 3,123,122         |
| Operating grants & contributions           | 1,783,975               | 1,147,074            | -                        | -                    | 1,783,975            | 1,147,074            |
| Capital grants & contributions             | 205,456                 | 794,849              | -                        | -                    | 205,456              | 794,849              |
| General Revenues                           |                         |                      |                          |                      |                      |                      |
| Taxes, assessment & fees                   | 2,730,948               | 3,048,197            | -                        | -                    | 2,730,948            | 3,048,197            |
| Intergovernmental                          | 3,858,604               | 3,728,003            | -                        | -                    | 3,858,604            | 3,728,003            |
| Investment gain (loss)                     | 192,918                 | 288,901              | 36,278                   | 64,539               | 229,196              | 353,440              |
| Other                                      | 138,357                 | 147,424              | -                        | -                    | 138,357              | 147,424              |
| Transfer of swimming pool                  | -                       | 889,800              | -                        | -                    | -                    | 889,800              |
| Gain (loss) on asset disposal              | 2,964                   | (75,760)             | -                        | -                    | 2,964                | (75,760)             |
| Total Revenues                             | <u>10,169,960</u>       | <u>11,177,143</u>    | <u>1,846,173</u>         | <u>1,979,006</u>     | <u>12,016,133</u>    | <u>13,156,149</u>    |
| <b>EXPENSES</b>                            |                         |                      |                          |                      |                      |                      |
| General government                         | 2,137,771               | 1,362,376            | -                        | -                    | 2,137,771            | 1,362,376            |
| Public safety                              | 3,738,804               | 3,558,805            | -                        | -                    | 3,738,804            | 3,558,805            |
| Streets & highways                         | 1,923,690               | 1,504,930            | -                        | -                    | 1,923,690            | 1,504,930            |
| Health & sanitation                        | 221,488                 | 225,113              | -                        | -                    | 221,488              | 225,113              |
| Recreational & culture                     | 2,235,987               | 2,285,400            | -                        | -                    | 2,235,987            | 2,285,400            |
| Community & econ develop                   | 436,332                 | 416,817              | -                        | -                    | 436,332              | 416,817              |
| Airport                                    | 670,551                 | 473,175              | -                        | -                    | 670,551              | 473,175              |
| Interest on long-term debt                 | 1,222                   | 961                  | -                        | -                    | 1,222                | 961                  |
| Water                                      | -                       | -                    | 1,150,291                | 1,138,890            | 1,150,291            | 1,138,890            |
| Wastewater                                 | -                       | -                    | 542,819                  | 443,924              | 542,819              | 443,924              |
| Total Expenses                             | <u>11,365,845</u>       | <u>9,827,577</u>     | <u>1,693,110</u>         | <u>1,582,814</u>     | <u>13,058,955</u>    | <u>11,410,391</u>    |
| Change in Net Position<br>Before Transfers | (1,195,885)             | 1,349,566            | 153,063                  | 396,192              | (1,042,822)          | 1,745,758            |
| Transfers                                  | <u>74,417</u>           | <u>78,117</u>        | <u>(222,687)</u>         | <u>(218,117)</u>     | <u>(148,270)</u>     | <u>(140,000)</u>     |
| Increase (Decrease) in Net Position        | (1,121,468)             | 1,427,683            | (69,624)                 | 178,075              | (1,191,092)          | 1,605,758            |
| Net Position, Jan 1                        | 60,759,429              | 59,331,746           | 13,454,568               | 13,276,493           | 74,213,997           | 72,608,239           |
| Prior period adjustment                    | (93,274)                | -                    | -                        | -                    | (93,274)             | -                    |
| Net Position, Jan 1, as Restated           | <u>60,666,155</u>       | <u>59,331,746</u>    | <u>13,454,568</u>        | <u>13,276,493</u>    | <u>74,120,723</u>    | <u>72,608,239</u>    |
| Net Position, December 31                  | <u>\$ 59,544,687</u>    | <u>\$ 60,759,429</u> | <u>\$ 13,384,944</u>     | <u>\$ 13,454,568</u> | <u>\$ 72,929,631</u> | <u>\$ 74,213,997</u> |

**CITY OF CROOKSTON, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**DECEMBER 31, 2020**

**General Fund Budgetary Highlights**

The City's general fund results when compared to the final budget are summarized below:

- Actual revenues of \$5,927,554 exceeded the budgeted amount by \$414,855, which is a 7.5% variance from budget expectations.
- Actual expenditures of \$5,369,859 were under the budgeted amount by \$231,840 which is a 4.1% variance from budget expectations. Variance is attributable to an overall decrease in spending in police, fire, highways & streets and sanitation. Transfers to other funds exceeded the budget by \$652,422, resulting from no amendment to budget for a council approved transfer to the street improvement fund made subsequent to approved budget.

**Capital Assets**

At the end of the fiscal year 2020, the City of Crookston had over \$61 million in capital assets, net of depreciation, which includes buildings, infrastructure, water distribution and wastewater treatment facilities, police, sanitation, recreation, and equipment. Below is a summary of capital assets as of December 31, 2020:

|                         | Governmental Activities |                      |                      | Business-Type Activities |                      |                      |
|-------------------------|-------------------------|----------------------|----------------------|--------------------------|----------------------|----------------------|
|                         | Cost                    | Accum                |                      | Cost                     | Accum                |                      |
|                         |                         | Depreciation         | Net                  |                          | Depreciation         | Net                  |
| Land                    | \$ 4,246,947            | \$ -                 | \$ 4,246,947         | \$ 254,605               | \$ -                 | \$ 254,605           |
| Land improvements       | 1,606,985               | 817,808              | 789,177              | -                        | -                    | -                    |
| Building & improvements | 20,960,279              | 7,968,817            | 12,991,462           | -                        | -                    | -                    |
| Equipment               | 8,416,023               | 5,123,032            | 3,292,991            | -                        | -                    | -                    |
| Infrastructure          | 41,022,966              | 11,888,821           | 29,134,145           | -                        | -                    | -                    |
| Water distribution      | -                       | -                    | -                    | 17,813,146               | 8,982,128            | 8,831,018            |
| Wastewater distribution | -                       | -                    | -                    | 3,750,123                | 1,884,013            | 1,866,110            |
|                         | <u>\$ 76,253,200</u>    | <u>\$ 25,798,478</u> | <u>\$ 50,454,722</u> | <u>\$ 21,817,874</u>     | <u>\$ 10,866,141</u> | <u>\$ 10,951,733</u> |

**Governmental Activities**

The General Fund purchased public safety vehicles and related equipment for police department of \$85,078; fire equipment of \$188,319; and street department equipment of \$28,838. Park and Recreation additions were \$172,031 with additions being attributed to swimming pool improvement and service truck. The City also acquired \$45,497 in live streaming equipment as part of a Care grant and \$57,090 fishing pier on the Red Lake River as a recreation attraction through a state grant.

A dump truck was purchased for \$115,443 in the Central Garage, internal service fund.

Completed street improvements of \$1,617,063 were added at year end.

**Business-type Activities**

The Water Fund had equipment additions and made improvements including replaced water meters and mains in residential areas for a total of \$368,856 in 2020.

The Wastewater Fund capitalized lift station upgrades and equipment, totaling \$108,924 in 2020.

**CITY OF CROOKSTON, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**DECEMBER 31, 2020**

Additional information on the City's capital assets can be found in Note 6 of this report.

**Long-Term Liabilities**

At December 31, 2020, the City of Crookston had a decrease in long-term obligations. Long-term liabilities outstanding at year-end is summarized below:

|                                 | Beginning<br>of Year<br>Balance | New<br>Issues    | Debt<br>Retired  | End of<br>Year<br>Balance |
|---------------------------------|---------------------------------|------------------|------------------|---------------------------|
| <u>Governmental Activities</u>  |                                 |                  |                  |                           |
| Other loans                     | \$ 153,756                      | \$ -             | \$ 31,361        | \$ 122,395                |
| Compensated absences            | 503,211                         | 29,608           | 41,893           | 490,926                   |
|                                 | <u>656,967</u>                  | <u>29,608</u>    | <u>73,254</u>    | <u>613,321</u>            |
| <u>Business-Type Activities</u> |                                 |                  |                  |                           |
| Compensated absences            | 60,422                          | 18,234           | 15,376           | 63,280                    |
|                                 | <u>60,422</u>                   | <u>18,234</u>    | <u>15,376</u>    | <u>63,280</u>             |
| Total                           | <u>\$ 717,389</u>               | <u>\$ 47,842</u> | <u>\$ 88,630</u> | <u>\$ 676,601</u>         |

Additional information on the City's long-term debt obligations can be found in Note 7 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The City Administrator, department supervisors and governing board review and discuss many factors when planning and setting the 2022 fiscal year budget.

A large portion of the City of Crookston's budget comes from Local Government Aid (LGA). The City of Crookston will see an increase of \$49,703 for the 2022 budget year.

The American Rescue Plan Act will also aid in the City of Crookston's budget for 2022 by providing support for public health expenditures, address the negative economic impacts caused by the public health emergency, replace lost public sector revenue, provide premium pay for essential workers and invest in water, sewer and broadband Infrastructure.

The City Administrator and directors meet and continually discuss roles, staffing and current issues and achievements therein. These collaborative effects help benefit the city with cost saving measures and any new grant opportunities that arise. Also during the 2022 Budget year, we will be discussing and reviewing the current fee structures and determine what necessary changes may be needed.

**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 Finance Director, City of Crookston, 124 North Broadway, Crookston, Minnesota 56716.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF CROOKSTON, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

|   | Primary Government         |                             |                   | Component<br>Unit |
|---|----------------------------|-----------------------------|-------------------|-------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total             |                   |
| <b>ASSETS:</b>                          |                            |                             |                   |                   |
| Cash and cash equivalents               | \$ 5,975,912               | \$ 1,892,868                | \$ 7,868,780      | \$ 1,610,492      |
| Investments                             | 6,324,358                  | 595,267                     | 6,919,625         | 82,953            |
| Receivables:                            |                            |                             |                   |                   |
| Accounts                                | 269,760                    | 181,757                     | 451,517           | 387               |
| Taxes                                   | 28,660                     | -                           | 28,660            | -                 |
| Interest                                | -                          | -                           | -                 | 2,056             |
| Special assessments                     | 854,008                    | 65,917                      | 919,925           | -                 |
| Due from component unit                 | 237,047                    | -                           | 237,047           | -                 |
| Due from primary government             | -                          | -                           | -                 | 197,760           |
| Inventories                             | -                          | 114,644                     | 114,644           | -                 |
| Prepaid expenses                        | 27,624                     | 15,440                      | 43,064            | 8,976             |
| Restricted assets:                      |                            |                             |                   |                   |
| Cash and equivalents                    | 49,247                     | 274,536                     | 323,783           | 14,574            |
| Notes receivable                        | 872,645                    | -                           | 872,645           | 1,042,038         |
| Asset held for resale                   | -                          | -                           | -                 | 304,407           |
| Capital assets, net                     | 50,454,722                 | 10,951,733                  | 61,406,455        | 3,178,838         |
| Total Assets                            | <u>65,093,983</u>          | <u>14,092,162</u>           | <u>79,186,145</u> | <u>6,442,481</u>  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>   |                            |                             |                   |                   |
| Defined benefit pension plan            | 1,083,097                  | 28,050                      | 1,111,147         | 41,191            |
| Other postemployment benefits           | 45,656                     | 5,984                       | 51,640            | -                 |
| Total Deferred Outflows of Resources    | <u>1,128,753</u>           | <u>34,034</u>               | <u>1,162,787</u>  | <u>41,191</u>     |
| <b>LIABILITIES</b>                      |                            |                             |                   |                   |
| Accounts payable                        | 207,960                    | 21,414                      | 229,374           | 151,314           |
| Accrued liabilities                     | 67,104                     | 6,738                       | 73,842            | 55,868            |
| Accrued interest payable                | 1,221                      | -                           | 1,221             | -                 |
| Unearned income                         | 43,457                     | -                           | 43,457            | 492,448           |
| Due to component unit                   | 197,760                    | -                           | 197,760           | -                 |
| Due to primary government               | -                          | -                           | -                 | 237,047           |
| Due to other governments                | 198,379                    | 38,469                      | 236,848           | -                 |
| Customer deposits                       | 4,450                      | 40,728                      | 45,178            | 14,012            |
| Noncurrent liabilities:                 |                            |                             |                   |                   |
| Due within one year                     | 31,676                     | -                           | 31,676            | -                 |
| Due in more than one year               | 581,645                    | 63,280                      | 644,925           | 1,182,759         |
| Net pension liability                   | 3,034,853                  | 398,698                     | 3,433,551         | 245,814           |
| Other postemployment benefits liability | 822,191                    | 139,368                     | 961,559           | -                 |
| Total Liabilities                       | <u>5,190,696</u>           | <u>708,695</u>              | <u>5,899,391</u>  | <u>2,379,262</u>  |

See Notes to the Basic Financial Statements.

**CITY OF CROOKSTON, MINNESOTA**  
**STATEMENT OF NET POSITION - CONTINUED**  
**DECEMBER 31, 2020**

|                                  | Primary Government         |                             |                      | Component<br>Unit   |
|----------------------------------|----------------------------|-----------------------------|----------------------|---------------------|
|                                  | Governmental<br>Activities | Business-Type<br>Activities | Total                |                     |
| DEFERRED INFLOWS OF RESOURCES    |                            |                             |                      |                     |
| Defined benefit pension plan     | \$ 1,487,353               | \$ 32,557                   | \$ 1,519,910         | \$ 30,308           |
| NET POSITION:                    |                            |                             |                      |                     |
| Net investment in capital assets | 50,454,722                 | 10,951,733                  | 61,406,455           | 3,108,048           |
| Restricted for -                 |                            |                             |                      |                     |
| Debt Service                     | 2,684                      |                             | 2,684                |                     |
| Public safety                    | 247,768                    | -                           | 247,768              | -                   |
| Flood control                    | 3,753,276                  | -                           | 3,753,276            | -                   |
| Economic & housing development   | 1,062,499                  | -                           | 1,062,499            | 562                 |
| Airport improvements             | 136,820                    | -                           | 136,820              | -                   |
| Line repairs                     | -                          | 274,536                     | 274,536              | -                   |
| Unrestricted                     | 3,886,918                  | 2,158,675                   | 6,045,593            | 965,492             |
| Total Net Position               | <u>\$ 59,544,687</u>       | <u>\$ 13,384,944</u>        | <u>\$ 72,929,631</u> | <u>\$ 4,074,102</u> |

See Notes to the Basic Financial Statements.

**CITY OF CROOKSTON, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

| Function/Program Activities                   | Program Revenues    |                      |                        |                        | Net (Expenses) Revenues and Changes in Net Position |                          |                      |                     |
|---|---------------------|----------------------|------------------------|------------------------|---|--------------------------|----------------------|---------------------|
|   | Expenses            | Charges for Services | Operating              | Capital                | Primary Government                                  |                          |                      | Component Unit      |
|   |                     |                      | Grants & Contributions | Grants & Contributions | Governmental Activities                             | Business-Type Activities | Total                |                     |
| <b>Governmental Activities:</b>               |                     |                      |                        |                        |   |                          |                      |                     |
| General government                            | \$ (2,137,771)      | \$ 86,327            | \$ 1,881               | \$ -                   | \$ (2,049,563)                                      |                          | \$ (2,049,563)       | \$ -                |
| Public safety                                 | (3,738,804)         | 232,817              | 688,300                | -                      | (2,817,687)   |                          | (2,817,687)          | -                   |
| Streets & highways                            | (1,923,690)         | 137,626              | 167,658                | -                      | (1,618,406)   |                          | (1,618,406)          | -                   |
| Health & sanitation                           | (221,488)           | 197,930              | -                      | -                      | (23,558)  |                          | (23,558)             | -                   |
| Recreation & culture                          | (2,235,987)         | 334,030              | 4,665                  | -                      | (1,897,292)   |                          | (1,897,292)          | -                   |
| Community & economic development              | (436,332)           | 156,460              | 883,573                | -                      | 603,701   |                          | 603,701              | -                   |
| Airport                                       | (670,551)           | 111,548              | 37,898                 | 205,456                | (315,649)   |                          | (315,649)            | -                   |
| Interest on long-term debt                    | (1,222)             | -                    | -                      | -                      | (1,222)   |                          | (1,222)              | -                   |
| <b>Total Governmental Activities</b>          | <b>(11,365,845)</b> | <b>1,256,738</b>     | <b>1,783,975</b>       | <b>205,456</b>         | <b>(8,119,676)</b>                                  |                          | <b>(8,119,676)</b>   | <b>-</b>            |
| <b>Business-Type Activities:</b>              |                     |                      |                        |                        |   |                          |                      |                     |
| Water   | (1,150,291)         | 1,367,158            | -                      | -                      | -   | \$ 216,867               | 216,867              | -                   |
| Wastewater                                    | (542,819)           | 442,737              | -                      | -                      | -   | (100,082)                | (100,082)            | -                   |
| <b>Total Business-Type Activities</b>         | <b>(1,693,110)</b>  | <b>1,809,895</b>     | <b>-</b>               | <b>-</b>               | <b>-</b>  | <b>116,785</b>           | <b>116,785</b>       | <b>-</b>            |
| <b>Total Primary Government</b>               | <b>(13,058,955)</b> | <b>3,066,633</b>     | <b>1,783,975</b>       | <b>205,456</b>         | <b>(8,119,676)</b>                                  | <b>116,785</b>           | <b>(8,002,891)</b>   | <b>-</b>            |
| <b>Component Unit:</b>                        |                     |                      |                        |                        |   |                          |                      |                     |
| Housing and economic development              | (1,679,837)         | 244,307              | 1,169,098              | -                      |   |                          |                      | (266,432)           |
| <b>General Revenues:</b>                      |                     |                      |                        |                        |   |                          |                      |                     |
| <b>Taxes:</b>                                 |                     |                      |                        |                        |   |                          |                      |                     |
| Property                                      |                     |                      |                        |                        | 2,092,007   | -                        | 2,092,007            | -                   |
| Franchise fees, licenses & other              |                     |                      |                        |                        | 610,444   | -                        | 610,444              | -                   |
| Intergovernmental                             |                     |                      |                        |                        | 3,858,604   | -                        | 3,858,604            | 128,284             |
| Interest income - special assessments         |                     |                      |                        |                        | 28,497  | -                        | 28,497               | -                   |
| Investment income - unrestricted              |                     |                      |                        |                        | 192,918   | 30,623                   | 223,541              | 30,885              |
| Investment income - restricted                |                     |                      |                        |                        | -   | 5,655                    | 5,655                | 78                  |
| Other   |                     |                      |                        |                        | 138,357   | -                        | 138,357              | -                   |
| Gain on disposal of assets                    |                     |                      |                        |                        | 2,964   | -                        | 2,964                | -                   |
| Transfer to component unit                    |                     |                      |                        |                        | (148,270)   | -                        | (148,270)            | -                   |
| Transfer from primary government              |                     |                      |                        |                        | 222,687   | (222,687)                | -                    | 148,270             |
| <b>Total General Revenues &amp; Transfers</b> |                     |                      |                        |                        | <b>6,998,208</b>                                    | <b>(186,409)</b>         | <b>6,811,799</b>     | <b>307,517</b>      |
| Change in Net Position                        |                     |                      |                        |                        | (1,121,468)   | (69,624)                 | (1,191,092)          | 41,085              |
| Net Position - Beginning                      |                     |                      |                        |                        | 60,759,429  | 13,454,568               | 74,213,997           | 4,033,017           |
| Prior period adjustment                       |                     |                      |                        |                        | (93,274)  | -                        | (93,274)             | -                   |
| Net Position - Beginning (restated)           |                     |                      |                        |                        | 60,666,155  | 13,454,568               | 74,120,723           | 4,033,017           |
| Net Position, Ending                          |                     |                      |                        |                        | <b>\$ 59,544,687</b>                                | <b>\$ 13,384,944</b>     | <b>\$ 72,929,631</b> | <b>\$ 4,074,102</b> |

See Notes to the Basic Financial Statements.

**CITY OF CROOKSTON, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2020**

|                                 | General             | SSD<br>Flood<br>Control | Improvement          | Parks &<br>Recreation | Street<br>Construction | Municipal<br>Land and<br>Building | Nonmajor<br>Governmental<br>Funds | Total                |
|---------------------------------|---------------------|-------------------------|----------------------|-----------------------|------------------------|-----------------------------------|-----------------------------------|----------------------|
| <b>ASSETS</b>                   |                     |                         |                      |                       |                        |                                   |                                   |                      |
| Cash and equivalents            | \$ 221,563          | \$ 915,742              | \$ 1,464,967         | \$ 1,018,744          | \$ -                   | \$ 140,357                        | \$ 1,176,141                      | \$ 4,937,514         |
| Investments                     | 3,485,747           | 2,838,611               | -                    | -                     | -                      | -                                 | -                                 | 6,324,358            |
| Receivables, net:               |                     |                         |                      |                       |                        |                                   |                                   |                      |
| Accounts                        | 182,068             | -                       | -                    | 3,007                 | -                      | -                                 | 84,685                            | 269,760              |
| Taxes                           | 5,525               | -                       | -                    | 18,895                | -                      | -                                 | 4,240                             | 28,660               |
| Special assessments             | 35,166              | 14,314                  | 777,548              | -                     | -                      | -                                 | 26,980                            | 854,008              |
| Due from other funds            | 500,000             | -                       | 7,859,772            | 500,000               | -                      | 1,000,000                         | -                                 | 9,859,772            |
| Due from component unit         | 237,047             | -                       | -                    | -                     | -                      | -                                 | -                                 | 237,047              |
| Prepaid expenses                | 16,375              | -                       | -                    | 5,942                 | -                      | -                                 | 4,478                             | 26,795               |
| Restricted cash and equivalents | 49,247              | -                       | -                    | -                     | -                      | -                                 | -                                 | 49,247               |
| Notes receivable                | 153,079             | -                       | -                    | -                     | -                      | -                                 | 719,566                           | 872,645              |
| <b>Total Assets</b>             | <b>\$ 4,885,817</b> | <b>\$ 3,768,667</b>     | <b>\$ 10,102,287</b> | <b>\$ 1,546,588</b>   | <b>\$ -</b>            | <b>\$ 1,140,357</b>               | <b>\$ 2,016,090</b>               | <b>\$ 23,459,806</b> |
| <b>LIABILITIES</b>              |                     |                         |                      |                       |                        |                                   |                                   |                      |
| Accounts payable                | \$ 82,840           | \$ -                    | \$ -                 | \$ 44,665             | \$ 13,120              | \$ 7,560                          | \$ 48,954                         | \$ 197,139           |
| Accrued liabilities             | 57,370              | 36                      | -                    | 8,938                 | -                      | -                                 | 107                               | 66,451               |
| Customer deposits               | 1,500               | 2,150                   | -                    | -                     | -                      | -                                 | 800                               | 4,450                |
| Unearned income                 | 23,858              | -                       | -                    | 4,000                 | -                      | -                                 | 15,599                            | 43,457               |
| Due to other funds              | -                   | -                       | -                    | -                     | 9,495,260              | -                                 | 364,512                           | 9,859,772            |
| Due to other governments        | 619                 | -                       | -                    | -                     | -                      | 197,760                           | -                                 | 198,379              |
| Due to component unit           | -                   | -                       | -                    | -                     | -                      | 197,760                           | -                                 | 197,760              |
| <b>Total Liabilities</b>        | <b>166,187</b>      | <b>2,186</b>            | <b>-</b>             | <b>57,603</b>         | <b>9,508,380</b>       | <b>403,080</b>                    | <b>429,972</b>                    | <b>10,567,408</b>    |

See Notes to the Basic Financial Statements.

**CITY OF CROOKSTON, MINNESOTA**  
**BALANCE SHEET - CONTINUED**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2020**

|  | <u>General</u>      | <u>SSD<br/>Flood<br/>Control</u> | <u>Improvement</u>   | <u>Parks &amp;<br/>Recreation</u> | <u>Street<br/>Construction</u> | <u>Municipal<br/>Land and<br/>Building</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total</u>         |
|--|---------------------|----------------------------------|----------------------|-----------------------------------|--------------------------------|--|--|----------------------|
| <b>DEFERRED INFLOWS<br/>OF RESOURCES</b>                   |                     |                                  |                      |                                   |                                |  |  |                      |
| Unavailable special<br>assessments                         | \$ 34,716           | \$ 13,205                        | \$ 770,975           | \$ -                              | \$ -                           | \$ -                                       | \$ 26,980                                  | \$ 845,876           |
| <b>FUND BALANCE</b>  |                     |                                  |                      |                                   |                                |  |  |                      |
| Nonspendable   | 169,454             | -                                | -                    | 5,942                             | -                              | -  | 4,478                                      | 179,874              |
| Restricted   | 95,201              | 3,753,276                        | -                    | -                                 | -                              | -  | 1,354,570                                  | 5,203,047            |
| Committed  | 879,968             | -                                | -                    | 329,181                           | -                              | -  | 31,394                                     | 1,240,543            |
| Assigned   | 528,802             | -                                | 9,331,312            | 1,153,862                         | -                              | 737,277                                    | 657,337                                    | 12,408,590           |
| Unassigned   | 3,011,489           | -                                | -                    | -                                 | (9,508,380)                    | -  | (488,641)                                  | (6,985,532)          |
| Total Fund Balance (Deficit)                               | <u>4,684,914</u>    | <u>3,753,276</u>                 | <u>9,331,312</u>     | <u>1,488,985</u>                  | <u>(9,508,380)</u>             | <u>737,277</u>                             | <u>1,559,138</u>                           | <u>12,046,522</u>    |
| Total Liabilities, Deferred<br>Inflows and Fund<br>Balance | <u>\$ 4,885,817</u> | <u>\$ 3,768,667</u>              | <u>\$ 10,102,287</u> | <u>\$ 1,546,588</u>               | <u>\$ -</u>                    | <u>\$ 1,140,357</u>                        | <u>\$ 2,016,090</u>                        | <u>\$ 23,459,806</u> |

See Notes to the Basic Financial Statements.

**CITY OF CROOKSTON, MINNESOTA**  
**RECONCILIATION OF BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

The amounts reported for governmental activities in the statement of net position are different because:

|   |               |
|---|---------------|
| Total fund balance per balance sheet  | \$ 12,046,522 |
| Capital assets used in governmental activities are not current financial resources and are not reported in the balance sheet (less internal service fund - \$272,180)   | 50,182,542    |
| Taxes, special assessments and other long-term receivables are not available to pay for current period expenditures and therefore deferred in the funds.  | 845,876       |
| 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 position.                 | 1,286,601     |
| Net deferred outflows and inflows of resources relating to the cost sharing defined benefit plans and other postemployment benefits in the governmental activities are not available resources; therefore, they are not reported as deferred outflows or deferred inflows of resources in the governmental funds: |               |
| Deferred Outflows of Resources  | 1,128,753     |
| Deferred Inflows of Resources   | (1,487,353)   |
| Accrued interest on long-term bonds and notes payable is included in the statement of net position but not due and payable in the current period and therefore not reported in the fund.  | (1,221)       |
| Long-term liabilities, including loan and capital lease payable, compensated absences, net pension liability and total other postemployment benefit liability, are not due and payable in the current period and therefore, are not reported in the funds.  |               |
| Net pension liability   | (3,034,853)   |
| Other postemployment benefit liability  | (822,191)     |
| Compensated absences payable (less internal service fund - \$13,332)  | (477,594)     |
| Loans   | (122,395)     |
| Net Position - Governmental Activities  | \$ 59,544,687 |

See Notes to the Basic Financial Statements.

**CITY OF CROOKSTON, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|  | General             | SSD<br>Flood<br>Control | Improvement         | Parks &<br>Recreation | Street<br>Construction | Municipal<br>Land and<br>Building | Nonmajor<br>Governmental<br>Funds | Total                |
|--|---------------------|-------------------------|---------------------|-----------------------|------------------------|-----------------------------------|-----------------------------------|----------------------|
| <b>REVENUES:</b>                             |                     |                         |                     |                       |                        |                                   |                                   |                      |
| Property taxes                               | \$ 517,574          | \$ -                    | \$ 696              | \$ 1,402,292          | \$ -                   | \$ -                              | \$ 406,530                        | \$ 2,327,092         |
| Special assessments                          | -                   | 6,428                   | 212,362             | -                     | -                      | -                                 | 4,965                             | 223,755              |
| Intergovernmental                            | 4,130,348           | -                       | 340,432             | -                     | -                      | -                                 | 1,319,448                         | 5,790,228            |
| Licenses, permits & fees                     | 669,529             | -                       | -                   | -                     | -                      | -                                 | -                                 | 669,529              |
| Fines & forfeitures                          | 93,275              | -                       | -                   | -                     | -                      | -                                 | -                                 | 93,275               |
| Charges for services                         | 405,592             | -                       | -                   | 333,443               | -                      | -                                 | 267,926                           | 1,006,961            |
| Miscellaneous                                | 34,802              | 51,061                  | -                   | 7,052                 | -                      | 54,562                            | 148,259                           | 295,736              |
| Investment earnings                          | 76,434              | 99,189                  | 53,288              | 6,247                 | -                      | 7,180                             | 2,684                             | 245,022              |
| Total Revenues                               | <u>5,927,554</u>    | <u>156,678</u>          | <u>606,778</u>      | <u>1,749,034</u>      | <u>-</u>               | <u>61,742</u>                     | <u>2,149,812</u>                  | <u>10,651,598</u>    |
| <b>EXPENDITURES:</b>                         |                     |                         |                     |                       |                        |                                   |                                   |                      |
| General government                           | 1,223,046           | -                       | -                   | -                     | -                      | 52,852                            | 816,648                           | 2,092,546            |
| Public safety                                | 2,812,126           | 19,615                  | -                   | -                     | -                      | -                                 | 274,696                           | 3,106,437            |
| Streets & highways                           | 883,702             | -                       | 3,981               | -                     | 187,207                | -                                 | -                                 | 1,074,890            |
| Sanitation                                   | 170,092             | -                       | -                   | -                     | -                      | -                                 | -                                 | 170,092              |
| Recreation & culture                         | -                   | -                       | -                   | 1,431,731             | -                      | -                                 | 284,481                           | 1,716,212            |
| Community & economic development             | -                   | -                       | -                   | -                     | -                      | -                                 | 262,616                           | 262,616              |
| Airport                                      | -                   | -                       | -                   | -                     | -                      | -                                 | 410,975                           | 410,975              |
| Capital outlay                               | 280,893             | -                       | -                   | 114,941               | 1,647,328              | 68,495                            | 79,818                            | 2,191,475            |
| Debt Service:                                |                     |                         |                     |                       |                        |                                   |                                   |                      |
| Principal                                    | -                   | -                       | -                   | -                     | -                      | -                                 | 31,361                            | 31,361               |
| Interest & agent fees                        | -                   | -                       | -                   | -                     | -                      | -                                 | 1,539                             | 1,539                |
| Total Expenditures                           | <u>5,369,859</u>    | <u>19,615</u>           | <u>3,981</u>        | <u>1,546,672</u>      | <u>1,834,535</u>       | <u>121,347</u>                    | <u>2,162,134</u>                  | <u>11,058,143</u>    |
| Revenues Over (Under) Expenditures           | 557,695             | 137,063                 | 602,797             | 202,362               | (1,834,535)            | (59,605)                          | (12,322)                          | (406,545)            |
| <b>OTHER FINANCING SOURCES (USES):</b>       |                     |                         |                     |                       |                        |                                   |                                   |                      |
| Proceeds from sale of assets                 | 16,455              | -                       | -                   | -                     | -                      | -                                 | -                                 | 16,455               |
| Transfer to component unit                   | (148,270)           | -                       | -                   | -                     | -                      | -                                 | -                                 | (148,270)            |
| Transfers from (to) other funds              | (650,152)           | -                       | 222,687             | -                     | 650,152                | -                                 | -                                 | 222,687              |
| Net Other Financing Sources (Uses)           | <u>(781,967)</u>    | <u>-</u>                | <u>222,687</u>      | <u>-</u>              | <u>650,152</u>         | <u>-</u>                          | <u>-</u>                          | <u>90,872</u>        |
| Net Change in Fund Balance                   | (224,272)           | 137,063                 | 825,484             | 202,362               | (1,184,383)            | (59,605)                          | (12,322)                          | (315,673)            |
| Fund Balance (Deficit), January 1            | 4,932,141           | 3,616,213               | 8,505,828           | 1,356,942             | (8,323,997)            | 796,882                           | 1,571,460                         | 12,455,469           |
| Prior period adjustment                      | (22,955)            | -                       | -                   | (70,319)              | -                      | -                                 | -                                 | (93,274)             |
| Fund Balance (Deficit), January 1 - restated | <u>4,909,186</u>    | <u>3,616,213</u>        | <u>8,505,828</u>    | <u>1,286,623</u>      | <u>(8,323,997)</u>     | <u>796,882</u>                    | <u>1,571,460</u>                  | <u>12,362,195</u>    |
| Fund Balance (Deficit), December 31          | <u>\$ 4,684,914</u> | <u>\$ 3,753,276</u>     | <u>\$ 9,331,312</u> | <u>\$ 1,488,985</u>   | <u>\$ (9,508,380)</u>  | <u>\$ 737,277</u>                 | <u>\$ 1,559,138</u>               | <u>\$ 12,046,522</u> |

See Notes to the Basic Financial Statements.

**CITY OF CROOKSTON, MINNESOTA**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|   |                       |
|---|-----------------------|
| Net change in fund balance for governmental funds in the statement of revenues, expenditures, and changes in fund balance   | \$ (315,673)          |
| <p>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:</p>   |                       |
| Assets capitalized (less internal service fund - \$115,443)   | 2,145,978             |
| Depreciation (less internal service fund - \$46,875)  | (2,449,874)           |
| Gain (loss) adjustment for equipment basis  | (13,491)              |
| <p>Revenues in the fund statements which were subject to accrual in the prior year are additions to beginning net position, and therefore, may not be reported as revenue in the statement of activities in the current year.</p>   |                       |
| Taxes and special assessments   | (508,932)             |
| Other   | (128,577)             |
| <p>Change in accrued interest payable is an increase or decrease in an expenditure in the statement of activities</p>   |                       |
|   | 317                   |
| <p>Repayment of long-term debt is an expenditure in the governmental funds and proceeds from debt issue proceeds are other revenue sources. Debt issued and repayment changes long-term liabilities in the statement of net position.</p>   |                       |
| Debt payments made  | 31,361                |
| <p>Increases in long-term compensated absences are treated as expenses in the statement of activities but not a use of financial resources, so they are not recorded in the fund statements (change in internal service fund - \$54)</p>  |                       |
|   | (12,339)              |
| <p>Changes in cost sharing defined benefit plans related to net pension liability, total other postemployment benefits liability, deferred outflows and deferred inflows in resources are treated as expenses in the statement of activities, however in governmental funds, only actual resources received or expended are recorded.</p> |                       |
| Deferred outflows of resources  | (594,123)             |
| Net pension liability   | (377,433)             |
| Other postemployment benefits liability   | (56,393)              |
| Deferred inflows of resources   | 1,092,887             |
| <p>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.</p>   |                       |
|   | <u>64,824</u>         |
| Change in net position  | <u>\$ (1,121,468)</u> |

See Notes to the Basic Financial Statements.

**CITY OF CROOKSTON, MINNESOTA**  
**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2020**

|   | Business-Type Activities<br>Enterprise Funds |                     |                      | Governmental<br>Activities -<br>Internal |
|---|--|---------------------|----------------------|--|
|   | Water  | Wastewater          | Total                | Service Fund                             |
| <b>ASSETS:</b>                            |  |                     |                      |  |
| Current Assets:                           |  |                     |                      |  |
| Cash and equivalents                      | \$ 1,055,767                                 | \$ 837,101          | \$ 1,892,868         | \$ 1,038,398                             |
| Investments                               | 526,808                                      | 68,459              | 595,267              | -  |
| Receivables:                              |  |                     |                      |  |
| Accounts                                  | 125,430                                      | 56,327              | 181,757              | -  |
| Special assessments                       | 3,769  | 62,148              | 65,917               | -  |
| Inventory                                 | 114,644                                      | -                   | 114,644              | -  |
| Prepaid expenses                          | 13,612                                       | 1,828               | 15,440               | 829                                      |
| Total Current Assets                      | <u>1,840,030</u>                             | <u>1,025,863</u>    | <u>2,865,893</u>     | <u>1,039,227</u>                         |
| Restricted Assets:                        |  |                     |                      |  |
| Cash & equivalents                        | <u>222,801</u>                               | <u>51,735</u>       | <u>274,536</u>       | <u>-</u>                                 |
| Property, Plant and Equipment             | 18,048,051                                   | 3,769,823           | 21,817,874           | 667,638                                  |
| Accumulated depreciation                  | (8,982,128)                                  | (1,884,013)         | (10,866,141)         | (395,458)                                |
| Net Property, Plant & Equipment           | <u>9,065,923</u>                             | <u>1,885,810</u>    | <u>10,951,733</u>    | <u>272,180</u>                           |
| Total Assets                              | <u>11,128,754</u>                            | <u>2,963,408</u>    | <u>14,092,162</u>    | <u>1,311,407</u>                         |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>     |  |                     |                      |  |
| Cost sharing defined benefit pension plan | 20,196                                       | 7,854               | 28,050               | -  |
| Other postemployment benefit plan         | <u>4,354</u>                                 | <u>1,630</u>        | <u>5,984</u>         | <u>-</u>                                 |
| Total Deferred Outflows of Resources      | <u>24,550</u>                                | <u>9,484</u>        | <u>34,034</u>        | <u>-</u>                                 |
| <b>LIABILITIES</b>                        |  |                     |                      |  |
| Current Liabilities:                      |  |                     |                      |  |
| Accounts payable                          | 16,528                                       | 4,886               | 21,414               | 10,821                                   |
| Due to other governments                  | 38,469                                       | -                   | 38,469               | -  |
| Other accrued liabilities                 | 4,999  | 1,739               | 6,738                | 653                                      |
| Customer deposits                         | <u>40,728</u>                                | <u>-</u>            | <u>40,728</u>        | <u>-</u>                                 |
| Total Current Liabilities                 | <u>100,724</u>                               | <u>6,625</u>        | <u>107,349</u>       | <u>11,474</u>                            |
| Non-Current Liabilities:                  |  |                     |                      |  |
| Compensated absences                      | 42,448                                       | 20,832              | 63,280               | 13,332                                   |
| Net pension liability                     | 287,063                                      | 111,635             | 398,698              | -  |
| Other postemployment benefit liability    | <u>101,412</u>                               | <u>37,956</u>       | <u>139,368</u>       | <u>-</u>                                 |
| Total Non-Current Liabilities             | <u>430,923</u>                               | <u>170,423</u>      | <u>601,346</u>       | <u>13,332</u>                            |
| Total Liabilities                         | <u>531,647</u>                               | <u>177,048</u>      | <u>708,695</u>       | <u>24,806</u>                            |
| <b>DEFERRED INFLOWS OF RESOURCES</b>      |  |                     |                      |  |
| Cost Sharing Defined Benefit Pension Plan | <u>23,441</u>                                | <u>9,116</u>        | <u>32,557</u>        | <u>-</u>                                 |
| <b>NET POSITION</b>                       |  |                     |                      |  |
| Net investment in capital assets          | 9,065,923                                    | 1,885,810           | 10,951,733           | 272,180                                  |
| Restricted for repairs                    | 222,801                                      | 51,735              | 274,536              | -  |
| Unrestricted                              | <u>1,309,492</u>                             | <u>849,183</u>      | <u>2,158,675</u>     | <u>1,014,421</u>                         |
| Total Fund Net Position                   | <u>\$ 10,598,216</u>                         | <u>\$ 2,786,728</u> | <u>\$ 13,384,944</u> | <u>\$ 1,286,601</u>                      |

See Notes to the Basic Financial Statements.

**CITY OF CROOKSTON, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|  | Business-Type Activities<br>Enterprise Funds |                     |                      | Governmental<br>Activities -<br>Internal |
|--|--|---------------------|----------------------|--|
|  | Water  | Wastewater          | Total                | Service Fund                             |
| <b>OPERATING REVENUES:</b>               |  |                     |                      |  |
| Charges for services                     | \$ 1,328,453                                 | \$ 426,835          | \$ 1,755,288         | \$ 261,873                               |
| Other                                    | 38,705                                       | 15,902              | 54,607               | 1,095                                    |
| Total Operating Revenues                 | <u>1,367,158</u>                             | <u>442,737</u>      | <u>1,809,895</u>     | <u>262,968</u>                           |
| <b>OPERATING EXPENSES:</b>               |  |                     |                      |  |
| Power for pumping                        | 31,142                                       | -                   | 31,142               | -  |
| Purification chemicals                   | 16,047                                       | -                   | 16,047               | -  |
| Distribution                             | 402,915                                      | 431,455             | 834,370              | -  |
| Administration                           | 268,148                                      | -                   | 268,148              | -  |
| Equipment maintenance                    | -  | -                   | -                    | 157,991                                  |
| Depreciation                             | 405,904                                      | 111,364             | 517,268              | 46,875                                   |
| Total Expenditures                       | <u>1,124,156</u>                             | <u>542,819</u>      | <u>1,666,975</u>     | <u>204,866</u>                           |
| Operating Income (Loss)                  | 243,002                                      | (100,082)           | 142,920              | 58,102                                   |
| <b>NONOPERATING REVENUES (EXPENSES):</b> |  |                     |                      |  |
| Gain (loss) on asset disposition         | (26,135)                                     | -                   | (26,135)             | -  |
| Investment earnings - unrestricted       | 25,535                                       | 5,088               | 30,623               | 6,722                                    |
| Investment earnings - restricted         | 4,434  | 1,221               | 5,655                | -  |
| Net Nonoperating Revenues (Expenses)     | <u>3,834</u>                                 | <u>6,309</u>        | <u>10,143</u>        | <u>6,722</u>                             |
| Income (Loss) Before Transfers           | 246,836                                      | (93,773)            | 153,063              | 64,824                                   |
| Transfers to Other Funds                 | <u>(201,855)</u>                             | <u>(20,832)</u>     | <u>(222,687)</u>     | <u>-</u>                                 |
| Change in Net Position                   | 44,981                                       | (114,605)           | (69,624)             | 64,824                                   |
| Net Position, Beginning                  | <u>10,553,235</u>                            | <u>2,901,333</u>    | <u>13,454,568</u>    | <u>1,221,777</u>                         |
| Net Position, Ending                     | <u>\$ 10,598,216</u>                         | <u>\$ 2,786,728</u> | <u>\$ 13,384,944</u> | <u>\$ 1,286,601</u>                      |

See Notes to the Basic Financial Statements.

**CITY OF CROOKSTON, MINNESOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|  | Business-Type Activities<br>Enterprise Funds |                   |                     | Governmental<br>Activities -<br>Internal |
|--|--|-------------------|---------------------|--|
|  | Water  | Wastewater        | Total               | Service Fund                             |
| Cash Flows From Operating Activities:                                |  |                   |                     |  |
| Receipts from customers  | \$ 1,397,085                                 | \$ 473,612        | \$ 1,870,697        | \$ 262,968                               |
| Payments to suppliers  | (405,505)                                    | (308,193)         | (713,698)           | (122,997)                                |
| Payments to employees  | (340,326)                                    | (132,969)         | (473,295)           | (34,331)                                 |
| Net Cash Provided (Used)   |  |                   |                     |  |
| by Operating Activities  | <u>651,254</u>                               | <u>32,450</u>     | <u>683,704</u>      | <u>105,640</u>                           |
| Cash Flows From Noncapital Financing Activities:                     |  |                   |                     |  |
| Transfers from (to) other funds                                      | <u>(201,855)</u>                             | <u>(20,832)</u>   | <u>(222,687)</u>    | <u>-</u>                                 |
| Net Cash Flows Provided (Used) by<br>Noncapital Financing Activities | <u>(201,855)</u>                             | <u>(20,832)</u>   | <u>(222,687)</u>    | <u>-</u>                                 |
| Cash Flows From Capital Financing Activities:                        |  |                   |                     |  |
| Acquisition of capital assets  | (368,856)                                    | (108,924)         | (477,780)           | (115,443)                                |
| Proceeds on disposal of assets                                       | <u>19,900</u>                                | <u>-</u>          | <u>19,900</u>       | <u>-</u>                                 |
| Net Cash Flows Provided (Used) by Capital<br>Financing Activities    | <u>(348,956)</u>                             | <u>(108,924)</u>  | <u>(457,880)</u>    | <u>(115,443)</u>                         |
| Cash Flows from Investing Activities:                                |  |                   |                     |  |
| Investments withdrawn  | (22,339)                                     | (232)             | (22,571)            | -  |
| Interest earned  | <u>29,969</u>                                | <u>6,309</u>      | <u>36,278</u>       | <u>6,722</u>                             |
| Cash Flows Provided (Used)<br>by Investing Activities                | <u>7,630</u>                                 | <u>6,077</u>      | <u>13,707</u>       | <u>6,722</u>                             |
| Net Increase (Decrease) in Cash                                      | 108,073                                      | (91,229)          | 16,844              | (3,081)                                  |
| Cash, January 1  | <u>1,170,495</u>                             | <u>980,065</u>    | <u>2,150,560</u>    | <u>1,041,479</u>                         |
| Cash, December 31  | <u>\$ 1,278,568</u>                          | <u>\$ 888,836</u> | <u>\$ 2,167,404</u> | <u>\$ 1,038,398</u>                      |
| Total Cash:  |  |                   |                     |  |
| Cash and equivalents   | \$ 1,055,767                                 | \$ 837,101        | \$ 1,892,868        | \$ 1,038,398                             |
| Restricted cash and equivalents                                      | <u>222,801</u>                               | <u>51,735</u>     | <u>274,536</u>      | <u>-</u>                                 |
|  | <u>\$ 1,278,568</u>                          | <u>\$ 888,836</u> | <u>\$ 2,167,404</u> | <u>\$ 1,038,398</u>                      |

See Notes to the Basic Financial Statements.

**CITY OF CROOKSTON, MINNESOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|   | Business-Type Activities<br>Enterprise Funds |                  |                   | Activities -<br>Internal |
|---|--|------------------|-------------------|--------------------------|
|   | Water  | Wastewater       | Total             | Service Fund             |
| Reconciliation of Operating Income (Loss) to Net  |  |                  |                   |                          |
| Cash Provided by Operating Activities:  |  |                  |                   |                          |
| Operating income (loss)   | \$ 243,002                                   | \$ (100,082)     | \$ 142,920        | \$ 58,102                |
| Adjustments to reconcile operating income to net cash provided by operating activities: |  |                  |                   |                          |
| Depreciation  | 405,904                                      | 111,364          | 517,268           | 46,875                   |
| Changes in assets and liabilities:  |  |                  |                   |                          |
| Receivables   | 28,975                                       | 30,875           | 59,850            | -                        |
| Inventories   | 1,974  | -                | 1,974             | 2,481                    |
| Prepaid expenses  | (4,038)                                      | (595)            | (4,633)           | 294                      |
| Accounts payable  | 9,533  | (643)            | 8,890             | (775)                    |
| Due to other governments  | (7,474)                                      | -                | (7,474)           | -                        |
| Other accrued liabilities   | (9,346)                                      | (3,612)          | (12,958)          | (1,283)                  |
| Compensated absences  | (522)  | 3,380            | 2,858             | (54)                     |
| Customer deposits   | 952  | -                | 952               | -                        |
| Net pension liability   | 23,340                                       | 9,076            | 32,416            | -                        |
| Other postemployment benefit liability  | 2,380  | (484)            | 1,896             | -                        |
| Deferred pension inflows  | (46,294)                                     | (18,003)         | (64,297)          | -                        |
| Deferred pension outflows   | 344  | 134              | 478               | -                        |
| Deferred OPEB outflows  | 2,524  | 1,040            | 3,564             | -                        |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ 651,254</u>                            | <u>\$ 32,450</u> | <u>\$ 683,704</u> | <u>\$ 105,640</u>        |

See Notes to the Basic Financial Statements.

**CITY OF CROOKSTON, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**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 the organization for which the nature and significance of their relationships with the City is such that the exclusion would cause the City's financial statements to be misleading. The City uses criteria established by GASB in determining financial accountability, which includes: the City's appointment of an entity governing board; ability of City to impose its will on that entity; or the potential for the entity to provide specific financial benefits or financial burdens on the City. The presentation of the primary government's financial information include the following funds; Crookston Park and Recreation, Valley Technology Park, Crookston Municipal Airport and Crookston Housing and Economic Development Authority.

The Crookston Fire Relief Association is an independent non-profit firefighting corporation, and 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 Housing and Economic Development Authority, which was created January 1, 2009 with the merger of the Housing and Redevelopment Authority and Crookston Development Authority. The Authority's activities include those necessary to encourage the promotion of economic development and affordable housing within the City.

**Basis of Presentation**

*Government-Wide Financial Statements*

The Statement of Net Position and Statement of Activities display information about the reporting 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.

**CITY OF CROOKSTON, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

*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.                         |
| Park and Recreation Fund       | Accounts for recreational facilities and services provided by the City.                                   |
| SSD Flood Control Fund         | Accounts for special service district assessment restricted for the use of flood control within the City. |
| Municipal Land & Building Fund | Accounts for resources received and to be expended for capital projects designated by City Council.       |

**CITY OF CROOKSTON, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

*Nonmajor Funds:*

|                                |   |
|--------------------------------|---|
| 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.   |
| Airport                        | Accounts for the activities of the Crookston Municipal Airport.   |
| 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. |
| Intermediary Relending Program | Accounts for revenues and expenditures relating to the City's IRP revolving business loan pool.   |
| Drug Task Force Fund           | Accounts for revenues and program expenditures for drug enforcement.  |
| Insurance Fund                 | Accounts for insurance refunds and settlements to be used for property repairs and replacement.   |
| SCDP Recapture Fund            | Accounts for Small Cities Development Program participant repayments received and provide funding for future rehabilitation projects.                   |
| Red River Corridor Fund        | Accounts for revenues and expenditures relating to the Red River Corridor program development   |
| CARES Fund                     | Accounts for revenues and expenditures relating to the CARES Act grant  |

**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>Nonmajor Funds:</i>        |   |
| Johnson Control Contract Fund | Accounts for recovery of costs of energy efficient improvements financed by the City.                 |
| Special Assessment Bond Fund  | Accounts for special assessment collections used to service debt issued to cover street improvements. |

**Capital Project Funds**

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

| <u>Fund</u>              | <u>Description</u>   |
|--------------------------|--|
| <i>Major Funds:</i>      |  |
| Street Construction Fund | Accounts for various grants and revenues for street improvements and construction. |
| <i>Nonmajor Funds:</i>   |  |
| Arena Construction Fund  | Accounts for various grants and revenues for the construction of arena.            |

**CITY OF CROOKSTON, MINNESOTA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2020

**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.

**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. 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.

**Budgets**

The annual budget is adopted through approval by resolution. The City submits a proposed budget and levy to the County Auditor’s office by September 15. Truth in Taxation public

**CITY OF CROOKSTON, MINNESOTA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
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hearings are held in December. The City must prepare a final budget and certify the levy to the County by December 31. A copy of the final budget and prior year revenue and expenditures must be submitted to the State Auditor's office. Any budget changes are approved by the Council. All unencumbered appropriations lapse at year-end.

### **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. Business-type activities reports revenue from sources other than operations as nonoperating, which consist of grants and investment earnings.

### **Unearned Revenue**

Unearned revenue includes local grants received but not yet earned. In addition, licenses, fees and hanger rent received but services have not been performed or revenue earned at year end.

### **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. Delinquent taxes not collected within 60 days are considered uncollectible and offset with an allowance.

### **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.

For purposes of reporting cash flows, the City considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Investments consist of certificates of deposits and corporate bonds and are stated at fair market value.

Fair Value Measurements – The City accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

**CITY OF CROOKSTON, MINNESOTA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2020

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

**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 enabling legislation or special funding requirements. 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.

The component unit has restricted cash for tenant security deposits, a contract for deed and excess funds received under the Section 8 Choice Voucher program. The amounts deposited in escrow are equal to the monies collected for security deposits plus interest earned but not to be paid until the lease is terminated. Amounts collected for the contract for deed are equal to the cumulative total of payments received monthly and are for the payment of taxes and insurance.

**Interfund Transactions**

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.

Transfers of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

**Interfund Balances**

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

**Accounts Receivable**

Accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts based on the periodic review of aged receivables. Management evaluates troubled accounts and historical trend information to determine its allowance for uncollectible accounts. Accounts receivables are written off when all means of collection have been exhausted. Recoveries of previously written off receivables are recorded when received. As of December 31, 2020, the allowances for uncollectible accounts totaled \$9,068.

**Inventory**

Inventory is made up of material and supplies valued at cost, which approximates market value. The consumption method is used to account for inventory, which recognizes an expenditure when inventory items are consumed.

**CITY OF CROOKSTON, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**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. In accordance with the City's capitalization policy, capital assets that have been purchased or constructed have been valued at historical cost or estimated historical cost.

Donated assets are recorded at acquisition 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 Position. 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         |

**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.

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 position. Governmental funds report vacation and sick pay as expenditures in the year paid.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Outflows and Inflow of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will

**CITY OF CROOKSTON, MINNESOTA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2020

not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category named *Cost Sharing Defined Benefit Pension Plan* and *Other Postemployment Benefits* which represents actuarial differences within PERA pension plans as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In the fund financial statements, arising under the modified accrual basis of accounting the City's special assessments certified levied in subsequent periods are unavailable resources in the current period and are reported as deferred inflows. The City also has deferred inflows reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the PERA pension plan and unearned income received in which the fulfillment of goods or services have not yet been provided. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available or earned.

### **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.

### **Net Position**

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the City's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

### **Fund Balance**

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items, notes receivable, or inventories; or (b) legally or contractually required to be maintained intact.

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NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
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The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted* – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by law through constitutional provisions or enabling legislation.

*Committed* – consists of internally imposed constraints. These constraints are established by formal action of the City Council.

*Assigned* – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council. Pursuant to Council resolution, the City's Administrator is authorized to establish assignments of fund balance.

*Unassigned* – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

The first priority is to utilizing the restricted before unrestricted fund balance when both are available. Committed funds will be considered spent first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used like assigned or unassigned.

### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

### **NOTE 2 CASH AND INVESTMENTS**

Minnesota Statutes require that all deposits with financial institutions be protected by insurance, surety bond or collateral. Minnesota Statutes requires the market value of securities pledged as collateral be at least equal to 110% of deposits in excess of FDIC (140% if collateralized with notes secured by first mortgages). Securities pledged as collateral are to be held in safekeeping by a financial institution other than that furnishing the collateral.

#### *Primary Government*

At December 31, 2020, the carrying amount of the City's deposits was \$8,192,563 and the bank balance was \$8,505,095. Of the bank balance, \$501,109 was covered by FDIC, \$10,302 by SIPC and \$8,003,986 was covered by collateral held in safekeeping in the City's name.

As of December 31, 2020, the City had the following investments as summarized below:

**CITY OF CROOKSTON, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

| Investment Type                | Fair Value          | Interest Rate | Maturity          |                     |                   |
|--------------------------------|---------------------|---------------|-------------------|---------------------|-------------------|
|                                |                     |               | 1-12 mos          | 1 - 5 yrs           | 6 - 10 yrs        |
| FDIC covered CDs               | \$ 6,779,585        | 1.6 - 2.4%    | \$ 770,401        | \$ 6,009,184        | \$ -              |
| Federal Home Ln Mtg Corp bonds | 140,040             | 1.75%         | -                 | -                   | 140,040           |
|                                | <u>\$ 6,919,625</u> |               | <u>\$ 770,401</u> | <u>\$ 6,009,184</u> | <u>\$ 140,040</u> |

| Investment Type  | Fair Value          | Credit Rating | Rating Agency    | Fair Value |
|------------------|---------------------|---------------|------------------|------------|
|                  |                     |               |                  |            |
| FDIC covered CDs | \$ 6,779,585        | NA            | NA               | NA         |
| FNMA securities  | 140,040             | AA+           | Standard & Poors | 2          |
|                  | <u>\$ 6,919,625</u> |               |                  |            |

*Discretely Presented Component Unit – Crookston Housing & Economic Development Association (CHEDA)*

At December 31, 2020, the carrying amount of CHEDA's deposits was \$1,625,066 and the bank balance was \$1,707,514. The bank balance was covered by FDIC, SIPC and covered by collateral held in safekeeping in CHEDA's name.

As of December 31, 2020, CHEDA had the following investments and maturities, with credit ratings provided by Standard and Poors:

| Investment               | Fair Value       | Maturity    |                  |             |
|--------------------------|------------------|-------------|------------------|-------------|
|                          |                  | 1-12 mos    | 1 - 5 yrs        | 6 - 10 yrs  |
| Certificates of deposits | \$ 82,953        | \$ -        | \$ 82,953        | \$ -        |
|                          | <u>\$ 82,953</u> | <u>\$ -</u> | <u>\$ 82,953</u> | <u>\$ -</u> |

| Investment Type          | Fair Value       | Credit Rating | Rating Agency | Fair Value |
|--------------------------|------------------|---------------|---------------|------------|
|                          |                  |               |               |            |
| Certificates of deposits | \$ 82,953        | NA            | NA            | NA         |
|                          | <u>\$ 82,953</u> |               |               |            |

**Interest Rate Risk**

The City and its component units do 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 and Component Unit are 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

**CITY OF CROOKSTON, MINNESOTA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2020

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.

**Custodial Risk**

The City and CHEDA place no limit on the amount that may be invested in any one issuer, but must maintain deposits in accounts protected with FDIC or pledged collateral and government securities.

**NOTE 3 RESTRICTED CASH**

The City has restricted cash in accordance with law enforcement programs and special service fees collected in the water and wastewater fund for line maintenance.

CHEDA has restricted cash in accordance with various housing program requirements.

**NOTE 4 NOTES RECEIVABLE**

*Primary Government*

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 of 4.25% to 5.0% and are typically payable over 15 years. At December 31, 2020, the balance remaining on the loans was \$878,034 reported net of an allowance for uncollectible accounts of \$160,205.

As part of a HUD Small Cities Development Program, the City is collecting on commercial rehab notes. The notes carry an annual interest rate of 3% and notes set up on a monthly payment schedule over 5 years. At December 31, 2020, the balance remaining on the loans was \$5,737 reported net of an allowance for uncollectible accounts of \$4,000.

The City extended a financing arrangement to South Shore Landing LLC to purchase land to construct multi-family apartments. The note is secured by property and a personal guarantee provided by developer, carries an interest rate of 1% and payable in monthly installments of \$2,190 through December 1, 2026. At December 31, 2020 the balance of the note was \$153,079.

*Discretely Presented Component Unit - CHEDA*

The Crookston Housing & Economic Development Authority (component unit) 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. At December 31, 2020, the balance remaining on the loans was \$1,081,699 reported net of an allowance for uncollectible accounts of \$39,661.

**CITY OF CROOKSTON, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 5 EDA NOTE PAYABLE**

On April 1, 2011, the Crookston Housing & Economic Development Authority provided a loan to the City of Crookston in the amount of \$197,760 for the purchase of real property. The City will repay the Authority in an amount equal to 33.33% of the net proceeds, if any, from a sale or transfer of the real property acquired from the loan proceeds. The terms of the agreement provide an interest free loan with the Authority having no rights to the real property.

**NOTE 6 CAPITAL ASSETS**

*Primary Government*

Changes in capital assets for governmental activities for the year ended December 31, 2020 are as follows:

|   | Balance at<br>Beginning<br>of Year | Additions           | Deletions        | Transfers/<br>Adjustment | Balance at<br>End of<br>Year |
|---|------------------------------------|---------------------|------------------|--------------------------|------------------------------|
| Land  | \$ 4,246,947                       | \$ -                | \$ -             | \$ -                     | \$ 4,246,947                 |
| Capital Assets Being Depreciated:               |                                    |                     |                  |                          |                              |
| Land improvements                               | 1,606,985                          | -                   |                  | -                        | 1,606,985                    |
| Building and improvements                       | 20,880,427                         | 81,852              | 2,000            | -                        | 20,960,279                   |
| Equipment and machinery                         | 4,673,080                          | 354,932             | 2,650            | (15,945)                 | 5,009,417                    |
| Office equipment                                | 685,049                            | 10,278              | 26,103           | -                        | 669,224                      |
| Vehicles  | 2,669,572                          | 197,296             | 104,886          | (24,600)                 | 2,737,382                    |
| Infrastructure                                  | 39,405,903                         | 1,617,063           | -                | -                        | 41,022,966                   |
|   | <u>69,921,016</u>                  | <u>2,261,421</u>    | <u>135,639</u>   | <u>(40,545)</u>          | <u>72,006,253</u>            |
| Total Capital Assets                            | <u>74,167,963</u>                  | <u>2,261,421</u>    | <u>135,639</u>   | <u>(40,545)</u>          | <u>76,253,200</u>            |
| Less Accumulated Depreciation:                  |                                    |                     |                  |                          |                              |
| Land improvements                               | 786,403                            | 31,405              | -                | -                        | 817,808                      |
| Building and improvements                       | 7,458,743                          | 512,074             | 2,000            | -                        | 7,968,817                    |
| Equipment and machinery                         | 2,678,755                          | 257,510             | -                | 15,945                   | 2,952,210                    |
| Office equipment                                | 570,475                            | 30,970              | 26,103           | -                        | 575,342                      |
| Vehicles  | 1,533,281                          | 131,644             | 94,045           | 24,600                   | 1,595,480                    |
| Infrastructure                                  | 10,355,675                         | 1,533,146           | -                | -                        | 11,888,821                   |
| Total Accum Depreciation                        | <u>23,383,332</u>                  | <u>2,496,749</u>    | <u>122,148</u>   | <u>40,545</u>            | <u>25,798,478</u>            |
| Net Capital Assets -<br>Governmental Activities | <u>\$ 50,784,631</u>               | <u>\$ (235,328)</u> | <u>\$ 13,491</u> | <u>\$ (81,090)</u>       | <u>\$ 50,454,722</u>         |

**CITY OF CROOKSTON, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

Changes in capital assets for business-type activities for the year ended December 31, 2020, are as follows:

|                                       | Balance at<br>Beginning<br>of Year | Additions          | Deletions        | Transfers   | Balance at<br>End of<br>Year |
|---------------------------------------|------------------------------------|--------------------|------------------|-------------|------------------------------|
| <b>Water Fund:</b>                    |                                    |                    |                  |             |                              |
| Land                                  | \$ 234,905                         | \$ -               | \$ -             | \$ -        | \$ 234,905                   |
| Capital Assets Being Depreciated:     |                                    |                    |                  |             |                              |
| Wells                                 | 2,164,419                          | -                  | -                | -           | 2,164,419                    |
| Plant and equipment                   | 2,814,297                          | 98,762             | 12,269           | -           | 2,900,790                    |
| Office equipment                      | 115,216                            | -                  | -                | -           | 115,216                      |
| Distribution system                   | 12,615,421                         | 270,094            | 252,794          | -           | 12,632,721                   |
|                                       | <u>17,709,353</u>                  | <u>368,856</u>     | <u>265,063</u>   | <u>-</u>    | <u>17,813,146</u>            |
| Total Capital Assets                  | <u>17,944,258</u>                  | <u>368,856</u>     | <u>265,063</u>   | <u>-</u>    | <u>18,048,051</u>            |
| Less Accumulated Depreciation:        |                                    |                    |                  |             |                              |
| Wells                                 | 1,324,375                          | 65,300             | -                | -           | 1,389,675                    |
| Plant and equipment                   | 1,297,704                          | 70,987             | 8,235            | -           | 1,360,456                    |
| Office equipment                      | 71,398                             | 1,280              | -                | -           | 72,678                       |
| Distribution system                   | 6,101,775                          | 268,337            | 210,793          | -           | 6,159,319                    |
| Total Accum Deprec                    | <u>8,795,252</u>                   | <u>405,904</u>     | <u>219,028</u>   | <u>-</u>    | <u>8,982,128</u>             |
| Net Water Fund                        | <u>\$ 9,149,006</u>                | <u>\$ (37,048)</u> | <u>\$ 46,035</u> | <u>\$ -</u> | <u>\$ 9,065,923</u>          |
| <br>                                  |                                    |                    |                  |             |                              |
|                                       | Balance at<br>Beginning<br>of Year | Additions          | Deletions        | Transfers   | Balance at<br>End of<br>Year |
| <b>Wastewater Fund:</b>               |                                    |                    |                  |             |                              |
| Land                                  | \$ 19,700                          | \$ -               | \$ -             | \$ -        | \$ 19,700                    |
| Capital Assets Being Depreciated:     |                                    |                    |                  |             |                              |
| Lift station                          | 1,573,045                          | 68,783             | -                | -           | 1,641,828                    |
| Lagoons                               | 642,784                            | -                  | -                | -           | 642,784                      |
| Distribution system                   | 1,020,261                          | -                  | -                | -           | 1,020,261                    |
| Equipment                             | 405,109                            | 40,141             | -                | -           | 445,250                      |
|                                       | <u>3,641,199</u>                   | <u>108,924</u>     | <u>-</u>         | <u>-</u>    | <u>3,750,123</u>             |
| Total Capital Assets                  | <u>3,660,899</u>                   | <u>108,924</u>     | <u>-</u>         | <u>-</u>    | <u>3,769,823</u>             |
| Less Accumulated Depreciation:        |                                    |                    |                  |             |                              |
| Lift station                          | 642,035                            | 29,837             | -                | -           | 671,872                      |
| Lagoons                               | 457,985                            | 16,070             | -                | -           | 474,055                      |
| Distribution system                   | 496,240                            | 33,576             | -                | -           | 529,816                      |
| Equipment                             | 176,389                            | 31,881             | -                | -           | 208,270                      |
| Total Accumulated Deprec              | <u>1,772,649</u>                   | <u>111,364</u>     | <u>-</u>         | <u>-</u>    | <u>1,884,013</u>             |
| Net Wastewater Fund                   | <u>1,888,250</u>                   | <u>(2,440)</u>     | <u>-</u>         | <u>-</u>    | <u>1,885,810</u>             |
| Net Capital Assets -<br>Business-Type | <u>\$ 11,037,256</u>               | <u>\$ (39,488)</u> | <u>\$ 46,035</u> | <u>\$ -</u> | <u>\$ 10,951,733</u>         |

**CITY OF CROOKSTON, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

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

Primary Government:

Governmental Activities:

|                                  |                     |
|----------------------------------|---------------------|
| General government               | \$ 9,640            |
| Public safety                    | 164,641             |
| Streets & highways               | 1,375,570           |
| Sanitation                       | 51,396              |
| Culture & recreation             | 531,548             |
| Airport                          | 284,434             |
| Community & economic development | 32,645              |
|                                  | <u>2,449,874</u>    |
| Streets - central garage         | 46,875              |
| Total Governmental Activities    | <u>\$ 2,496,749</u> |

Business-Type Activities:

|            |                   |
|------------|-------------------|
| Water      | \$ 405,904        |
| Wastewater | 111,364           |
|            | <u>\$ 517,268</u> |

*Discretely Presented Component Unit - CHEDA*

Changes in capital assets for the discretely presented component unit for the year ended December 31, 2020, are as follows:

|   | Balance at<br>Beginning<br>of Year | Additions           | Deletions        | Transfers   | Balance at<br>End of<br>Year |
|---|------------------------------------|---------------------|------------------|-------------|------------------------------|
| Crookston Housing & Economic Development Authority (CHEDA): |                                    |                     |                  |             |                              |
| Land  | \$ 101,632                         | \$ -                | \$ -             | \$ -        | \$ 101,632                   |
| Construction in progress                                    | 380,332                            | 1,316,308           | 27,562           | -           | 1,669,078                    |
| Total capital assets, not depreciated                       | <u>481,964</u>                     | <u>1,316,308</u>    | <u>27,562</u>    | <u>-</u>    | <u>1,770,710</u>             |
| Capital Assets Being Depreciated:                           |                                    |                     |                  |             |                              |
| Building  | 4,950,319                          | 142,276             | -                | -           | 5,092,595                    |
| Furniture and equipment                                     | 252,573                            | 8,039               | 2,730            | -           | 257,882                      |
|   | <u>5,202,892</u>                   | <u>150,315</u>      | <u>2,730</u>     | <u>-</u>    | <u>5,350,477</u>             |
| Total Capital Assets  | <u>5,684,856</u>                   | <u>1,466,623</u>    | <u>30,292</u>    | <u>-</u>    | <u>7,121,187</u>             |
| Less Accumulated Depreciation:                              |                                    |                     |                  |             |                              |
| Building  | 3,562,652                          | 137,059             | -                | -           | 3,699,711                    |
| Furniture and equipment                                     | 241,492                            | 3,876               | 2,730            | -           | 242,638                      |
| Total Accum Deprec  | <u>3,804,144</u>                   | <u>140,935</u>      | <u>2,730</u>     | <u>-</u>    | <u>3,942,349</u>             |
| Net   | <u>\$ 1,880,712</u>                | <u>\$ 1,325,688</u> | <u>\$ 27,562</u> | <u>\$ -</u> | <u>\$ 3,178,838</u>          |

**CITY OF CROOKSTON, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 7 LONG-TERM LIABILITIES**

*Primary Government*

The following is a summary of the long-term liabilities activity for the year:

|                                  | Balance<br>Beginning<br>of Year | New<br>Issues    | Debt<br>Retired  | Balance<br>End of<br>Year | Due<br>Within<br>One Year |
|----------------------------------|---------------------------------|------------------|------------------|---------------------------|---------------------------|
| <u>Governmental Activities:</u>  |                                 |                  |                  |                           |                           |
| Other Loans Payable:             |                                 |                  |                  |                           |                           |
| USDA - Intermediary Loan Prog    | \$ 153,756                      | \$ -             | \$ 31,361        | \$ 122,395                | \$ 31,676                 |
| Compensated Absences             | 503,211                         | 29,608           | 41,893           | 490,926                   | -                         |
| Total - Governmental Activities  | <u>\$ 656,967</u>               | <u>\$ 29,608</u> | <u>\$ 73,254</u> | <u>\$ 613,321</u>         | <u>\$ 31,676</u>          |
| <u>Business-Type Activities:</u> |                                 |                  |                  |                           |                           |
| Compensated Absences             | \$ 60,422                       | \$ 18,234        | \$ 15,376        | \$ 63,280                 | \$ -                      |
| Total Business-Type Activities   | <u>60,422</u>                   | <u>18,234</u>    | <u>15,376</u>    | <u>63,280</u>             | <u>-</u>                  |
| Total Primary Government         | <u>\$ 717,389</u>               | <u>\$ 47,842</u> | <u>\$ 88,630</u> | <u>\$ 676,601</u>         | <u>\$ 31,676</u>          |

Compensated absences are expected to be paid from sources within the fund the related benefit is attributed to (i.e. general, park and recreation, water, etc.).

Long-term indebtedness is made up of the following issues as of December 31, 2020, excluding compensated absences and postemployment benefits:

|                                  | Paid<br>From<br>Fund | Original<br>Issue | Interest<br>Rates | Final<br>Payment<br>Date | Outstanding       |
|----------------------------------|----------------------|-------------------|-------------------|--------------------------|-------------------|
| <u>Governmental Activities:</u>  |                      |                   |                   |                          |                   |
| Other Loans Payable:             |                      |                   |                   |                          |                   |
| USDA - Intermediary Loan Program | IRP Fund             | \$ 789,922        | 1.0%              | 1/1/2024                 | \$ 122,395        |
| Total Governmental Activities    |                      |                   |                   |                          | <u>\$ 122,395</u> |

**CITY OF CROOKSTON, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**Annual Debt Service Requirements**

The annual debt service requirements to maturity, including principal and interest, for long-term debt, except compensated absences, as of December 31, 2020 are as follows:

| Year Ending | Governmental Activities |          |
|-------------|-------------------------|----------|
|             | Loans                   |          |
|             | Principal               | Interest |
| 2021        | \$ 31,676               | \$ 1,224 |
| 2022        | 31,992                  | 907      |
| 2023        | 32,312                  | 587      |
| 2024        | 26,415                  | 215      |
|             | \$ 122,395              | \$ 2,933 |

*Discretely Presented Component Unit – CHEDA*

The Authority entered into a POHP (Publicly Owned Housing Program) loan on April 20, 2020 for \$1,758,512. The loan is a 20-year deferred forgivable loan with a zero percent interest rate. Loan funds of \$1,182,759 were received in 2020.

The debt service requirements to maturity are not disclosed because the loan will be forgiven after 20 years. There are no interest or principal payments due on an annual basis.

**NOTE 8 OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

Other postemployment benefits provided by the City include allowing retirees to continue their health insurance coverage through the City group plan until age 65 at their own cost. Retirees reimburse the City for the cost of the monthly premium but the City funds the implicit rate subsidy created, which creates a postemployment benefit. This plan was established under the authority of the City Council and is of the single-employer defined benefit variety. Any amendments to the plan must be approved by the City Council. There is not a separate audited plan financial report.

**Benefits Provided**

The City provides healthcare benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

**Funding Policy**

The City Council establishes employer contribution rates for plan participants and determines how the plan will be funded as part of the budgetary process each year. Retirees pay the full budgeted rates for coverage under the medical plan. The City Council has chosen to fund the healthcare benefits on a pay as you go basis.

**CITY OF CROOKSTON, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**Employees Covered by Benefit Term**

At December 31, 2020, the following employees were covered by the benefit terms:

|  |    |
|--|----|
| Inactive plan members or beneficiaries currently |    |
| receiving benefit payments                       | 3  |
| Active plan members                              | 59 |
| Total Members                                    | 62 |

**Total OPEB Liability**

The City's total OPEB liability of \$961,559 was measured as of December 31, 2019 and was determined by valuation of December 31, 2018. The City has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior year end, but applied to the current year.

**Actuarial Assumptions**

The total OPEB liability in the December 31, 2018 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

|                             |   |
|-----------------------------|---|
| Wage Inflation              | 2.5 percent   |
| Healthcare Cost Trend Rates | 6.4 percent decreasing to 4.0 percent in FY 2075 and later years. |

Mortality rates were based on the RP-2014 White Collar Mortality Tables with projected mortality improvements based on scale MP-2017, and other adjustments.

The discount rate is based on the estimated yield of 20-year tax-exempt municipal bonds. The overall single discount rate is 3.71%.

In the December 31, 2018 valuation, the entry age normal level percent of pay cost method was used.

**Changes in the Total OPEB Liability:**

|   |  |            |
|---|--|------------|
| Balance at 12/31/2019                             |  | \$ 903,270 |
| Changes for the year:                             |  |            |
| Service costs                                     |  | 41,239     |
| Interest costs                                    |  | 33,486     |
| Changes in assumptions                            |  | 67,422     |
| Difference between expected and actual experience |  |            |
| Benefit payments                                  |  | (83,858)   |
| Net changes                                       |  | 58,289     |
| Balance at 12/31/2020                             |  | \$ 961,559 |

**CITY OF CROOKSTON, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.71 percent) or one percentage point higher (4.71 percent) than the current rate:

| 1% Decrease<br>(2.71%) | Discount Rate<br>(3.71%) | 1% Increase<br>(4.71%) |
|------------------------|--------------------------|------------------------|
| \$ 1,037,883           | \$ 961,559               | \$ 891,448             |

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates of 6.4%, gradually decreasing over several decades to an ultimate rate of 4.0% in FY 2075 and later years.

| Healthcare Cost Trend Rates |                |                       |
|-----------------------------|----------------|-----------------------|
| 1% Decrease<br>(5.4%)       | Current (6.4%) | 1% Increase<br>(7.4%) |
| \$ 862,992                  | \$ 961,559     | \$ 1,077,294          |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2020, the City recognized OPEB expense of \$58,289 due to the net change in OPEB liability. At December 31, 2020, the City reported outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows of<br>Resources |
|---|-----------------------------------|----------------------------------|
| Employer contributions paid subsequent<br>to the measurement date | \$ 51,640                         | \$ -                             |

\$51,640 reported as deferred outflows of resources related to OPEB resulting from City contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ending December 31, 2021.

**CITY OF CROOKSTON, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 9 INTERFUND BALANCES AND TRANSFERS**

During the year, the City made occasional interfund transfers. 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>TRANSFERS</u>        |                                 |                   |
| <u>Transfer Out</u>     |                                 |                   |
| Water Fund              | Cost-share adjustment           | \$ 201,855        |
| Sewer Fund              | Cost-share adjustment           | 20,832            |
|                         |                                 | <u>\$ 222,687</u> |
| <br><u>Transfer In</u>  |                                 |                   |
| Improvement Fund        | Cost-share adjustment           | <u>\$ 222,687</u> |
| <br><u>Transfer Out</u> |                                 |                   |
| General Fund            | Other financing source required | <u>\$ 650,152</u> |
| <br><u>Transfer In</u>  |                                 |                   |
| Street Improvement Fund | Other financing use required    | <u>\$ 650,152</u> |

Details on interfund receivable/payable balances are as follows as of December 31, 2020:

|                               |                                    |                     |
|-------------------------------|------------------------------------|---------------------|
| <u>Due From Other Funds</u>   |                                    |                     |
| Park and Recreation Fund      | Interim financing for deficit cash | \$ 500,000          |
| Municipal Land and Bldg Fund  | Interim financing for deficit cash | 1,000,000           |
| General Fund                  | Interim financing for deficit cash | 500,000             |
| Improvement Fund              | Interim financing for deficit cash | 7,859,772           |
|                               |                                    | <u>\$ 9,859,772</u> |
| <br><u>Due To Other Funds</u> |                                    |                     |
| Street Improvement Fund       | Interim financing for deficit cash | \$ 9,495,260        |
| Red River Corridor Fund       | Interim financing for deficit cash | 73,613              |
| Airport Fund                  | Interim financing for deficit cash | 290,899             |
|                               |                                    | <u>\$ 9,859,772</u> |

Details on receivable / payable balances between the primary government and component unit are as follows as of December 31, 2020:

|                             |                          |                   |
|-----------------------------|--------------------------|-------------------|
| <u>Due to CHEDA</u>         |                          |                   |
| Municipal Land and Building | Business development     | <u>\$ 197,760</u> |
| <br><u>Due from CHEDA</u>   |                          |                   |
| General Fund                | Fund relending loan pool | <u>\$ 237,047</u> |

The City advanced funds to CHEDA for its business revolving loan pool, which will be repaid back to the primary government over 10 years in monthly installments and carries an annual interest rate

**CITY OF CROOKSTON, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

of 4.5%. The annual requirements to repay the amount due to the City at December 31, 2020 is as follows:

| Year Ending<br>December 31, | CHEDA to City |           |
|-----------------------------|---------------|-----------|
|                             | Principal     | Interest  |
| 2021                        | \$ 27,199     | \$ 10,111 |
| 2022                        | 28,449        | 8,861     |
| 2023                        | 29,756        | 7,554     |
| 2024                        | 31,123        | 6,187     |
| 2025                        | 32,552        | 4,757     |
| 2026-2029                   | 87,968        | 5,200     |
|                             | \$ 237,047    | \$ 42,670 |

**NOTE 10 CONTRIBUTION AGREEMENT**

The City entered into an agreement with Crookston Jobs, Inc. (Jobs) and Crookston Housing & Economic Development Authority (CHEDA) to jointly acquire 100 acres of real property for future development. Jobs and CHEDA on April 1, 2012 each transferred \$197,760 to the City of Crookston for the acquisition. Upon the City's sale of transfer of such property, the City will repay CHEDA and Jobs each 33.33% of the net proceeds, if any from such sale or transfer.

**NOTE 11 DEFINED BENEFIT PENSION PLANS – STATEWIDE**

Substantially, all employees of the City are required by state law to belong to pension plans administered by the Public Employees Retirement Association (PERA) which is administered on a statewide basis. Disclosures relating to these plans follow:

**Public Employees Retirement Association**

**A. Plan Description**

The City and CHEDA (component unit) participates in the following cost-sharing multi-employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

**1. General Employees Retirement Plan**

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**2. Public Employees Police and Fire Plan**

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

**CITY OF CROOKSTON, MINNESOTA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2020

**B. Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. 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.

**1. General Employees Plan Benefits**

General Employees Plan benefits are based on a member's highest 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 PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**2. Police and Fire Plan Benefits**

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of June 30 before the effective date of the increase will receive a reduced prorated increase.

**CITY OF CROOKSTON, MINNESOTA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2020

**C. Contributions**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

**1. General Employees Fund Contributions**

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2020, were \$145,650. The CHEDA's contributions to the General Employees Fund for the year ended December 31, 2020, were \$21,839. The City and CHEDA's contributions were equal to the required contributions as set by state statute.

**2. Police and Fire Fund Contributions**

Police and Fire member's contribution rates increased from 11.3 percent of their annual covered salary to 11.8 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$290,605. The City's contributions were equal to the required contributions as set by state statute.

**Pension Costs**

**1. General Employees Fund Pension Costs**

At December 31, 2020, the City reported a liability of \$1,594,792 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$49,141. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .0266% at the end of the measurement period and .0265% at the beginning of the period.

At December 31, 2020, CHEDA reported a liability of \$245,814 for its proportionate share of the General Employees Fund's net pension liability. Minnesota's proportionate share of the net pension liability associated with CHEDA totaled \$7,533. CHEDA's proportion was .0041% at the end of the measurement period and .0035% at the beginning of the period.

**CITY OF CROOKSTON, MINNESOTA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
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|  | City         | CHEDA      |
|--|--------------|------------|
| City's proportionate share of the net pension liability  | \$ 1,594,792 | \$ 245,814 |
| State of Minnesota's proportionate share of the net pension liability associated with the City | 49,141       | 7,533      |
| Total  | \$ 1,643,933 | \$ 253,347 |

For the year ended December 31, 2020, the City recognized pension expense of \$18,448 for its proportion share of General Employees Plan's pension expense. In addition, the City recognized an additional \$4,277 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

For the year ended December 31, 2020, CHEDA recognized pension expense of \$11,546 for its proportion share of General Employees Plan's pension expense. In addition, CHEDA recognized an additional \$449 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2020, the City reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

|   | Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------|-------------------------------|
| Difference between expected and actual economic experience    | \$ 14,529             | \$ 6,033                      |
| Changes in actuarial assumptions                              | -                     | 60,245                        |
| Change in proportion  | 4,779                 | 63,947                        |
| Difference between projected and actual investment earnings   | 17,667                |                               |
| Contributions paid to PERA subsequent to the measurement date | 75,226                | -                             |
| Total   | \$ 112,201            | \$ 130,225                    |

At December 31, 2020, CHEDA reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

**CITY OF CROOKSTON, MINNESOTA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2020

|   | Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|---|--------------------------|----------------------------------|
| Difference between expected and actual economic experience    | \$ 1,923                 | \$ 929                           |
| Changes in actuarial assumptions                              | -                        | 8,622                            |
| Change in proportion  | 3,467                    | 20,757                           |
| Difference between projected and actual investment earnings   | 24,881                   | -                                |
| Contributions paid to PERA subsequent to the measurement date | 10,920                   | -                                |
| Total   | \$ 41,191                | \$ 30,308                        |

The \$75,226 and \$10,920 reported as deferred outflows of resources related to pensions resulting from the City and CHEDA's contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

|                          | Pension Expense Amount |             |
|--------------------------|------------------------|-------------|
| Year Ending December 31: | City                   | CHEDA       |
| 2021                     | \$ (132,145)           | \$ (21,611) |
| 2022                     | (31,544)               | 2,719       |
| 2023                     | 31,905                 | 12,914      |
| 2024                     | 38,534                 | 5,935       |

## 2. Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of \$1,838,759 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contribution received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .1395% at the end of the measurement period and .1464% at the beginning of the measurement period.

The State of Minnesota contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state aid was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

**CITY OF CROOKSTON, MINNESOTA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
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The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$188,945 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$13,328 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$12,555 for the year ended December 31, 2020 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

|  | Police & Fire |
|--|---------------|
| City's proportionate share of the net pension liability  | \$ 1,838,759  |
| State of Minnesota's proportionate share of the net pension liability associated with the City | 43,322        |
| Total  | \$ 1,882,081  |

At December 31, 2020, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|---|--------------------------------------|----------------------------------|
| Difference between expected and actual economic experience    | \$ 82,080                            | \$ 89,512                        |
| Changes in actuarial assumptions                              | 631,667                              | 1,144,296                        |
| Difference between projected and actual investment earnings   | 55,188                               |                                  |
| Difference between contribution and shared contribution       | 78,181                               | 155,877                          |
| Contributions paid to PERA subsequent to the measurement date | 151,830                              | -                                |
| Total   | \$ 998,946                           | \$ 1,389,685                     |

The \$151,830 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF CROOKSTON, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

| Year Ending December 31: | Pension Expense<br>Amount |
|--------------------------|---------------------------|
| 2021                     | \$ (144,840)              |
| 2022                     | (534,332)                 |
| 2023                     | 81,578                    |
| 2024                     | 73,453                    |
| 2025                     | (18,428)                  |

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

|   | GERF  | Police & Fire |
|---|-------|---------------|
| Inflation (per year)                    | 2.25% | 2.50%         |
| Active member payroll growth (per year) | 3.00% | 3.25%         |
| Investment rate of return               | 7.50% | 7.50%         |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on Pub-2010 General Employee Mortality table for the General Employees Plan and RP 2014 tables for the Police and for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.0 percent per year as set by state statute.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The four-year experience study used for the Police and Fire Plan was completed in 2016. Inflation and investment return assumptions for the Police and Fire Plan are based on the General Employees Retirement Plan experience study completed in 2019. The most recent four-year experience study for the Police and Fire Plan was completed in 2020. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

**General Employees Fund**

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.

**CITY OF CROOKSTON, MINNESOTA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2020

- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants change from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**Police and Fire Fund**

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

**CITY OF CROOKSTON, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

| <u>Asset Class</u>   | <u>Target Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic equity      | 35.5%                    | 5.10%   |
| International equity | 17.5%                    | 5.30%   |
| Private markets      | 20%                      | 0.75%   |
| Fixed income         | 25%                      | 5.90%   |
| Unallocated cash     | 2%                       | 0.00%   |

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2020 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension Liability Sensitivity**

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

|                                     | <u>City of Crookston</u>  |  | <u>CHEDA</u>  |
|-------------------------------------|---|--|---|
|                                     | Proportionate<br>Share of the<br>General Employees<br>Plan Net Pension<br>Liability | Proportionate<br>Share of the Police<br>and Fire Plan Net<br>Pension Liability | Share of the<br>General<br>Employees Plan<br>Net Pension<br>Liability |
| 1% Decrease in Discount Rate (6.5%) | \$ 2,555,898  | \$ 3,664,912   | \$ 393,954  |
| Discount Rate (7.5%)                | 1,594,792   | 1,838,759  | 245,814   |
| 1% Increase in Discount Rate (8.5%) | 801,956   | 327,938  | 123,610   |

**H. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**CITY OF CROOKSTON, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 12 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 twenty-five hundredths of one percent of the assets in each member's account annually.

Total contributions made by the City for the last three years were:

| For the Year Ended: | Contribution Amount |          | % of Covered Payroll |          | Required Rate for Employees and Employers |
|---------------------|---------------------|----------|----------------------|----------|---|
|                     | Employer            | Employee | Employer             | Employee |   |
| December 31, 2020   | \$ 1,200            | \$ 1,200 | 5%                   | 5%       | 5%  |
| December 31, 2019   | 1,200               | 1,200    | 5%                   | 5%       | 5%  |
| December 31, 2018   | 1,580               | 1,580    | 5%                   | 5%       | 5%  |

**NOTE 13 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 14 FUND DEFICIENCIES / DEFICITS**

The below listed funds have deficit fund balances at December 31, 2020. The deficits are expected to be recovered by future revenues, or if necessary, by transfers from other funds.

|                          |            |
|--------------------------|------------|
| Special Revenue Funds:   |            |
| Airport                  | \$ 297,908 |
| Red River Corridor       | 73,613     |
| Debt Service Funds:      |            |
| Johnson Control Contract | 6,826      |
| Capital Projects Funds:  |            |
| Street Construction      | 9,508,380  |

**CITY OF CROOKSTON, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 15 EXPENDITURES IN EXCESS OF APPROPRIATIONS**

Expenditures exceeded appropriations in the Municipal Land and Building Fund by \$52,852 for the year ended December 31, 2020. No remedial action is planned.

**NOTE 16 FUND BALANCE CLASSIFICATION**

Following is a summary of the fund balance classification detail as of December 31, 2020:

|                                  | <u>Nonspendable</u> | <u>Restricted</u> | <u>Committed</u> | <u>Assigned</u> |
|----------------------------------|---------------------|-------------------|------------------|-----------------|
| General Fund:                    |                     |                   |                  |                 |
| Prepays                          | \$ 16,375           | \$ -              | \$ -             | \$ -            |
| Long-term receivables            | 153,079             | -                 | -                | -               |
| Fire homeland funds              | -                   | 39,588            | -                | -               |
| Police grants                    | -                   | 3,236             | -                | -               |
| DWI penalty assessment           | -                   | 44,772            | -                | -               |
| Drug forfeitures                 | -                   | 4,475             | -                | -               |
| Police investigation             | -                   | 3,130             | -                | -               |
| Fire truck                       | -                   | -                 | 234,151          | -               |
| Severance                        | -                   | -                 | 100,930          | -               |
| Pest control                     | -                   | -                 | 454,211          | -               |
| Recycling                        | -                   | -                 | 11,445           | -               |
| BNSF settlement                  | -                   | -                 | 79,231           | -               |
| COPS school                      | -                   | -                 | -                | 4,000           |
| Fire capital outlay              | -                   | -                 | -                | 46,733          |
| Planning & zoning capital outlay | -                   | -                 | -                | 4,000           |
| Police capital outlay            | -                   | -                 | -                | 12,293          |
| League meetings & council travel | -                   | -                 | -                | 3,662           |
| SHIP                             | -                   | -                 | -                | 3,368           |
| Employee health                  | -                   | -                 | -                | 46,965          |
| City Hall capital outlay         | -                   | -                 | -                | 14,803          |
| Siren                            | -                   | -                 | -                | 45,315          |
| Finance improvements             | -                   | -                 | -                | 20,000          |
| Computer equipment               | -                   | -                 | -                | 22,805          |
| Street light replacement         | -                   | -                 | -                | 40,000          |
| Community improvement & events   | -                   | -                 | -                | 264,858         |
|                                  | <u>169,454</u>      | <u>95,201</u>     | <u>879,968</u>   | <u>528,802</u>  |

**CITY OF CROOKSTON, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

|                              | <u>Nonspendable</u>   | <u>Restricted</u>       | <u>Committed</u>        | <u>Assigned</u>          |
|------------------------------|-----------------------|-------------------------|-------------------------|--------------------------|
| Special Revenue Funds:       |                       |                         |                         |                          |
| IRP relending                | -                     | 976,779                 | -                       | -                        |
| Municipal land & building    | -                     | -                       | -                       | 737,277                  |
| SSD flood control            | -                     | 3,753,276               | -                       | -                        |
| Library prepaids             | 526                   | -                       | -                       | -                        |
| Library improvements         | -                     | -                       | 31,394                  | -                        |
| Library                      | -                     | -                       | -                       | 2,999                    |
| Airport capital outlay       | -                     | 136,820                 | -                       | -                        |
| Airport prepaids             | 2,026                 | -                       | -                       | -                        |
| Park & rec prepaids          | 5,942                 | -                       | -                       | -                        |
| Park & recreation severence  | -                     | -                       | 18,867                  | -                        |
| Recreation programs          | -                     | -                       | 5,963                   | -                        |
| Bark for Park                | -                     | -                       | 3,263                   | -                        |
| Playground equipment         | -                     | -                       | 30,000                  | -                        |
| Parks                        | -                     | -                       | 124,465                 | -                        |
| Park & rec capital outlay    | -                     | -                       | 146,623                 | -                        |
| Park & recreation            | -                     | -                       | -                       | 1,153,862                |
| Valley Tech Park prepaids    | 1,926                 | -                       | -                       | -                        |
| Valley Tech Park             | -                     | -                       | -                       | 156,249                  |
| SCDP recapture               | -                     | 85,720                  | -                       | -                        |
| Insurance fund               | -                     | -                       | -                       | 412,259                  |
| Improvement - infrastructure | -                     | -                       | -                       | 9,331,312                |
| Drug task force              | -                     | 152,567                 | -                       | -                        |
|                              | <u>10,420</u>         | <u>5,105,162</u>        | <u>360,575</u>          | <u>11,793,958</u>        |
| Debt Service Fund:           |                       |                         |                         |                          |
| Debt service                 | -                     | 2,684                   | -                       | -                        |
| Capital Projects Fund:       |                       |                         |                         |                          |
| Arena construction           | -                     | -                       | -                       | 85,830                   |
| <br>Total                    | <br><u>\$ 179,874</u> | <br><u>\$ 5,203,047</u> | <br><u>\$ 1,240,543</u> | <br><u>\$ 12,408,590</u> |

**NOTE 17 CONDUIT DEBT**

From time to time the City has issued various health care revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from the payments received on the underlying debt. Upon repayment of the bonds, ownership of the acquired facility transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2020, the City issued \$10,000,000 City of Crookston MN Health Care Facilities Refunding Revenue Bonds, Series 2017A and \$1,935,000 City of Crookston MN Taxable Health Care Facilities Refunding Bonds, Series 2017B for RiverView Health renovation project; the first scheduled payment on these bonds will be in 2020.

**CITY OF CROOKSTON, MINNESOTA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2020

**NOTE 18 TAX ABATEMENTS**

**Tax Increment Financing**

The City has provided tax abatements pursuant to Minnesota Statutes 469 (Tax Increment Financing) through a pay-as-you-go program. Tax increment financing (TIF) can be used to encourage private development, redevelopment, economic development or low-to-moderate housing development within the City. TIF captures the increase in tax capacity and property taxes from the development or redevelopment to provide funding for the related project.

The City has five tax increment pay-as-you-go agreements. These agreements are not a general obligation of the City and are payable solely from the available tax increment. Accordingly, these agreements are not reported as a liability of the City. Details of the City's established TIF Districts are as follows:

*TIF District 3-4 Tri-Valley 20 Unit Townhomes*

Certified and issued 1998 in the principal sum not to exceed \$216,700, with an interest rate of 7.75% per annum. Payments are made solely from available tax increment received by the City of Crookston derived from the development of the related housing development. The pay-as-you-go agreement provides for distribution of 90% of the tax increment received by City and will be decertified at the end of 2026. For the year ended December 31, 2020, the tax abatement amounted to \$15,677.

*TIF District 3-7 Tri-Valley 10 Unit Duplex*

Certified and issued 1999 in the principal sum not to exceed \$90,000, with an interest rate of 7.75% per annum. Payments are made solely from available tax increment received by the City of Crookston derived from the development of the related housing development. This TIF was decertified in 2020.

*TIF District 3-8 Housing Development*

Certified and issued 2006 in the principal sum not to exceed \$350,000, non-interest bearing note. The payments are made solely from available tax increment derived from the development of the related housing project and paid to the City of Crookston. The pay-as-you-go agreement provides for distribution of the tax increment received by the City and will be decertified at the end of 2034. The City shall have no obligation to pay any unpaid balance of principal that remain after that date. For the year ended December 31, 2020, the tax abatement amounted to \$26,729.

*TIF District 3-10 Agassiz Townhomes Housing Development*

Certified and issued 2017 in the principal sum not to exceed \$350,000, with an interest rate of 5.0% per annum. The payments are made solely from available tax increment derived from the development of the Agassiz Townhomes housing project and paid to the City of Crookston. The pay-as-you-go agreement provides for distribution of the tax increment received by the City and will be decertified at the end of 2044. The City shall have no obligation to pay any unpaid balance of principal that remain after that date. For the year ended December 31, 2020, the tax abatement amounted to \$28,797 and the remaining principal balance on the note was \$338,704.

**CITY OF CROOKSTON, MINNESOTA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2020

*TIF District 3-11 Downtown Redevelopment*

Certified and issued 2019 in which the principal sum will not exceed \$645,659, but no agreement has been determined at this time. The payments are made solely from available tax increment derived from the development of the related downtown redevelopment project and paid to the City of Crookston. The pay-as-you-go agreement provides for distribution of the tax increment received by the City and will be decertified at the end of 2046. The City shall have no obligation to pay any unpaid balance of principal that remain after that date. For the year ended December 31, 2020, the project was not complete and no tax increment / abatements received.

**Other Tax Abatements**

Under various other tax abatement programs, the City's property taxes have been reduced by approximately \$51,386. Abatements were made to businesses as incentives to moving to the community or expansion of facilities. Also, abatements were made to individuals as incentive to building new homes meeting established specification created under the related program.

**NOTE 19 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 20 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 collectability of any related receivable at December 31, 2020, 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 THE BASIC FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2020

**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 21 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.

**NOTE 22 NEW PRONOUNCEMENTS**

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting

**CITY OF CROOKSTON, MINNESOTA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2020

requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially

**CITY OF CROOKSTON, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2015.

Management has not yet determined the effect these statements will have on the City's financial statements.

**NOTE 23 PRIOR PERIOD ADJUSTMENT**

An adjustment to inventory held in governmental funds was made for \$93,274 to adjust for obsolete and items that by nature should be expensed when purchased. The restatement of beginning equity balances is summarized below:

|   | Governmental<br>Activities | General             | Park &<br>Recreation |
|---|----------------------------|---------------------|----------------------|
| Net position / Fund Balance, December 31, 2019            | \$ 60,759,429              | \$ 4,932,141        | \$ 1,356,942         |
| Inventory adjustment                                      | (93,274)                   | (22,955)            | (70,319)             |
| Net position / Fund Balance, December 31, 2019 (restated) | <u>\$ 60,666,155</u>       | <u>\$ 4,909,186</u> | <u>\$ 1,286,623</u>  |

**NOTE 24 SUBSEQUENT EVENTS**

In 2021, the City Council approved a plan modifying the governance of Crookston Housing and Economic Development Authority by expanding the number of City Council members on its board, for whom will be appointed by the Mayor. Also, the Authority must receive approval from the City Council prior to the exercise of any powers.

Except as noted above, there were no other significant events occurring subsequent to the City's year end. Subsequent events have been evaluated through September 17, 2021, which is the date these financial statements were available and issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF CROOKSTON, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|                          | Budget           |                  | Actual           | Variance                     |
|--------------------------|------------------|------------------|------------------|------------------------------|
|                          | Original         | Final            |                  | Final Budget<br>to<br>Actual |
| <b>REVENUES:</b>         |                  |                  |                  |                              |
| Property taxes           | \$ 424,764       | \$ 424,764       | \$ 517,574       | \$ 92,810                    |
| Intergovernmental:       |                  |                  |                  |                              |
| Federal                  | -                | -                | 166,653          | 166,653                      |
| State                    | 3,859,883        | 3,859,883        | 3,916,176        | 56,293                       |
| Other local              | 21,500           | 21,500           | 47,519           | 26,019                       |
| Total intergovernmental  | <u>3,881,383</u> | <u>3,881,383</u> | <u>4,130,348</u> | <u>248,965</u>               |
| License, Fees & Permits  | <u>716,750</u>   | <u>716,750</u>   | <u>669,529</u>   | <u>(47,221)</u>              |
| Other:                   |                  |                  |                  |                              |
| Fines & penalties        | 50,750           | 50,750           | 93,275           | 42,525                       |
| Investment earnings      | 50,000           | 50,000           | 76,434           | 26,434                       |
| Charges for services     | 383,552          | 383,552          | 405,592          | 22,040                       |
| Miscellaneous            | 5,500            | 5,500            | 34,802           | 29,302                       |
| Total other revenue      | <u>489,802</u>   | <u>489,802</u>   | <u>610,103</u>   | <u>120,301</u>               |
| Total Revenue            | <u>5,512,699</u> | <u>5,512,699</u> | <u>5,927,554</u> | <u>414,855</u>               |
| <b>EXPENDITURES:</b>     |                  |                  |                  |                              |
| General Government:      |                  |                  |                  |                              |
| Mayor and council        | 203,160          | 203,160          | 264,453          | (61,293)                     |
| City administrator       | 242,041          | 242,041          | 150,110          | 91,931                       |
| Assessor                 | 50,000           | 50,000           | 27,176           | 22,824                       |
| Election                 | 31,790           | 31,790           | 22,029           | 9,761                        |
| City clerk               | 304,671          | 304,671          | 286,856          | 17,815                       |
| Legal & auditing         | 147,000          | 147,000          | 175,823          | (28,823)                     |
| City hall                | 220,866          | 220,866          | 202,850          | 18,016                       |
| Planning & zoning        | 92,892           | 92,892           | 93,749           | (857)                        |
| Total general government | <u>1,292,420</u> | <u>1,292,420</u> | <u>1,223,046</u> | <u>69,374</u>                |
| Police Department:       |                  |                  |                  |                              |
| Salaries and benefits    | 1,782,484        | 1,782,484        | 1,719,193        | 63,291                       |
| Other                    | 259,601          | 259,601          | 285,305          | (25,704)                     |
| Capital outlay           | 80,500           | 80,500           | 85,079           | (4,579)                      |
| Total police department  | <u>2,122,585</u> | <u>2,122,585</u> | <u>2,089,577</u> | <u>33,008</u>                |
| Fire Department:         |                  |                  |                  |                              |
| Salaries and benefits    | 636,475          | 636,475          | 613,598          | 22,877                       |
| Other                    | 169,170          | 169,170          | 156,457          | 12,713                       |
| Capital outlay           | 132,300          | 132,300          | 188,319          | (56,019)                     |
| Total fire department    | <u>937,945</u>   | <u>937,945</u>   | <u>958,374</u>   | <u>(20,429)</u>              |

See Notes to the Required Supplementary Information

**CITY OF CROOKSTON, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|                                    | Budget              |                     | Actual              | Variance                     |
|------------------------------------|---------------------|---------------------|---------------------|------------------------------|
|                                    | Original            | Final               |                     | Final Budget<br>to<br>Actual |
| Civil Defense                      | \$ 14,600           | \$ 14,600           | \$ 7,707            | \$ 6,893                     |
| Flood Control                      | 9,664               | 9,664               | 29,866              | (20,202)                     |
| Highways & Streets:                |                     |                     |                     |                              |
| Public works                       | 79,376              | 79,376              | 72,319              | 7,057                        |
| Street & alley maintenance         | 390,680             | 390,680             | 429,915             | (39,235)                     |
| Street lighting & signs            | 154,315             | 154,315             | 155,429             | (1,114)                      |
| Snow removal                       | 190,720             | 190,720             | 142,878             | 47,842                       |
| Capital outlay                     | 81,000              | 81,000              | -                   | 81,000                       |
| Street sweeping                    | 38,988              | 38,988              | 25,616              | 13,372                       |
| Tree trimming                      | 60,509              | 60,509              | 57,545              | 2,964                        |
| Total highways & streets           | <u>995,588</u>      | <u>995,588</u>      | <u>883,702</u>      | <u>111,886</u>               |
| Sanitation:                        |                     |                     |                     |                              |
| Garbage hauling                    | 199,137             | 199,137             | 149,540             | 49,597                       |
| Capital outlay                     | 8,000               | 8,000               | 7,495               | 505                          |
| Pest control                       | 16,672              | 16,672              | 15,483              | 1,189                        |
| Weed control                       | 5,088               | 5,088               | 5,069               | 19                           |
| Total sanitation                   | <u>228,897</u>      | <u>228,897</u>      | <u>177,587</u>      | <u>51,310</u>                |
| Total Expenditures                 | <u>5,601,699</u>    | <u>5,601,699</u>    | <u>5,369,859</u>    | <u>231,840</u>               |
| Revenues Over (Under) Expenditures | (89,000)            | (89,000)            | 557,695             | 646,695                      |
| OTHER SOURCES (USES):              |                     |                     |                     |                              |
| Proceeds from sale of assets       | -                   | -                   | 16,455              | 16,455                       |
| Transfer to component unit         | (140,000)           | (140,000)           | (148,270)           | (8,270)                      |
| Transfers (to) from other funds    | (6,000)             | (6,000)             | (650,152)           | (644,152)                    |
| Net Other Sources (Uses)           | <u>(146,000)</u>    | <u>(146,000)</u>    | <u>(781,967)</u>    | <u>(635,967)</u>             |
| Net Change in Fund Balance         | (235,000)           | (235,000)           | (224,272)           | 10,728                       |
| Fund Balance, January 1            | 4,932,141           | 4,932,141           | 4,932,141           | -                            |
| Prior period adjustment            | (22,955)            | (22,955)            | (22,955)            | -                            |
| Fund Balance, January 1, restated  | <u>4,909,186</u>    | <u>4,909,186</u>    | <u>4,909,186</u>    | -                            |
| Fund Balance, December 31          | <u>\$ 4,674,186</u> | <u>\$ 4,674,186</u> | <u>\$ 4,684,914</u> | <u>\$ 10,728</u>             |

See Notes to the Required Supplementary Information

**CITY OF CROOKSTON, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**MAJOR SPECIAL REVENUE FUND**  
**PARKS AND RECREATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|                                   | Budget              |                     | Actual              | Variance                     |
|-----------------------------------|---------------------|---------------------|---------------------|------------------------------|
|                                   | Original            | Final               |                     | Final Budget<br>to<br>Actual |
| <b>REVENUES</b>                   |                     |                     |                     |                              |
| Property taxes                    | \$ 1,476,744        | \$ 1,476,744        | \$ 1,402,292        | \$ (74,452)                  |
| Charges for services              | 364,200             | 364,200             | 333,443             | (30,757)                     |
| Interest earnings                 | -                   | -                   | 6,247               | 6,247                        |
| Miscellaneous                     | 43,100              | 43,100              | 7,052               | (36,048)                     |
| Total Revenues                    | <u>1,884,044</u>    | <u>1,884,044</u>    | <u>1,749,034</u>    | <u>(135,010)</u>             |
| <b>EXPENDITURES</b>               |                     |                     |                     |                              |
| Organized recreation              | 399,039             | 399,039             | 234,976             | 164,063                      |
| Municipal parks                   | 395,982             | 395,982             | 453,045             | (57,063)                     |
| Highland park complex             | 76,868              | 76,868              | 48,592              | 28,276                       |
| Arena & skating rinks             | 647,399             | 647,399             | 477,660             | 169,739                      |
| Senior citizens center            | 78,000              | 78,000              | 78,000              | -                            |
| Swimming pool                     | 172,497             | 180,956             | 139,458             | 41,498                       |
| Capital outlay                    | 114,259             | 114,259             | 114,941             | (682)                        |
| Total Expenditures                | <u>1,884,044</u>    | <u>1,892,503</u>    | <u>1,546,672</u>    | <u>345,831</u>               |
| Net Change in Fund Balance        | -                   | (8,459)             | 202,362             | 210,821                      |
| Fund Balance, January 1           | 1,356,942           | 1,356,942           | 1,356,942           | -                            |
| Prior period adjustment           | (70,319)            | (70,319)            | (70,319)            | -                            |
| Fund Balance, January 1, restated | <u>1,286,623</u>    | <u>1,286,623</u>    | <u>1,286,623</u>    | -                            |
| Fund Balance, December 31         | <u>\$ 1,286,623</u> | <u>\$ 1,278,164</u> | <u>\$ 1,488,985</u> | <u>\$ 210,821</u>            |

See Notes to the Required Supplementary Information

**CITY OF CROOKSTON, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**MAJOR SPECIAL REVENUE FUND**  
**SPECIAL SERVICE DISTRICT – FLOOD CONTROL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|                            | Budget       |              | Actual       | Variance                     |
|----------------------------|--------------|--------------|--------------|------------------------------|
|                            | Original     | Final        |              | Final Budget<br>to<br>Actual |
| <b>REVENUES</b>            |              |              |              |                              |
| Special assessments        | \$ -         | \$ -         | \$ 6,428     | \$ 6,428                     |
| Investment earnings        | -            | 30,000       | 99,189       | 69,189                       |
| Total Revenues             | -            | 30,000       | 156,678      | 126,678                      |
| <b>EXPENDITURES</b>        |              |              |              |                              |
| Public safety              | 68,755       | 68,755       | 19,615       | 49,140                       |
| Net Change in Fund Balance | (68,755)     | (38,755)     | 137,063      | 175,818                      |
| Fund Balance, January 1    | 3,616,213    | 3,616,213    | 3,616,213    | -                            |
| Fund Balance, December 31  | \$ 3,547,458 | \$ 3,577,458 | \$ 3,753,276 | \$ 175,818                   |

See Notes to the Required Supplementary Information

**CITY OF CROOKSTON, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**MAJOR SPECIAL REVENUE FUND**  
**IMPROVEMENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|                                    | Budget              |                     | Actual              | Variance                     |
|------------------------------------|---------------------|---------------------|---------------------|------------------------------|
|                                    | Original            | Final               |                     | Final Budget<br>to<br>Actual |
| <b>REVENUES</b>                    |                     |                     |                     |                              |
| Property taxes                     | \$ -                | \$ -                | \$ 696              | \$ 696                       |
| Special assessments                | 174,000             | 174,000             | 212,362             | 38,362                       |
| Intergovernmental:                 |                     |                     |                     |                              |
| State                              | 311,000             | 311,000             | 340,432             | 29,432                       |
| Investment earnings                | -                   | -                   | 53,288              | 53,288                       |
| Total Revenues                     | <u>485,000</u>      | <u>485,000</u>      | <u>606,778</u>      | <u>121,778</u>               |
| <b>EXPENDITURES</b>                |                     |                     |                     |                              |
| Planning - streets                 | 660,000             | 660,000             | 3,981               | 656,019                      |
| Total Expenditures                 | <u>660,000</u>      | <u>660,000</u>      | <u>3,981</u>        | <u>656,019</u>               |
| Revenues Over (Under) Expenditures | (175,000)           | (175,000)           | 602,797             | 777,797                      |
| <b>OTHER SOURCES (USES)</b>        |                     |                     |                     |                              |
| Transfer from other funds          | <u>175,000</u>      | <u>175,000</u>      | <u>222,687</u>      | <u>47,687</u>                |
| Net Change in Fund Balance         | -                   | -                   | 825,484             | 825,484                      |
| Fund Balance, January 1            | <u>8,505,828</u>    | <u>8,505,828</u>    | <u>8,505,828</u>    | <u>-</u>                     |
| Fund Balance, December 31          | <u>\$ 8,505,828</u> | <u>\$ 8,505,828</u> | <u>\$ 9,331,312</u> | <u>\$ 825,484</u>            |

See Notes to the Required Supplementary Information

**CITY OF CROOKSTON, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**MUNICIPAL LAND AND BUILDING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|                                    | Budget            |                   | Actual            | Variance                     |
|------------------------------------|-------------------|-------------------|-------------------|------------------------------|
|                                    | Original          | Final             |                   | Final Budget<br>to<br>Actual |
| <b>REVENUES</b>                    |                   |                   |                   |                              |
| Miscellaneous                      | \$ 12,390         | \$ 12,390         | \$ 54,562         | \$ 42,172                    |
| Investment earnings                | 15,000            | 15,000            | 7,180             | (7,820)                      |
| Total Revenues                     | <u>27,390</u>     | <u>27,390</u>     | <u>61,742</u>     | <u>34,352</u>                |
| <b>EXPENDITURES</b>                |                   |                   |                   |                              |
| Capital outlay                     | -                 | -                 | 68,495            | (68,495)                     |
| General government                 | 20,000            | 68,495            | 52,852            | 15,643                       |
| Total Expenditures                 | <u>20,000</u>     | <u>68,495</u>     | <u>121,347</u>    | <u>(52,852)</u>              |
| Revenues Over (Under) Expenditures | 7,390             | (41,105)          | (59,605)          | (18,500)                     |
| <b>OTHER SOURCES (USES):</b>       |                   |                   |                   |                              |
| Transfer to component unit         | -                 | 75,000            | -                 | (75,000)                     |
| Net Change in Fund Balance         | 7,390             | 33,895            | (59,605)          | (93,500)                     |
| Fund Balance, January 1            | <u>796,882</u>    | <u>796,882</u>    | <u>796,882</u>    | <u>-</u>                     |
| Fund Balance, December 31          | <u>\$ 804,272</u> | <u>\$ 830,777</u> | <u>\$ 737,277</u> | <u>\$ (93,500)</u>           |

See Notes to the Required Supplementary Information

**CITY OF CROOKSTON, MINNESOTA**  
**SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**LAST 10 YEARS**

|  | <u>2020</u>       | <u>2019</u>       | <u>2018</u>         |
|--|-------------------|-------------------|---------------------|
| Total OPEB Liability   |                   |                   |                     |
| Service Cost   | \$ 41,239         | \$ 82,838         | \$ 71,484           |
| Interest   | 33,486            | 46,435            | 50,351              |
| Difference between expected and actual experience                |                   | 107,796           | -                   |
| Changes of Assumptions   | 67,422            | (597,242)         | 48,373              |
| Benefit Payments   | <u>(83,858)</u>   | <u>(113,195)</u>  | <u>(87,243)</u>     |
| Net Change in Total OPEB Liability                               | 58,289            | (473,368)         | 82,965              |
| Total OPEB Liability - Beginning                                 | <u>903,270</u>    | <u>1,376,638</u>  | <u>1,293,673</u>    |
| Total OPEB Liability - Ending                                    | <u>\$ 961,559</u> | <u>\$ 903,270</u> | <u>\$ 1,376,638</u> |
| <br>   |                   |                   |                     |
| Covered Payroll  | \$ 3,810,999      | \$ 3,469,766      | \$ 3,324,580        |
| <br>   |                   |                   |                     |
| City's Total OPEB Liability as a Percentage of a Covered Payroll | 25.23%            | 26.03%            | 41.41%              |

The City implemented GASB No 75 for the fiscal year ended December 31, 2018. Information from prior years is not available.

**CITY OF CROOKSTON, MINNESOTA**  
**SCHEDULE OF CONTRIBUTIONS TO PERA RETIREMENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**General Employees Plan**

| Year<br>End   | Statutorily<br>Required<br>Contribution<br>(a) | Relation to<br>the Statutorily<br>Required<br>Contribution<br>(b) | Contribution<br>Deficiency<br>(Excess)<br>(a-b) | City's Covered<br>Employee<br>Payroll<br>(d) | Contributions<br>as a % of<br>Covered<br>Employee<br>Payroll<br>(b/d) |
|---|--|---|---|--|---|
| <i>City of Crookston</i>  |  |   |   |  |   |
| 2015  | \$ 127,731                                     | \$ 127,731  | \$ -  | \$ 1,703,080                                 | 7.50%   |
| 2016  | 135,459  | 135,459   | -   | 1,805,718                                    | 7.50%   |
| 2017  | 141,165  | 141,165   | -   | 1,882,197                                    | 7.50%   |
| 2018  | 142,980  | 142,980   | -   | 1,906,405                                    | 7.50%   |
| 2019  | 142,080  | 142,080   | -   | 1,894,400                                    | 7.50%   |
| 2020  | 145,650  | 145,650   | -   | 1,941,865                                    | 7.50%   |
| <i>Crookston Housing &amp; Economic Development Authority (CHEDA)</i> |  |   |   |  |   |
| 2015  | \$ 19,963                                      | \$ 19,963   | \$ -  | \$ 262,780                                   | 7.60%   |
| 2016  | 19,467   | 19,467  | -   | 259,560                                      | 7.50%   |
| 2017  | 21,654   | 21,654  | -   | 288,720                                      | 7.50%   |
| 2018  | 19,437   | 19,437  | -   | 259,160                                      | 7.50%   |
| 2019  | 20,125   | 20,125  | -   | 268,333                                      | 7.50%   |
| 2020  | 21,839   | 21,839  | -   | 291,187                                      | 7.50%   |

**Police and Fire Plan**

| Year<br>End | Statutorily<br>Required<br>Contribution<br>(a) | Relation to<br>the Statutorily<br>Required<br>Contribution<br>(b) | Contribution<br>Deficiency<br>(Excess)<br>(a-b) | City's Covered<br>Employee<br>Payroll<br>(d) | Contributions<br>as a % of<br>Covered<br>Employee<br>Payroll<br>(b/d) |
|-------------|--|---|---|--|---|
| 2015        | \$ 224,705                                     | \$ 224,705  | \$ -  | \$ 1,387,068                                 | 16.20%  |
| 2016        | 222,013  | 222,013   | -   | 1,370,452                                    | 16.20%  |
| 2017        | 235,398  | 235,398   | -   | 1,453,072                                    | 16.20%  |
| 2018        | 246,830  | 246,830   | -   | 1,523,651                                    | 16.20%  |
| 2019        | 264,230  | 264,230   | -   | 1,558,881                                    | 16.95%  |
| 2020        | 290,605  | 290,605   | -   | 1,594,686                                    | 18.22%  |

The amounts presented for each fiscal year were determined as of the City's year end which is December 31.

The City implemented GASB Statement No. 68 for its year ended December 31, 2015. Information for the prior years is not available.

See Notes to the Required Supplementary Information

**CITY OF CROOKSTON, MINNESOTA**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

| Fiscal Year Ended   | Proportion (%) of the Net Pension Liability | Proportionate Share of the Net Pension Liability Asset (a) | State's Proportionate Share of Net Pension Liability (if applicable) (b) | Proportionate Share of the Net Pension Liability (NPL) and State Share of NPL (if applicable) (a) + (b) | Covered Employee Payroll  | Proportionate Share of the Net Pension Liability as a % of its Covered Employee Payroll (a/b) | Plan Fiduciary Net Position as a % of the Total Pension Liability |
|---|---|--|--|---|---|---|---|
| <i>City of Crookston</i>  |   |  |  |   |   |   |   |
| 6/30/2015   | 0.03030%                                    | \$ 1,647,539   | \$ -   | \$ 1,647,539  | \$ 1,749,827  | 94.15%  | 78.19%  |
| 6/30/2016   | 0.02920%                                    | 2,370,895  | 30,984   | 2,401,879   | 1,813,764   | 130.72%   | 68.91%  |
| 6/30/2017   | 0.02870%                                    | 1,832,189  | 23,067   | 1,855,256   | 1,851,238   | 98.97%  | 75.90%  |
| 6/30/2018   | 0.02840%                                    | 1,575,516  | 51,800   | 1,627,316   | 1,910,633   | 82.46%  | 79.53%  |
| 6/30/2019   | 0.02650%                                    | 1,465,126  | 45,665   | 1,510,791   | 1,878,303   | 78.00%  | 80.23%  |
| 6/30/2020   | 0.02660%                                    | 1,594,792  | 49,141   | 1,643,933   | 1,874,980   | 85.06%  | 80.23%  |
| <i>Crookston Housing &amp; Economic Development Authority (CHEDA)</i> |   |  |  |   |   |   |   |
| 6/30/2015   | 0.00450%                                    | \$ 233,213   | \$ -   | \$ 233,213  | \$ 250,544  | 93.08%  | 78.19%  |
| 6/30/2016   | 0.00420%                                    | 341,019  | 4,396  | 345,415   | 272,614   | 125.09%   | 68.91%  |
| 6/30/2017   | 0.00450%                                    | 287,278  | 3,598  | 290,876   | 269,719   | 106.51%   | 75.90%  |
| 6/30/2018   | 0.00390%                                    | 216,376  | 7,048  | 223,424   | 294,385   | 73.50%  | 79.53%  |
| 6/30/2019   | 0.00350%                                    | 193,507  | 6,000  | 199,507   | 284,735   | 67.96%  | 80.23%  |
| 6/30/2020   | 0.00410%                                    | 245,814  | 7,533  | 253,347   | 290,803   | 84.53%  | 79.06%  |
| <b>Police and Fire Plan</b>   |   |  |  |   |   |   |   |
| Fiscal Year Ended   | Proportion (%) of the Net Pension Liability | Proportionate Share of the Net Pension Liability (a)       | Covered Employee Payroll (b)   | Proportionate Share of the Net Pension Liability as a % of its Covered Employee Payroll (a/b)           | Plan Fiduciary Net Position as a % of the Total Pension Liability |   |   |
| 6/30/2015   | 0.14500%                                    | \$ 1,647,539   | \$ 1,295,444   | 127.18%   | 86.61%  |   |   |
| 6/30/2016   | 0.14300%                                    | 5,738,839  | 1,382,228  | 415.19%   | 63.9%   |   |   |
| 6/30/2017   | 0.13900%                                    | 1,876,666  | 1,422,719  | 131.91%   | 63.9%   |   |   |
| 6/30/2018   | 0.14160%                                    | 1,509,310  | 1,492,035  | 101.16%   | 88.8%   |   |   |
| 6/30/2019   | 0.14640%                                    | 1,558,576  | 1,544,205  | 100.93%   | 89.26%  |   |   |
| 6/30/2020   | 0.13950%                                    | 1,838,759  | 1,556,988  | 118.10%   | 87.19%  |   |   |

The amounts presented for each fiscal year were determined as of the measurement date of the City's net pension liability which is June 30, of the previous year for PERA.

The City implemented GASB Statement No. 68 for its year ended December 31, 2015. Information for the prior years is not available.

**CITY OF CROOKSTON, MINNESOTA**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 1 BUDGETARY COMPARISON**

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 for City funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets, the modified accrual basis of accounting.

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is not utilized in the governmental funds of the City. Unexpended appropriations lapse at year end.

Under State law, the City is required to have a truth and taxation hearing prior to final approval of the budget. This is typically done in September.

The budget is adopted through the passage of a resolution. Administration can authorize the transfer of budgeted amounts within any fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council. The annual appropriated budget is not legally binding on the City unless the City has a deficit fund balance, which exceeds 2.5% of expenditures.

**NOTE 2 OTHER POSTEMPLOYMENT BENEFITS**

There are no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions.

**NOTE 3 PERA NET PENSION LIABILITY**

**General Employees Fund**

*2020 Changes in Actuarial Assumptions*

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

**CITY OF CROOKSTON, MINNESOTA**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2020

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

*2020 Changes in Plan Provisions*

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

*2019 Changes in Actuarial Assumptions*

- The mortality projection scale was changed from MP-2017 to MP-2018.

*2019 Changes in Plan Provisions*

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

*2018 Changes in Actuarial Assumptions*

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

*2018 Changes in Plan Provisions*

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.

**CITY OF CROOKSTON, MINNESOTA**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2020

- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

*2017 Changes in Actuarial Assumptions*

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

*2017 Changes in Plan Provisions*

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

*2016 Changes in Actuarial Assumptions*

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

*2016 Changes in Plan Provisions*

- There have been no changes since the prior valuation.

*2015 Changes in Actuarial Assumptions*

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

**CITY OF CROOKSTON, MINNESOTA**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2020

*2015 Changes in Plan Provisions*

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

**Police and Fire Fund**

*2020 Changes in Actuarial Assumptions*

- The morality projection scale was changed from MP-2018 to MP-2019.

*2020 Changes in Plan Provisions*

- There have been no changes since the prior valuation.

*2019 Changes in Actuarial Assumptions*

- The morality projection scale was changed from MP-2017 to MP-2018.

*2019 Changes in Plan Provisions*

- There have been no changes since the prior valuation.

*2018 Changes in Actuarial Assumptions*

- The morality projection scale was changed from MP-2016 to MP-2017.

*2018 Changes in Plan Provisions*

- Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**CITY OF CROOKSTON, MINNESOTA**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2020

*2017 Changes in Actuarial Assumptions*

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

*2017 Changes in Plan Provisions*

- There have been no changes since the prior valuation.

*2016 Changes in Actuarial Assumptions*

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

**CITY OF CROOKSTON, MINNESOTA**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2020

*2016 Changes in Plan Provisions*

- There have been no changes since the prior valuation.

*2015 Changes in Actuarial Assumptions*

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

*2015 Changes in Plan Provisions*

- The postretirement benefit increase to be paid after the attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent

**SUPPLEMENTARY INFORMATION**

**CITY OF CROOKSTON, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2020**

|   | Special<br>Revenue<br>Funds | Debt<br>Service<br>Funds | Capital<br>Project<br>Fund<br><u>Arena Constuction</u> | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|-----------------------------|--------------------------|--|--|
| <b>ASSETS</b>   |                             |                          |  |  |
| Cash and cash equivalents                               | \$ 1,087,627                | \$ 2,684                 | \$ 85,830  | \$ 1,176,141                               |
| Receivables:  |                             |                          |  |  |
| Accounts  | 84,685                      | -                        | -  | 84,685                                     |
| Taxes   | 4,240                       | -                        | -  | 4,240                                      |
| Special assessments                                     | -                           | 26,980                   | -  | 26,980                                     |
| Due from other funds                                    | 6,826                       | -                        | -  | 6,826                                      |
| Prepaid expenses  | 4,478                       | -                        | -  | 4,478                                      |
| Notes receivable  | 719,566                     | -                        | -  | 719,566                                    |
| Total Assets  | <u>\$ 1,907,422</u>         | <u>\$ 29,664</u>         | <u>\$ 85,830</u>                                       | <u>\$ 2,022,916</u>                        |
| <b>LIABILITIES</b>                                      |                             |                          |  |  |
| Accounts payable  | \$ 48,954                   | \$ -                     | \$ -   | \$ 48,954                                  |
| Due to other funds                                      | 364,512                     | 6,826                    | -  | 371,338                                    |
| Accrued liabilities                                     | 107                         | -                        | -  | 107  |
| Unearned income   | 15,599                      | -                        | -  | 15,599                                     |
| Customer deposits                                       | 800                         | -                        | -  | 800  |
| Total Liabilities                                       | <u>429,972</u>              | <u>6,826</u>             | <u>-</u>   | <u>436,798</u>                             |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                    |                             |                          |  |  |
| Unavailable taxes                                       | -                           | -                        | -  | -  |
| Unavailable special assessments                         | -                           | 26,980                   | -  | 26,980                                     |
| Total Deferred Inflows                                  | <u>-</u>                    | <u>26,980</u>            | <u>-</u>   | <u>26,980</u>                              |
| <b>FUND BALANCE</b>                                     |                             |                          |  |  |
| Nonspendable  | 4,478                       | -                        | -  | 4,478                                      |
| Restricted  | 1,351,886                   | 2,684                    | -  | 1,354,570                                  |
| Committed   | 31,394                      | -                        | -  | 31,394                                     |
| Assigned  | 571,507                     | -                        | 85,830   | 657,337                                    |
| Unassigned  | (481,815)                   | (6,826)                  | -  | (488,641)                                  |
| Total Fund Balance                                      | <u>1,477,450</u>            | <u>(4,142)</u>           | <u>85,830</u>  | <u>1,559,138</u>                           |
| Total Liabilities, Deferred Inflows<br>and Fund Balance | <u>\$ 1,907,422</u>         | <u>\$ 29,664</u>         | <u>\$ 85,830</u>                                       | <u>\$ 2,022,916</u>                        |

**CITY OF CROOKSTON, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|                              | Special<br>Revenue<br>Funds | Debt<br>Service<br>Funds | Capital<br>Project<br>Fund<br><u>Arena Constuction</u> | Total<br>Nonmajor<br>Governmental<br>Funds |
|------------------------------|-----------------------------|--------------------------|--|--|
| <b>REVENUES</b>              |                             |                          |  |  |
| Property taxes               | \$ 406,501                  | \$ 29                    | \$ -   | \$ 406,530                                 |
| Special assessments          | -                           | 4,965                    | -  | 4,965                                      |
| Intergovernmental            | 1,319,448                   | -                        | -  | 1,319,448                                  |
| Charges for services         | 267,926                     | -                        | -  | 267,926                                    |
| Interest                     | 2,684                       | -                        | -  | 2,684                                      |
| Miscellaneous                | 148,259                     | -                        | -  | 148,259                                    |
| Total Revenues               | <u>2,144,818</u>            | <u>4,994</u>             | <u>-</u>   | <u>2,149,812</u>                           |
| <b>EXPENDITURES</b>          |                             |                          |  |  |
| General government           | 816,591                     | 57                       | -  | 816,648                                    |
| Public safety                | 274,696                     | -                        | -  | 274,696                                    |
| Library                      | 258,830                     | -                        | -  | 258,830                                    |
| Recreation                   | 25,651                      | -                        | -  | 25,651                                     |
| Airport                      | 410,975                     | -                        | -  | 410,975                                    |
| Economic & community develop | 262,616                     | -                        | -  | 262,616                                    |
| Capital outlay               | 79,818                      | -                        | -  | 79,818                                     |
| Debt service:                |                             |                          |  |  |
| Principal                    | 31,361                      | -                        | -  | 31,361                                     |
| Interest & fees              | 1,539                       | -                        | -  | 1,539                                      |
| Total Expenditures           | <u>2,162,077</u>            | <u>57</u>                | <u>-</u>   | <u>2,162,134</u>                           |
| Net Change in Fund Balance   | (17,259)                    | 4,937                    | -  | (12,322)                                   |
| Fund Balance, January 1      | <u>1,494,709</u>            | <u>(9,079)</u>           | <u>85,830</u>  | <u>1,571,460</u>                           |
| Fund Balance, December 31    | <u>\$ 1,477,450</u>         | <u>\$ (4,142)</u>        | <u>\$ 85,830</u>                                       | <u>\$ 1,559,138</u>                        |

**CITY OF CROOKSTON, MINNESOTA**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**SPECIAL REVENUE FUNDS**  
**DECEMBER 31, 2020**

|   | Library          | Intermediary<br>Relending<br>Program | TIF              | P2P<br>Drug<br>Taskforce | Airport          | Valley<br>Tech<br>Park | SCDP<br>Recapture | Red River<br>Corridor | Insurance         | Total               |
|---|------------------|--------------------------------------|------------------|--------------------------|------------------|------------------------|-------------------|-----------------------|-------------------|---------------------|
| <b>ASSETS</b>   |                  |                                      |                  |                          |                  |                        |                   |                       |                   |                     |
| Cash and cash equivalents                               | \$ 32,553        | \$ 258,950                           | \$ 28,552        | \$ 106,421               | \$ -             | \$ 171,735             | \$ 83,983         | \$ -                  | \$ 405,433        | \$ 1,087,627        |
| Receivables, net:                                       |                  |                                      |                  |                          |                  |                        |                   |                       |                   |                     |
| Accounts  | -                | -                                    | -                | 56,344                   | 28,062           | 279                    | -                 | -                     | -                 | 84,685              |
| Taxes   | 3,523            | -                                    | -                | -                        | 717              | -                      | -                 | -                     | -                 | 4,240               |
| Due from other funds                                    | -                | -                                    | -                | -                        | -                | -                      | -                 | -                     | 6,826             | 6,826               |
| Prepaid expenses  | 526              | -                                    | -                | -                        | 2,026            | 1,926                  | -                 | -                     | -                 | 4,478               |
| Notes receivable  | -                | 717,829                              | -                | -                        | -                | -                      | 1,737             | -                     | -                 | 719,566             |
| Total Assets  | <u>\$ 36,602</u> | <u>\$ 976,779</u>                    | <u>\$ 28,552</u> | <u>\$ 162,765</u>        | <u>\$ 30,805</u> | <u>\$ 173,940</u>      | <u>\$ 85,720</u>  | <u>\$ -</u>           | <u>\$ 412,259</u> | <u>\$ 1,907,422</u> |
| <b>LIABILITIES</b>                                      |                  |                                      |                  |                          |                  |                        |                   |                       |                   |                     |
| Accounts payable  | \$ 1,576         | \$ -                                 | \$ -             | \$ 10,198                | \$ 26,565        | \$ 10,615              | \$ -              | \$ -                  | \$ -              | \$ 48,954           |
| Accrued liabilities                                     | 107              | -                                    | -                | -                        | -                | -                      | -                 | -                     | -                 | 107                 |
| Due to other funds                                      | -                | -                                    | -                | -                        | 290,899          | -                      | -                 | 73,613                | -                 | 364,512             |
| Unavailable revenue                                     | -                | -                                    | -                | -                        | 11,249           | 4,350                  | -                 | -                     | -                 | 15,599              |
| Customer deposits                                       | -                | -                                    | -                | -                        | -                | 800                    | -                 | -                     | -                 | 800                 |
| Total Liabilities                                       | <u>1,683</u>     | <u>-</u>                             | <u>-</u>         | <u>10,198</u>            | <u>328,713</u>   | <u>15,765</u>          | <u>-</u>          | <u>73,613</u>         | <u>-</u>          | <u>429,972</u>      |
| <b>FUND BALANCE</b>                                     |                  |                                      |                  |                          |                  |                        |                   |                       |                   |                     |
| Nonspendable  | 526              | -                                    | -                | -                        | 2,026            | 1,926                  | -                 | -                     | -                 | 4,478               |
| Restricted  | -                | 976,779                              | -                | 152,567                  | 136,820          | -                      | 85,720            | -                     | -                 | 1,351,886           |
| Committed   | 31,394           | -                                    | -                | -                        | -                | -                      | -                 | -                     | -                 | 31,394              |
| Assigned  | 2,999            | -                                    | -                | -                        | -                | 156,249                | -                 | -                     | 412,259           | 571,507             |
| Unassigned  | -                | -                                    | 28,552           | -                        | (436,754)        | -                      | -                 | (73,613)              | -                 | (481,815)           |
| Total Fund Balance                                      | <u>34,919</u>    | <u>976,779</u>                       | <u>28,552</u>    | <u>152,567</u>           | <u>(297,908)</u> | <u>158,175</u>         | <u>85,720</u>     | <u>(73,613)</u>       | <u>412,259</u>    | <u>1,477,450</u>    |
| Total Liabilities, Deferred<br>Inflows and Fund Balance | <u>\$ 36,602</u> | <u>\$ 976,779</u>                    | <u>\$ 28,552</u> | <u>\$ 162,765</u>        | <u>\$ 30,805</u> | <u>\$ 173,940</u>      | <u>\$ 85,720</u>  | <u>\$ -</u>           | <u>\$ 412,259</u> | <u>\$ 1,907,422</u> |

**CITY OF CROOKSTON, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|                                     | Library          | Intermediary<br>Relending<br>Program | TIF              | P2P<br>Drug<br>Taskforce | Airport             | Valley<br>Tech<br>Park | SCDP<br>Recapture | Red River<br>Corridor | Insurance         | CARES          | Total               |
|-------------------------------------|------------------|--------------------------------------|------------------|--------------------------|---------------------|------------------------|-------------------|-----------------------|-------------------|----------------|---------------------|
| <b>REVENUES</b>                     |                  |                                      |                  |                          |                     |                        |                   |                       |                   |                |                     |
| Property taxes                      | \$ 261,970       | \$ -                                 | \$ 90,927        | \$ -                     | \$ 53,604           | \$ -                   | \$ -              | \$ -                  | \$ -              | \$ -           | \$ 406,501          |
| Intergovernmental                   | -                | -                                    | -                | 221,790                  | 243,354             | -                      | -                 | -                     | -                 | 854,304        | 1,319,448           |
| Charges for services                | -                | 28,511                               | -                | -                        | 111,550             | 126,678                | 1,187             | -                     | -                 | -              | 267,926             |
| Interest                            | -                | -                                    | -                | 435                      | -                   | 886                    | 497               | -                     | 866               | -              | 2,684               |
| Other                               | -                | 252                                  | -                | 113,882                  | -                   | 252                    | 5,793             | -                     | 28,080            | -              | 148,259             |
| Total Revenues                      | <u>261,970</u>   | <u>28,763</u>                        | <u>90,927</u>    | <u>336,107</u>           | <u>408,508</u>      | <u>127,816</u>         | <u>7,477</u>      | <u>-</u>              | <u>28,946</u>     | <u>854,304</u> | <u>2,144,818</u>    |
| <b>EXPENDITURES</b>                 |                  |                                      |                  |                          |                     |                        |                   |                       |                   |                |                     |
| General government                  | -                | -                                    | -                | -                        | -                   | -                      | -                 | -                     | 7,784             | 808,807        | 816,591             |
| Library                             | 258,830          | -                                    | -                | -                        | -                   | -                      | -                 | -                     | -                 | -              | 258,830             |
| Recreation                          | -                | -                                    | -                | -                        | -                   | -                      | -                 | 25,651                | -                 | -              | 25,651              |
| Economic & community develop        | -                | 115,386                              | 54,710           | -                        | -                   | 92,336                 | 184               | -                     | -                 | -              | 262,616             |
| Public safety                       | -                | -                                    | -                | 274,696                  | -                   | -                      | -                 | -                     | -                 | -              | 274,696             |
| Airport                             | -                | -                                    | -                | -                        | 353,885             | -                      | -                 | 57,090                | -                 | -              | 410,975             |
| Capital outlay                      | -                | -                                    | -                | -                        | 34,321              | -                      | -                 | -                     | -                 | 45,497         | 79,818              |
| Debt service:                       |                  |                                      |                  |                          |                     |                        |                   |                       |                   |                | -                   |
| Principal                           | -                | 31,361                               | -                | -                        | -                   | -                      | -                 | -                     | -                 | -              | 31,361              |
| Interest & fees                     | -                | 1,539                                | -                | -                        | -                   | -                      | -                 | -                     | -                 | -              | 1,539               |
| Total Expenditures                  | <u>258,830</u>   | <u>148,286</u>                       | <u>54,710</u>    | <u>274,696</u>           | <u>388,206</u>      | <u>92,336</u>          | <u>184</u>        | <u>82,741</u>         | <u>7,784</u>      | <u>854,304</u> | <u>2,162,077</u>    |
| Net Change in Fund Balance          | 3,140            | (119,523)                            | 36,217           | 61,411                   | 20,302              | 35,480                 | 7,293             | (82,741)              | 21,162            | -              | (17,259)            |
| Fund Balance (Deficit), January 1   | <u>31,779</u>    | <u>1,096,302</u>                     | <u>(7,665)</u>   | <u>91,156</u>            | <u>(318,210)</u>    | <u>122,695</u>         | <u>78,427</u>     | <u>9,128</u>          | <u>391,097</u>    | <u>-</u>       | <u>1,494,709</u>    |
| Fund Balance (Deficit), December 31 | <u>\$ 34,919</u> | <u>\$ 976,779</u>                    | <u>\$ 28,552</u> | <u>\$ 152,567</u>        | <u>\$ (297,908)</u> | <u>\$ 158,175</u>      | <u>\$ 85,720</u>  | <u>\$ (73,613)</u>    | <u>\$ 412,259</u> | <u>\$ -</u>    | <u>\$ 1,477,450</u> |

**CITY OF CROOKSTON, MINNESOTA**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**DEBT SERVICE FUNDS**  
**DECEMBER 31, 2020**

|   | <u>Special<br/>Assessment<br/>Bonds</u> | <u>Johnson<br/>Control<br/>Contract</u> | <u>Total</u>     |
|---|---|---|------------------|
| <b>ASSETS</b>   |   |   |                  |
| Cash and cash equivalents                               | \$ 2,684                                | \$ -                                    | \$ 2,684         |
| Receivables:  |   |   |                  |
| Special assessments                                     | <u>26,980</u>                           | <u>-</u>                                | <u>26,980</u>    |
| Total Assets  | <u>\$ 29,664</u>                        | <u>\$ -</u>                             | <u>\$ 29,664</u> |
| <b>LIABILITIES</b>                                      |   |   |                  |
| Due to other funds                                      | <u>\$ -</u>                             | <u>\$ 6,826</u>                         | <u>\$ 6,826</u>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                    |   |   |                  |
| Unavailable special assessments                         | <u>26,980</u>                           | <u>-</u>                                | <u>26,980</u>    |
| <b>FUND BALANCE</b>                                     |   |   |                  |
| Restricted  | 2,684                                   |   | 2,684            |
| Unassigned  | <u>-</u>                                | <u>(6,826)</u>                          | <u>(6,826)</u>   |
| Total Fund Balance                                      | <u>2,684</u>                            | <u>(6,826)</u>                          | <u>(4,142)</u>   |
| Total Liabilities, Deferred Inflows<br>and Fund Balance | <u>\$ 29,664</u>                        | <u>\$ -</u>                             | <u>\$ 29,664</u> |

**CITY OF CROOKSTON, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE - NONMAJOR GOVERNMENTAL FUNDS**  
**DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|  | Special<br>Assessment<br><u>Bonds</u> | Johnson<br>Control<br><u>Contract</u> | <u>Total</u>      |
|--|---------------------------------------|---------------------------------------|-------------------|
| <b>REVENUES</b>                                      |                                       |                                       |                   |
| Property taxes                                       | \$ -                                  | \$ 29                                 | \$ 29             |
| Special assessments                                  | <u>4,965</u>                          | <u>-</u>                              | <u>4,965</u>      |
| Total Revenues                                       | <u>4,965</u>                          | <u>29</u>                             | <u>4,994</u>      |
| <b>EXPENDITURES</b>                                  |                                       |                                       |                   |
| Allocated interest                                   | <u>9</u>                              | <u>48</u>                             | <u>57</u>         |
| Total Expenditures                                   | <u>9</u>                              | <u>48</u>                             | <u>57</u>         |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 4,956                                 | (19)                                  | 4,937             |
| Fund Balance (Deficit), January 1                    | <u>(2,272)</u>                        | <u>(6,807)</u>                        | <u>(9,079)</u>    |
| Fund Balance (Deficit), December 31                  | <u>\$ 2,684</u>                       | <u>\$ (6,826)</u>                     | <u>\$ (4,142)</u> |

**CITY OF CROOKSTON, MINNESOTA**  
**COMBINING STATEMENT OF NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNIT – BY FOCUS**  
**DECEMBER 31, 2020**

|   | Crookston Housing and Economic<br>Development Authority |                         |              |
|---|---|-------------------------|--------------|
|   | Housing<br>Programs                                     | Economic<br>Development | Total        |
| <b>ASSET</b>                              |   |                         |              |
| Cash and cash equivalents                 |   |                         |              |
| Unrestricted                              | \$ 328,257  | \$ 1,282,235            | \$ 1,610,492 |
| Restricted                                | 14,574  | -                       | 14,574       |
| Investments                               | 82,953  | -                       | 82,953       |
| Receivables:                              |   |                         |              |
| Accounts                                  | 387   |                         | 387          |
| Accrued interest                          | -   | 2,056                   | 2,056        |
| Due from other funds                      | 871   | 107,500                 | 108,371      |
| Prepaid expenses                          | 8,976   | -                       | 8,976        |
| Due from primary government               | -   | 197,760                 | 197,760      |
| Notes receivable, net of allowance        |   | 1,042,038               | 1,042,038    |
| Asset held for sale                       | -   | 304,407                 | 304,407      |
| Capital assets, net                       | 3,178,838   | -                       | 3,178,838    |
| Total Assets                              | 3,614,856   | 2,935,996               | 6,550,852    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>     |   |                         |              |
| Cost-sharing defined benefit pension plan | 29,469  | 11,722                  | 41,191       |
| <b>LIABILITIES</b>                        |   |                         |              |
| <b>Current Liabilities:</b>               |   |                         |              |
| Accounts payable                          | 71,066  | 9,458                   | 80,524       |
| Retainage payable                         | 70,790  | -                       | 70,790       |
| Due to other fund                         | -   | 108,371                 | 108,371      |
| Due to primary government                 |   | 27,199                  | 27,199       |
| Security deposits payable                 | 14,012  | -                       | 14,012       |
| Unearned revenue                          | -   | 492,448                 | 492,448      |
| Compensated absences                      | 31,698  | 24,170                  | 55,868       |
| Current liabilities                       | 187,566   | 661,646                 | 849,212      |
| <b>Noncurrent Liabilities:</b>            |   |                         |              |
| Note payable - primary government         | -   | 209,848                 | 209,848      |
| Note payable                              | 1,182,759   | -                       | 1,182,759    |
| Net pension liability                     | 175,861   | 69,953                  | 245,814      |
| Noncurrent Liabilities                    | 1,358,620   | 279,801                 | 1,638,421    |
| Total Liabilities                         | 1,546,186   | 941,447                 | 2,487,633    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>      |   |                         |              |
| Cost-sharing defined benefit pension plan | 21,683  | 8,625                   | 30,308       |
| <b>NET POSITION:</b>                      |   |                         |              |
| Net investment in capital assets          | 3,108,048   | -                       | 3,108,048    |
| Restricted                                | 562   | -                       | 562          |
| Unrestricted                              | (1,032,154)   | 1,997,646               | 965,492      |
| Total Net Position                        | \$ 2,076,456  | \$ 1,997,646            | \$ 4,074,102 |

**CITY OF CROOKSTON, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNIT – BY FOCUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|                                     | Crookston Housing and Economic<br>Development Authority |                         |                     |
|-------------------------------------|---|-------------------------|---------------------|
|                                     | Housing<br>Programs                                     | Economic<br>Development | Total               |
| REVENUES                            |   |                         |                     |
| Intergovernmental                   | \$ 1,094,848  | \$ 74,250               | \$ 1,169,098        |
| Tenant rent and other charges       | 179,789   | -                       | 179,789             |
| Contribution from City of Crookston |   | 148,270                 | 148,270             |
| Other                               | 15,934  | 48,584                  | 64,518              |
| Total Revenue                       | <u>1,290,571</u>  | <u>271,104</u>          | <u>1,561,675</u>    |
| EXPENSES                            |   |                         |                     |
| Administrative                      | 234,435   | 136,740                 | 371,175             |
| Housing and economic development    | 254,922   | 46,731                  | 301,653             |
| Depreciation                        | 140,935   | -                       | 140,935             |
| Housing assistance payments         | 866,074   | -                       | 866,074             |
| Total Expenses                      | <u>1,496,366</u>  | <u>183,471</u>          | <u>1,679,837</u>    |
| Operating Income (Loss)             | (205,795)   | 87,633                  | (118,162)           |
| NONOPERATING REVENUES               |   |                         |                     |
| Investment earnings - unrestricted  | 6,118   | 24,767                  | 30,885              |
| Investment earnings - restricted    | -   | 78                      | 78                  |
| Capital grant                       | 128,284   | -                       | 128,284             |
| Total Nonoperating Revenues         | <u>134,402</u>  | <u>24,845</u>           | <u>159,247</u>      |
| Net Change in Net Position          | (71,393)  | 112,478                 | 41,085              |
| Net Position, Beginning             | <u>2,147,849</u>  | <u>1,885,168</u>        | <u>4,033,017</u>    |
| Net Position, Ending                | <u>\$ 2,076,456</u>                                     | <u>\$ 1,997,646</u>     | <u>\$ 4,074,102</u> |

**CITY OF CROOKSTON, MINNESOTA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**DISCRETELY PRESENTED COMPONENT UNIT – BY FOCUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|   | Crookston Housing and Economic<br>Development Authority |                         |              |
|---|---|-------------------------|--------------|
|   | Housing<br>Programs                                     | Economic<br>Development | Total        |
| <b>Cash Flows From Operating Activities:</b>                      |   |                         |              |
| Receipts from tenants and customers                               | \$ 195,050  | \$ -                    | \$ 195,050   |
| Receipts from governmental agencies                               | 1,094,848   | 74,250                  | 1,169,098    |
| Other cash receipts   | -   | 160,867                 | 160,867      |
| Payments to suppliers   | (353,920)   | (170,735)               | (524,655)    |
| Housing assistance payments                                       | (866,074)   | -                       | (866,074)    |
| Payments to employees   | (268,173)   | (106,410)               | (374,583)    |
| Net Cash Provided (Used) by<br>Operating Activities               | (198,269)   | (42,028)                | (240,297)    |
| <b>Cash Flows From Capital Financing Activities:</b>              |   |                         |              |
| Capital grant proceeds  | 128,284   | -                       | 128,284      |
| Payments on due to City of Crookston                              | -   | (61,025)                | (61,025)     |
| Debt proceeds   | 1,182,759   | -                       | 1,182,759    |
| Purchases of capital assets                                       | (1,368,271)   | -                       | (1,368,271)  |
| Net Cash Flows Provided (Used)<br>by Capital Financing Activities | (57,228)  | (61,025)                | (118,253)    |
| <b>Cash Flows from Investing Activities:</b>                      |   |                         |              |
| Note receivable proceeds  | -   | 222,614                 | 222,614      |
| Issuance of notes receivable                                      | -   | (371,356)               | (371,356)    |
| Interest received   | 189,022   | 25,059                  | 214,081      |
| Cash Flows Provided (Used) by<br>Investing Activities             | 189,022   | (123,683)               | 65,339       |
| Net Increase (Decrease) in Cash                                   | (66,475)  | (226,736)               | (293,211)    |
| Cash, January 1   | 409,306   | 1,508,971               | 1,918,277    |
| Cash, December 31   | \$ 342,831  | \$ 1,282,235            | \$ 1,625,066 |
| <b>Cash Balances:</b>   |   |                         |              |
| Unrestricted cash   | \$ 328,257  | \$ 1,282,235            | \$ 1,610,492 |
| Restricted cash   | 14,574  | -                       | 14,574       |
| Total   | \$ 342,831  | \$ 1,282,235            | \$ 1,625,066 |

## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council  
City of Crookston  
Crookston, MN 56716

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the 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, 2020, and have issued our report thereon dated September 17, 2021.

### Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that City of Crookston, Minnesota failed to comply with provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the schedule of findings and responses as items 2020-002 and 2020-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### Purpose of the Report

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



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**CROOKSTON, MINNESOTA**

September 17, 2021

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

Honorable Mayor and City Council  
City of Crookston  
Crookston, MN 56716

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 17, 2021.

### **Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Crookston, Minnesota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in in the accompanying schedule of findings and responses as items 2020-002 and 2020-003.

### **City's Response to Finding**

City of Crookston, Minnesota's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. City of Crookston, Minnesota's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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



**BRADY, MARTZ & ASSOCIATES, P.C.  
CROOKSTON, MINNESOTA**

September 17, 2021

**CITY OF CROOKSTON, MINNESOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**DECEMBER 31, 2020**

**Deficiency 2020-001**

**Criteria:** An appropriate system of internal control requires the entity to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

**Condition:** The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City Council. However, the City currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The City has elected to have the auditors assist in the preparation of the financial statements.

**Cause:** The City elected to not allocate resources for the preparation of the financial statements.

**Effect:** There is an increased risk of material misstatement to the City's financial statements.

**Recommendation:** We recommend the City consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the City should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of  
Responsible  
Officials and Planned

**Corrective Actions:** We concur with the finding and will continue to evaluate the risks and costs associated with the City's financial statement preparation.

**Compliance Finding 2020-002**

**Criteria:** According to Minnesota tax increment financing district statutes under section 469, the City is not to receive any tax increment revenues from the county auditor upon the earlier of the decertification date or maximum duration limit as provided in the TIF plan.

**Condition:** It was noted the City did not timely file a decertification of a TIF district with the County and subsequently continued to receive related TIF settlements in the current year.

**Cause:** The City did not have an adequate oversight process in place to verify the decertification was timely filed with the County.

**CITY OF CROOKSTON, MINNESOTA**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
DECEMBER 31, 2020

Effect: The City received additional TIF levies beyond the plan limit date.

Recommendation: We recommend the City create a better system to identify filings that may be triggered during a TIF's duration and review education assistance provided by the State Auditor's TIF division. The City had returned the TIF settlement received to the County prior to year-end.

Views of  
Responsible  
Officials and Planned

Corrective Actions: City administration is in agreement with this finding and responses.

**Compliance Finding 2020-003**

Criteria: According to Minnesota contract bid law statutes under section 471, each contract for the purchase of supplies, materials or equipment over \$25,000, requires the city to consider the availability of price and quality of item through the state cooperative purchasing venture before purchasing from an alternative source.

Condition: The City used vendor quotes for the purchase of a dump truck, but no indication in the file that the City checked availability on the state coop website.

Cause: The City did not have documentation to verify this process was complete and procedures are not incorporated with City's purchasing policy.

Effect: The City did not comply with Minnesota statutes.

Recommendation: We recommend the City add a step to its purchasing policy and use a standard form to document search performed on purchases over \$25,000 that fall under the statutory requirement.

Views of  
Responsible  
Officials and Planned

Corrective Actions: City administration is in agreement with this finding and responses.