

CITY OF CROOKSTON, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2010

C O N T E N T S

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CITY OF CROOKSTON, MINNESOTA
DECEMBER 31, 2010

OFFICIAL DIRECTORY

Elected Officials:

Mayor	David Genereux
Council Member 1 st Ward	Dana Johnson (resigned 3/8/10)
	Tom Jorgens (appointed 4/5/10)
Council Member 2 nd Ward	Marlys Mjoen
Council Member 3 rd Ward	Keith Mykleseth
Council Member 4 th Ward	Wayne Melbye
Council Member 5 th Ward	Dale Stainbrook
Council Member 6 th Ward	Tom Vedbraaten
Council Member – At Large	Frank Lindgren
Council Member – At Large	Guy Martin

Appointed:

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

Drees, Risky & Vallager, Ltd.

Certified Public Accountants

Grand Forks:

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

Crookston:

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

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Crookston
Crookston, Minnesota

We have audited the accompanying statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Crookston, Minnesota as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Crookston, Minnesota's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Crookston Housing and Economic Development Authority, which is comprises 100% of the discretely presented component unit's assets, net fund assets and revenues. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Crookston Housing and Economic Development Authority's housing programs, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

The opinion of the other auditors on the 2010 financial statements of the Crookston Housing and Economic Development Authority (component unit) was qualified because the component unit has not adopted Governmental Accounting Standards Board (GASB) Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which affects the way the component unit accounts for and reports their postemployment healthcare and other non-pension benefits. The amount by which this departure affects the liabilities and expenses of the component unit is not determinable.

In our opinion, based on our audit and the report of other auditors, except for the effects of not implementing GASB 45 by the component unit as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Crookston, Minnesota as of December 31, 2010 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Governmental Auditing Standards*, we have also issued our report dated, July 27, 2011, on our consideration of the City of Crookston, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is as an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Crookston, Minnesota's basic financial statements. The other supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Crookston, Minnesota. The other supplementary information and Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DREES, RISKEY & VALLAGER, LTD.

Certified Public Accountants

July 27, 2011
Crookston, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF CROOKSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010**

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, 2010. It should be read in conjunction with the accompanying basic financial statements. This discussion and analysis does include comparative data for the prior year.

Financial Highlights

- The assets of the City of Crookston exceeded its liabilities at the close of the most recent fiscal year by \$47,582,474 (*net assets*). Of this amount, \$12,923,912 (*unrestricted net assets*) may be used to meet the City of Crookston's ongoing obligations to citizens and creditors.
- The City of Crookston's total net assets increased by \$8,583,058. The increase resulted from the City of Crookston's flood protection project which was funded primarily through a State grant. Of the change in net assets, \$7,623,107 was an increase in the governmental activities net assets and \$959,951 was an increase in the business-type activities net assets.
- As of December 31, 2010, the City of Crookston's governmental funds reported a combined ending fund balance of \$8,584,610 an increase of \$705,299 in comparison to the prior year.
- The City of Crookston's long-term debt decreased by \$2,909,771 during the current year.
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$2,185,813 or 51% of the total General Fund operating revenues.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Crookston that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

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

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

The government-wide financial statements 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 government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Crookston can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

The City of Crookston maintains 25 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, park & recreation fund, improvement fund, intermediary relending program fund, special assessment bond fund, special service district bond fund, street improvements fund and flood improvement fund, all of which have been presented as major funds of the City of Crookston. The information for the other 16 funds has been combined into an aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the supplementary section of this report.

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

The basic governmental fund financial statements 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 23 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Crookston, assets exceeded liabilities by \$47,582,474 at December 31, 2010.

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

SUMMARY OF NET ASSETS
DECEMBER 31, 2010

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
ASSETS						
Current assets	\$ 10,197,183	\$ 9,431,832	\$ 1,989,958	\$ 2,066,298	\$ 12,187,141	\$ 11,498,130
Capital assets	28,651,332	16,913,120	10,430,630	9,901,854	39,081,962	26,814,974
Other non-current assets	9,338,043	9,787,422	1,275,348	988,632	10,613,391	10,776,054
Total Assets	\$ 48,186,558	\$ 36,132,374	\$ 13,695,936	\$ 12,956,784	\$ 61,882,494	\$ 49,089,158
LIABILITIES						
Current liabilities	\$ 11,446,672	\$ 2,058,409	312,863	307,330	11,759,535	2,365,739
Long-term liabilities	1,312,651	11,305,428	1,227,834	1,454,166	2,540,485	12,759,594
Total Liabilities	\$ 12,759,323	\$ 13,363,837	\$ 1,540,697	\$ 1,761,496	\$ 14,300,020	\$ 15,125,333
NET ASSETS						
Investment in capital assets, net of related debt	\$ 18,433,067	\$ 6,537,019	\$ 9,099,813	\$ 8,372,557	\$ 27,532,880	\$ 14,909,576
Restricted	5,792,654	5,460,320	1,333,028	2,436,323	7,125,682	7,896,643
Unrestricted	11,201,514	10,771,198	1,722,398	386,408	12,923,912	11,157,606
Total Net Assets	\$ 35,427,235	\$ 22,768,537	\$ 12,155,239	\$ 11,195,288	\$ 47,582,474	\$ 33,963,825

Governmental Activities:

Governmental activities increased the City of Crookston's net assets by \$7,623,107 accounting for about 89% of the total increase in net assets for the City of Crookston.

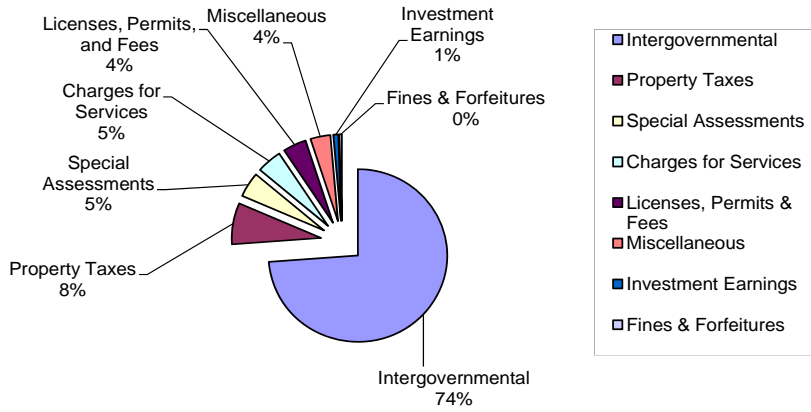
CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
REVENUES						
Program Revenues						
Charges for services	\$ 1,134,510	\$ 1,062,648	\$ 1,613,207	\$ 1,604,392	\$ 2,747,717	\$ 2,667,040
Operating grants and contr.	636,480	466,524	-	-	636,480	466,524
Capital grants and contributions	9,598,601	5,792,999	686,125	-	10,284,726	5,792,999
General Revenues:						
Taxes, assessments & fees	2,975,072	3,047,504	-	-	2,975,072	3,047,504
Intergovernmental	3,085,882	3,493,715	-	-	3,085,882	3,493,715
Interest income	105,453	149,217	63,232	71,625	168,685	220,842
Other	152,366	175,872	-	-	152,366	175,872
Gain (loss) on sale of assets	(203,523)	(172,432)	-	-	(203,523)	(172,432)
Total Revenue	<u>17,484,841</u>	<u>14,016,047</u>	<u>2,362,564</u>	<u>1,676,017</u>	<u>19,847,405</u>	<u>15,692,064</u>
EXPENSES						
General government	988,055	1,062,448	-	-	988,055	1,062,448
Public safety	4,714,000	6,390,464	-	-	4,714,000	6,390,464
Streets & highways	1,492,592	1,189,914	-	-	1,492,592	1,189,914
Health & sanitation	181,189	178,295	-	-	181,189	178,295
Recreational & culture	1,479,188	1,665,159	-	-	1,479,188	1,665,159
Community & economic develop.	290,096	315,262	-	-	290,096	315,262
Airport	255,691	208,633	-	-	255,691	208,633
Other	17,787	30,118	-	-	17,787	30,118
Interest on long-term debt	322,286	180,370	-	-	322,286	180,370
Water	-	-	1,020,515	988,172	1,020,515	988,172
Wastewater	-	-	310,184	324,198	310,184	324,198
Total Expenses	<u>9,740,884</u>	<u>11,220,663</u>	<u>1,330,699</u>	<u>1,312,370</u>	<u>11,071,583</u>	<u>12,533,033</u>
Chg in Net Assets Before Transfers	7,743,957	2,795,384	1,031,865	363,647	8,775,822	3,159,031
Transfers	<u>(120,850)</u>	<u>(3,151,701)</u>	<u>(71,914)</u>	<u>(58,603)</u>	<u>(192,764)</u>	<u>(3,210,304)</u>
Increase in Net Assets	7,623,107	(356,317)	959,951	305,044	8,583,058	(51,273)
Net Assets, January 1	22,768,537	23,192,073	11,195,288	10,890,244	33,963,825	34,082,317
Prior Period Adjustment	<u>5,035,591</u>	<u>(67,219)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, December 31	<u>\$ 35,427,235</u>	<u>\$ 22,768,537</u>	<u>\$ 12,155,239</u>	<u>\$ 11,195,288</u>	<u>\$ 47,582,474</u>	<u>\$ 33,963,825</u>

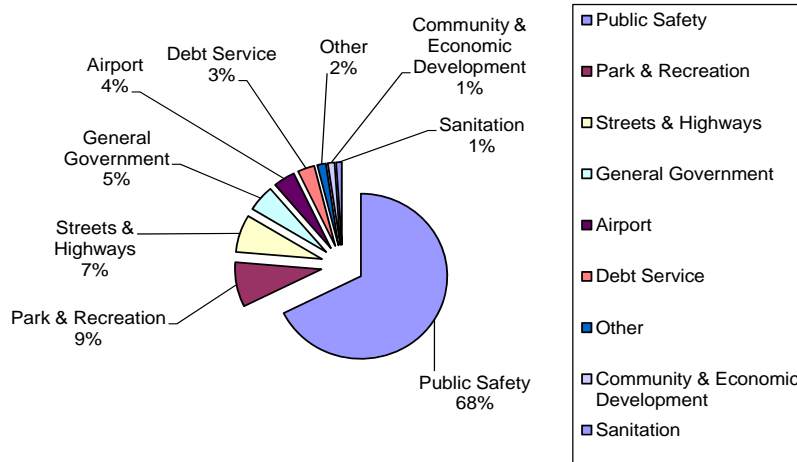
- The City of Crookston's total net assets increased by \$13,618,649, of which \$8,583,805 was a increase in income from operation and a \$5,035,591 prior period adjustment made for flood protection preparation work done in prior years.

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

Revenue - Governmental Activities



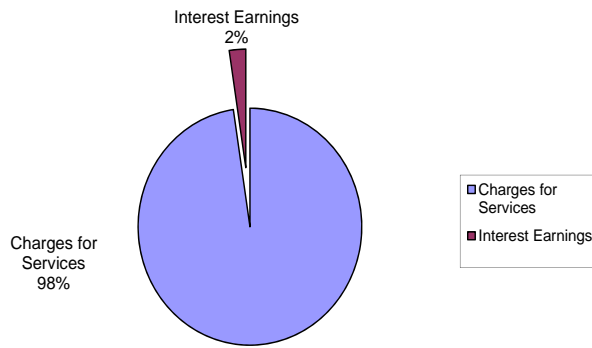
Expenses - Governmental Activities



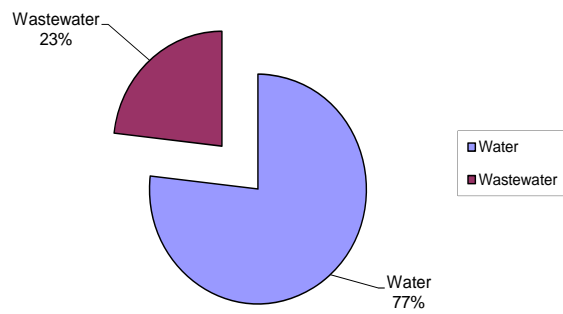
Business-Type Activities:

Business-type activities increased the City of Crookston's net assets by \$959,951.

Revenue - Business Activities



Expenses - Business Activities



Capital Assets

At the end of the fiscal year 2010, the City of Crookston had just over \$39 million in capital assets, net of depreciation, which includes buildings, infrastructure, water distribution and wastewater treatment facilities, police, fire, sanitation, recreation, and equipment. Below is a summary of capital assets as of December 31, 2010:

	Governmental Activities			Business-Type Activities		
	Cost	Accum		Cost	Accum	
		Depreciation	Net		Depreciation	Net
Land	\$ 5,363,776	\$ -	\$ 5,363,776	\$ 254,605	\$ -	\$ 254,605
Land improvements	925,655	576,158	349,497	-	-	-
Buildings and improvements	7,133,169	3,608,360	3,524,809	-	-	-
Equipment	4,093,390	2,466,118	1,627,272	-	-	-
Infrastructure	14,322,595	1,403,560	12,919,035	-	-	-
Water distribution system	-	-	-	14,490,163	5,719,071	8,771,092
Wastewater treatment facility	-	-	-	2,473,235	1,068,302	1,404,933
Construction in progress	4,866,943	-	4,866,943	-	-	-
	<u>\$ 36,705,528</u>	<u>\$ 8,054,196</u>	<u>\$ 28,651,332</u>	<u>\$ 17,218,003</u>	<u>\$ 6,787,373</u>	<u>\$ 10,430,630</u>

Governmental Activities

The General Fund purchased vehicles, a skid steer loader, a boiler, an exhaust system, servers, and equipment for city hall, fire, police, information technology, and public works in the amount of \$197,199. Repairs were made to the Library roof and skylights totaling \$30,416. The Airport Fund finished construction of a 10-unit tee hangar/SRE storage building, completed pavement repairs, and drainage improvements totaling \$551,253. The Park and Recreation Fund purchased a slope mower, playground equipment, a vehicle, tractor attachments, and a fishing pier in the amount of \$96,490.

The Street Improvement Fund completed street projects totaling \$103,332. The Flood Control Project Fund purchased property totaling \$1,808,780.

Business-type Activities

The Water Fund completed installation of a dehumidifier at the water plant, several water main projects, purchased water meters, a generator, a valve and vacuum unit with trailer, chlorine pumps, and equipment totaling \$224,051. A raw water transmission line was relocated, prompted by the moving of Highway 2, totaling \$687,445.

Long-Term Debt

At December 31, 2010, the City of Crookston had \$10,356,394 in debt outstanding, which is a decrease of \$2,909,771 from the prior year. Post-employment benefits resulted in the recognition of a \$185,487 obligation due to an implicit rate subsidy that exists with the City's health insurance coverage policy. Bonds and notes outstanding at year-end are summarized below:

	Beginning of Year	New Issues	Debt Retired	End of Year Balance
<u>Governmental Activities:</u>				
GO Grant Anticipation Note	\$ 10,000,000	\$ -	\$ -	\$ 10,000,000
G.O. Improvement Bonds	365,000	-	150,000	215,000
State Loans	11,101	-	7,836	3,265
Other Loans	663,777	-	56,722	607,055
OPEB obligation	127,176	64,951	6,640	185,487
Compensated absences	459,943	15,704	17,409	458,238
	<u>11,626,997</u>	<u>80,655</u>	<u>238,607</u>	<u>11,469,045</u>
<u>Business-Type Activities:</u>				
G.O. Revenue Bond, net of premiums/discounts	1,529,298	19	198,500	1,330,817
Compensated absences	109,870	11,823	24,676	97,017
	<u>1,639,168</u>	<u>11,842</u>	<u>223,176</u>	<u>1,427,834</u>
Total	<u>\$ 13,266,165</u>	<u>\$ 92,497</u>	<u>\$ 461,783</u>	<u>\$ 12,896,879</u>

The City of Crookston was upgraded from a Baa1 to an A1 rating from Moody's on all of its general obligation debt.

Economic Factors and Next Year's Budgets and Rates

The Mayor and City Council considered many factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for the business-type activities.

A major factor when producing a General Fund budget is the status of the City of Crookston's allocation of Local Government Aid (LGA). In 2003 the City of Crookston's LGA was cut 13.82%. In 2007 the level of LGA funding was slightly higher than the original allocation for 2003, prior to the cut. In December, 2009 the Governor unallotted LGA in the amount of \$192,916. The Governor has also unallotted a portion of the 2010 LGA the City is to receive in the amount of \$166,995. In light of this situation the City of Crookston continues to look to diversify our sources of revenue to reduce our dependency on State funding and lower the tax rate for its citizens. Staff has prepared and Council has adopted a fairly comprehensive Long Range Strategic Plan that prioritizes reductions if needed to meet the ongoing uncertainty of Local Government Aid. This has worked well for the city of Crookston

The Council continually evaluates fees the City of Crookston charges for services and adjusts them when needed. The City Council implemented a Street Light Utility Fee effective January 1, 2010.

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

The City of Council adopted a 3% levy increase for 2011. This is the first levy increase since 2005.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF CROOKSTON, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and cash equivalents	3,448,314	\$ 725,267	\$ 4,173,581	\$ 1,934,805
Investments	4,757,487	905,389	5,662,876	-
Receivables:				
Accounts	212,272	186,794	399,066	139,752
Taxes	348,815	-	348,815	-
Interest	-	-	-	1,003
Special assessments	1,052,947	9,794	1,062,741	-
Due from component unit	49,355	-	49,355	-
Due from other governments	210,237	82,509	292,746	10,137
Inventories	87,022	76,755	163,777	-
Prepaid expenses	30,734	3,450	34,184	7,800
Restricted assets:				
Cash and equivalents	738,767	1,275,348	2,014,115	594,150
Notes receivable	507,876	-	507,876	192,444
Note receivable - USBCDC	8,091,400	-	8,091,400	-
Asset held for resale	-	-	-	127,423
Capital assets, net	28,651,332	10,430,630	39,081,962	15,962,244
Total Assets	\$ 48,186,558	\$ 13,695,936	\$ 61,882,494	\$ 18,969,758
LIABILITIES:				
Accounts payable	\$ 243,289	\$ 16,494	\$ 259,783	\$ 32,888
Accrued liabilities	78,625	11,976	90,601	3,336
Accrued interest	6,988	16,469	23,457	-
Due to primary government	-	-	-	49,355
Due to other governments	1,978	33,971	35,949	15,499
Customer deposits	14,936	33,953	48,889	14,942
Unearned revenue	944,462	-	944,462	38,625
Other noncurrent liabilities:				
Due within one year	10,156,394	200,000	10,356,394	5,164
Due in more than one year	1,312,651	1,227,834	2,540,485	10,925,832
Total Liabilities	12,759,323	\$ 1,540,697	\$ 14,300,020	\$ 11,085,641
NET ASSETS:				
Investment in capital assets, net of related debt	18,433,067	\$ 9,099,813	\$ 27,532,880	\$ 4,712,942
Restricted	5,792,654	1,333,028	7,125,682	93,058
Unrestricted	11,201,514	1,722,398	12,923,912	3,078,117
Total Net Assets	35,427,235	\$ 12,155,239	\$ 47,582,474	\$ 7,884,117

See notes to basic financial statements.

CITY OF CROOKSTON, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Function/Program Activities	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating	Capital	Primary Government			Component Unit
			Grants & Contributions	Grants & Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental Activities:								
General government	\$ (988,055)	\$ 57,009	\$ -	\$ -	\$ (931,046)		\$ (931,046)	\$ -
Public safety	(4,714,000)	124,366	295,623	8,676,019	4,382,008		4,382,008	-
Streets & highways	(1,492,592)	119,541	120,844	262,532	(989,675)		(989,675)	-
Health & sanitation	(181,189)	191,621	-	-	10,432		10,432	-
Recreation & culture	(1,479,188)	432,522	-	175,000	(871,666)		(871,666)	-
Community & economic development	(290,096)	114,327	188,292	-	12,523		12,523	-
Airport	(255,691)	87,061	31,721	485,050	348,141		348,141	-
Other	(17,787)	-	-	-	(17,787)		(17,787)	-
Interest on long-term debt	(322,286)	8,063	-	-	(314,223)		(314,223)	-
Total Governmental Activities	(9,740,884)	1,134,510	636,480	9,598,601	1,628,707		1,628,707	-
Business-Type Activities:								
Water	(1,020,515)	1,205,864	-	686,125	-	871,474	871,474	-
Wastewater	(310,184)	407,343	-	-	-	97,159	97,159	-
Total Business-Type Activities	(1,330,699)	1,613,207	-	686,125	-	968,633	968,633	-
Total Primary Government	(11,071,583)	2,747,717	636,480	10,284,726	1,628,707	968,633	2,597,340	-
Component Unit:								
Housing and economic development	(1,442,013)	530,982	914,198	-	-	-	-	3,167
Civic arena	(925,474)	248,329	-	-	-	-	-	(677,145)
	(2,367,487)	779,311	914,198	-	-	-	-	(673,978)
General Revenues:								
Taxes:								
Property					1,391,686	-	1,391,686	-
Special assessments					830,581	-	830,581	-
Franchise fees, licenses & other					752,805	-	752,805	-
Intergovernmental					3,085,882	-	3,085,882	-
Interest income					105,453	63,232	168,685	142,378
Other					152,366	-	152,366	-
Gain (Loss) on sale of assets					(203,523)	-	(203,523)	-
Transfers					71,914	(71,914)	-	-
Transfers to component unit					(192,764)	-	(192,764)	192,764
Total General Revenues, Special Items & Transfers					5,994,400	(8,682)	5,985,718	335,142
Change in Net Assets					7,623,107	959,951	8,583,058	(338,836)
Net Assets, beginning					22,768,537	11,195,288	33,963,825	8,222,953
Prior period adjustment					5,035,591	-	5,035,591	-
Net Assets, ending					\$ 35,427,235	\$ 12,155,239	\$ 47,582,474	\$ 7,884,117

CITY OF CROOKSTON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General	SSD Flood Control	Improvement	Intermediary Relending Program	Grant Anticipation Note	Arena Construction	Flood Improvement	Municipal Land and Building	Nonmajor Governmental Funds	Total
ASSETS										
Cash and equivalents	\$ -	\$ 905,711	\$ 269,327	\$ 686,003	\$ 155,833	\$ 186,444	\$ -	\$ 240,203	\$ 541,459	\$ 2,984,980
Investments	3,236,718	1,520,769	-	-	-	-	-	-	-	4,757,487
Receivables, net:										
Accounts	174,201	-	-	75	-	-	-	-	37,996	212,272
Taxes	106,640	-	13,130	-	-	-	-	15,513	213,532	348,815
Special assessments	9,716	47,595	807,444	-	-	-	-	-	188,192	1,052,947
Due from other funds	49,355	-	900,000	-	-	-	-	951,164	650,000	2,550,519
Due from other governments	210,237	-	-	-	-	-	-	-	-	210,237
Inventory	32,000	-	-	-	-	-	-	-	52,640	84,640
Prepaid expenses	29,955	-	-	280	-	-	251	-	248	30,734
Restricted cash and equivalents	738,767	-	-	-	-	-	-	-	-	738,767
Notes receivable	-	-	-	507,876	8,091,400	-	-	-	-	8,599,276
TOTAL ASSETS	\$ 4,587,589	\$ 2,474,075	\$ 1,989,901	\$ 1,194,234	\$ 8,247,233	\$ 186,444	\$ 251	\$ 1,206,880	\$ 1,684,067	\$ 21,570,674
LIABILITIES AND FUND BALANCE										
Liabilities:										
Accounts payable	\$ 47,650	\$ 198	\$ -	\$ 68	\$ -	\$ -	\$ 76,779	\$ -	\$ 82,766	\$ 207,461
Accrued liabilities	61,941	1,917	-	-	-	-	-	-	13,823	77,681
Due to other funds	869,512	-	-	-	-	-	556,330	-	1,075,322	2,501,164
Due to other governments	1,939	-	-	-	-	-	-	-	39	1,978
Customer deposits	-	6,838	-	500	-	-	-	-	7,598	14,936
Deferred revenue:										
Taxes	70,348	-	-	-	-	-	-	-	207,371	277,719
Special assessments	8,380	39,064	800,471	-	-	-	-	-	182,777	1,030,692
Notes	-	-	-	507,876	8,091,400	-	-	-	-	8,599,276
Other	231,569	-	13,120	-	-	-	-	14,778	15,690	275,157
Total Liabilities	1,291,339	48,017	813,591	508,444	8,091,400	-	633,109	14,778	1,585,386	12,986,064
Fund Balance (Deficit):										
Reserved	1,110,437	2,426,058	-	685,790	-	-	-	500,000	367,897	5,090,182
Designated for debt service	-	-	-	-	155,833	-	-	-	71,551	227,384
Unreserved										
General fund	2,185,813	-	-	-	-	-	-	-	-	2,185,813
Special revenue funds	-	-	1,176,310	-	-	-	-	-	623,095	1,799,405
Capital projects funds	-	-	-	-	-	186,444	(632,858)	692,102	(963,862)	(718,174)
Total Fund Balance	3,296,250	2,426,058	1,176,310	685,790	155,833	186,444	(632,858)	1,192,102	98,681	8,584,610
TOTAL LIABILITIES & FUND BALANCE	\$ 4,587,589	\$ 2,474,075	\$ 1,989,901	\$ 1,194,234	\$ 8,247,233	\$ 186,444	\$ 251	\$ 1,206,880	\$ 1,684,067	\$ 21,570,674

See notes to basic financial statements.

CITY OF CROOKSTON, MINNESOTA
RECONCILIATION OF BALANCE SHEET TO STATEMENT OF ACTIVITIES
DECEMBER 31, 2010

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

Total fund balance per balance sheet	\$ 8,584,610
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the balance sheet	28,628,420
Long-term notes receivable not available to pay for current period expenditures and therefore deferred in the fund	8,599,276
Taxes, special assessments and other long-term receivables are not available to pay for current period expenditures and therefore deferred in the fund	639,106
Internal service fund, Central Garage, is used by management to charge the cost of repair and maintenance of equipment and equipment rental to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.	442,237
Accrued interest on long-term bonds and notes payable is included in the statement of net assets but not due and payable in the current period and therefore not reported in the fund.	(6,988)
Long-term liabilities, including bonds payable, notes payable and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(11,459,426)</u>
Net Assets - Governmental Activities	<u>\$ 35,427,235</u>

See notes to financial statements.

CITY OF CROOKSTON, MINNESOTA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	General	SSD Flood Control	Improvement	Intermediary Relending Program	Grant Anticipation Note	Arena Construction	Flood Improvement	Municipal Land and Building	Nonmajor Governmental Funds	Total
REVENUES:										
Property taxes	\$ 1,140,044	\$ -	\$ 132	\$ -	\$ -	\$ -	\$ -	\$ 35,633	\$ 203,604	\$ 1,379,413
Special assessments	-	366,820	314,404	-	-	-	-	-	148,810	830,034
Intergovernmental	2,039,990	-	191,986	-	-	-	8,676,019	107,836	2,130,132	13,145,963
Licenses, permits & fees	753,055	-	-	-	-	-	-	-	-	753,055
Fines & forfeitures	81,143	-	-	-	-	-	-	-	-	81,143
Charges for services	380,885	110	-	153,429	-	-	-	-	280,757	815,181
Miscellaneous	141,190	9,976	659	-	-	454,754	1,135	10,800	72,730	691,244
Investment earnings	58,798	36,524	25,103	3,199	-	-	-	25,686	12,577	161,887
Total Revenues	4,595,105	413,430	532,284	156,628	-	454,754	8,677,154	179,955	2,848,610	17,857,920
EXPENDITURES:										
General government	876,942	-	-	-	-	-	-	-	-	876,942
Public safety	2,247,026	189,591	-	-	-	-	8,993,831	-	115,545	11,545,993
Streets & highways	694,490	-	32,551	-	-	-	-	-	528,365	1,255,406
Sanitation	181,189	-	-	-	-	-	-	-	-	181,189
Recreation & culture	-	-	-	-	-	87,106	-	-	1,404,273	1,491,379
Community & economic develop	-	-	-	136,523	-	-	-	-	78,654	215,177
Airport	-	-	-	-	-	-	-	-	696,780	696,780
Other	205,026	-	-	-	-	-	32,544	20	34,968	272,558
Debt Service:										
Principal	-	-	-	28,111	-	-	-	-	186,447	214,558
Interest & agent fees	-	-	-	4,790	300,000	-	-	-	20,125	324,915
Total Expenditures	4,204,673	189,591	32,551	169,424	300,000	87,106	9,026,375	20	3,065,157	17,074,897
Revenues Over (Under) Expenditures	390,432	223,839	499,733	(12,796)	(300,000)	367,648	(349,221)	179,935	(216,547)	783,023
OTHER FINANCING SOURCES (USES):										
Proceeds from sale of assets	2,272	-	15,000	-	-	-	-	-	25,854	43,126
Transfers from (to) other funds	(167,765)	-	(266,640)	-	-	247,492	-	(97,492)	356,319	71,914
Transfers to component unit	(80,000)	-	-	-	-	(193,678)	-	80,914	-	(192,764)
Net Other Financing Sources (Uses)	(245,493)	-	(251,640)	-	-	53,814	-	(16,578)	382,173	(77,724)
Net Change in Fund Balance	144,939	223,839	248,093	(12,796)	(300,000)	421,462	(349,221)	163,357	165,626	705,299
Fund Balance (Deficit), January 1	3,151,311	2,202,219	928,217	698,586	455,833	(235,018)	(283,637)	1,028,745	(66,945)	7,879,311
Fund Balance (Deficit), December 31	\$ 3,296,250	2,426,058	\$ 1,176,310	\$ 685,790	\$ 155,833	\$ 186,444	\$ (632,858)	\$ 1,192,102	\$ 98,681	\$ 8,584,610

See notes to basic financial statements.

CITY OF CROOKSTON, MINNESOTA
RECONCILIATION OF STATEMENT REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
DECEMBER 31, 2010

Net change in fund balance, from above	\$ 705,299
<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	7,676,913
Depreciation	(749,698)
Basis adjustment for disposed assets	(246,649)
<p>Revenues in the fund statements which were subject to accrual in the prior year are additions to beginning net assets, and therefore, may not be reported as revenue in the statement of activities in the current year.</p>	
	12,273
<p>Long-term notes receivable are reported as expenditures when made and as revenue when repayments are received in the government funds. However, there is no impact in the statement of activities when these loans are made and repaid. This activity is as follows:</p>	
New loans made	143,493
Loans written off	-
Loan principal payments received	(128,329)
<p>Change in accrued interest payable recognized for statement of activities but is not due and payable in the current period and therefore not reported as a liability in the governmental funds.</p>	
	2,629
<p>Repayment of long-term debt is an expenditure in the governmental funds but the repayment changes long-term liabilities in the statement of net assets.</p>	
	214,558
<p>Derease in long-term compensated absences is treated as expense in statement of activities, but not a use of financial resources so not recorded in the fund statements.</p>	
	1,705
<p>Adjustment to recognize increase in other postemployment benefits</p>	
	(58,311)
<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>49,224</u>
Change in Net Assets	<u>\$ 7,623,107</u>

See notes to basic financial statements.

CITY OF CROOKSTON, MINNESOTA
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal
	Water	Wastewater	Total	Service Fund
ASSETS:				
Current Assets:				
Cash and equivalents	\$ 66,630	\$ 658,637	\$ 725,267	\$ 463,334
Investments	811,359	94,030	905,389	-
Receivables:				
Accounts	136,551	50,243	186,794	-
Special assessments	8,307	1,487	9,794	-
Due from other governments	82,509	-	82,509	-
Inventory	76,755	-	76,755	2,382
Prepaid expenses	2,123	1,327	3,450	-
Total Current Assets	<u>1,184,234</u>	<u>805,724</u>	<u>1,989,958</u>	<u>465,716</u>
Restricted Assets:				
Cash & equivalents	1,275,348	-	1,275,348	-
Property, Plant and Equipment	14,725,068	2,492,935	17,218,003	102,036
Accumulated depreciation	<u>(5,719,071)</u>	<u>(1,068,302)</u>	<u>(6,787,373)</u>	<u>(79,124)</u>
Net Property, Plant & Equipment	<u>9,005,997</u>	<u>1,424,633</u>	<u>10,430,630</u>	<u>22,912</u>
Total Assets	<u>\$ 11,465,579</u>	<u>\$ 2,230,357</u>	<u>\$ 13,695,936</u>	<u>\$ 488,628</u>
LIABILITIES AND NET ASSETS:				
Current Liabilities:				
Current portion bonds payable	\$ 115,000	\$ 85,000	\$ 200,000	\$ -
Accounts payable	10,248	6,246	16,494	35,828
Due to other governments	33,958	13	33,971	-
Accrued interest payable	15,265	1,204	16,469	-
Other accrued liabilities	8,738	3,238	11,976	944
Customer deposits	33,953	-	33,953	-
Total Current Liabilities	<u>217,162</u>	<u>95,701</u>	<u>312,863</u>	<u>36,772</u>
Non-Current Liabilities:				
Bonds payable, net of current & discounts	955,178	175,639	1,130,817	-
Compensated absences	65,420	31,597	97,017	9,619
Total Non-Current Liabilities	<u>1,020,598</u>	<u>207,236</u>	<u>1,227,834</u>	<u>9,619</u>
Total Liabilities	<u>1,237,760</u>	<u>302,937</u>	<u>\$ 1,540,697</u>	<u>46,391</u>
Net Assets:				
Investment in capital assets, net of related debt	7,935,819	1,163,994	9,099,813	22,912
Restricted	1,333,028	-	1,333,028	-
Unrestricted	<u>958,972</u>	<u>763,426</u>	<u>1,722,398</u>	<u>419,325</u>
Total Fund Net Assets	<u>\$ 10,227,819</u>	<u>\$ 1,927,420</u>	<u>\$ 12,155,239</u>	<u>\$ 442,237</u>

See notes to basic financial statements.

CITY OF CROOKSTON, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal
	Water	Wastewater	Total	Service Fund
OPERATING REVENUES:				
Charges for services	\$ 1,167,587	\$ 407,343	\$ 1,574,930	\$ 258,046
Other	38,277	-	38,277	1,189
Total Operating Revenues	<u>1,205,864</u>	<u>407,343</u>	<u>1,613,207</u>	<u>259,235</u>
OPERATING EXPENSES:				
Power for pumping	25,518	-	25,518	-
Purification chemicals	15,409	-	15,409	-
Distribution	285,643	231,919	517,562	-
Administration	339,102	-	339,102	-
Equipment maintenance	-	-	-	215,629
Depreciation	317,731	64,990	382,721	4,845
Total Expenditures	<u>983,403</u>	<u>296,909</u>	<u>1,280,312</u>	<u>220,474</u>
Operating Income (Loss)	222,461	110,434	332,895	38,761
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	56,491	6,741	63,232	10,463
Intergovernmental	686,125	-	686,125	-
Interest expense	(37,112)	(13,275)	(50,387)	-
Net Nonoperating Revenues (Expenses)	<u>705,504</u>	<u>(6,534)</u>	<u>698,970</u>	<u>10,463</u>
Income (Loss) Before Contributions and Transfers	927,965	103,900	1,031,865	49,224
Transfers Out	(71,914)	-	(71,914)	-
Change in Net Assets	856,051	103,900	959,951	49,224
Net Assets, beginning	<u>9,371,768</u>	<u>1,823,520</u>	<u>11,195,288</u>	<u>393,013</u>
Net Assets, ending	<u>\$ 10,227,819</u>	<u>\$ 1,927,420</u>	<u>\$ 12,155,239</u>	<u>\$ 442,237</u>

See notes to basic financial statements.

CITY OF CROOKSTON, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal
	Water	Wastewater	Total	Service Fund
Cash Flows From Operating Activities:				
Receipts from customers	\$ 1,223,434	\$ 410,941	\$ 1,634,375	\$ 259,235
Payments to suppliers	(448,675)	(132,779)	(581,454)	(162,703)
Payments to employees	(256,589)	(93,615)	(350,204)	(26,864)
Net Cash Provided (Used) by Operating Activities	<u>518,170</u>	<u>184,547</u>	<u>702,717</u>	<u>69,668</u>
Cash Flows From Noncapital Financing Activities:				
Transfers out	(71,914)	-	(71,914)	-
State grant received	686,125	-	686,125	-
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>614,211</u>	<u>-</u>	<u>614,211</u>	<u>-</u>
Cash Flows From Capital Financing Activities:				
Property and equipment additions	(911,497)	-	(911,497)	(23,471)
Principal payments on bonds	(110,000)	(88,500)	(198,500)	-
Interest payments on bonds	(39,193)	(13,633)	(52,826)	-
Net Cash Flows Provided (Used) by Capital Financing Activities	<u>(1,060,690)</u>	<u>(102,133)</u>	<u>(1,162,823)</u>	<u>(23,471)</u>
Cash Flows from Investing Activities:				
Investment purchased	45,075	(94,030)	(48,955)	-
Interest earned	56,491	6,741	63,232	10,463
Cash Flows Provided (Used) by Investing Activities	<u>101,566</u>	<u>(87,289)</u>	<u>14,277</u>	<u>10,463</u>
Net Increase (Decrease) in Cash	173,257	(4,875)	168,382	56,660
Cash, January 1	<u>1,168,721</u>	<u>663,512</u>	<u>1,832,233</u>	<u>406,674</u>
Cash, December 31	<u>\$ 1,341,978</u>	<u>\$ 658,637</u>	<u>\$ 2,000,615</u>	<u>\$ 463,334</u>
Total Cash:				
Cash and equivalents	\$ 66,630	\$ 658,637	\$ 725,267	\$ 463,334
Restricted cash and equivalents	1,275,348	-	1,275,348	-
	<u>\$ 1,341,978</u>	<u>\$ 658,637</u>	<u>\$ 2,000,615</u>	<u>\$ 463,334</u>

CITY OF CROOKSTON, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal
	Water	Wastewater	Total	Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 222,461	\$ 110,434	\$ 332,895	\$ 38,761
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	317,731	64,990	382,721	4,845
Changes in assets and liabilities:				
Receivables	99,373	3,598	102,971	-
Due from other governments	(82,509)	-	(82,509)	-
Inventories	(13,427)	-	(13,427)	(259)
Prepaid expenses	(1,357)	1,283	(74)	-
Accounts payable	(2,109)	3,326	1,217	26,120
Due to other governments	1,588	13	1,601	-
Other accrued liabilities	(8,351)	(2,181)	(10,532)	(1,215)
Compensated absences	(15,936)	3,084	(12,852)	1,416
Customer deposits	706	-	706	-
Net Cash Provided (Used) by Operating Activities	\$ 518,170	\$ 184,547	\$ 702,717	\$ 69,668

See notes to basic financial statements.

CITY OF CROOKSTON, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF FUND NET ASSETS
DECEMBER 31, 2010

	Crookston Housing and Economic Development Authority			
	Housing Programs	Economic Development	Crookston Civic Arena LLC	Total
ASSET				
Cash and cash equivalents	\$ 687,890	\$ 1,141,672	\$ 105,243	\$ 1,934,805
Receivables:				
Accounts	-	44,752	95,000	139,752
Accrued interest	-	1,003	-	1,003
Due from other governments	10,137	-	-	10,137
Prepaid expenses	7,324	-	476	7,800
Notes receivable	63,592	128,852	-	192,444
Restricted cash and cash equivalents	433,244	-	160,906	594,150
Asset held for sale	-	127,423	-	127,423
Capital assets, net	<u>2,356,471</u>	<u>-</u>	<u>13,605,773</u>	<u>15,962,244</u>
Total Assets	<u>\$ 3,558,658</u>	<u>\$ 1,443,702</u>	<u>\$ 13,967,398</u>	<u>\$ 18,969,758</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 5,662	\$ 32	\$ 27,194	\$ 32,888
Accrued liabilities	-	-	3,336	3,336
Current portion of capital lease	-	-	670	670
Deferred revenue	-	-	38,625	38,625
Due to other funds	-	49,355	-	49,355
Due to other governments	15,499	-	-	15,499
Security deposits payable	14,942	-	-	14,942
Compensated absences	<u>3,328</u>	<u>1,166</u>	<u>-</u>	<u>4,494</u>
Current liabilities	<u>39,431</u>	<u>50,553</u>	<u>69,825</u>	<u>159,809</u>
Noncurrent Liabilities:				
Capital lease payable	-	-	832	832
Notes Payable	<u>-</u>	<u>-</u>	<u>10,925,000</u>	<u>10,925,000</u>
Noncurrent liabilities	<u>-</u>	<u>-</u>	<u>10,925,832</u>	<u>10,925,832</u>
Total Liabilities	<u>\$ 39,431</u>	<u>\$ 50,553</u>	<u>\$ 10,995,657</u>	<u>\$ 11,085,641</u>
NET ASSETS:				
Investment in capital assets, net of related debt	\$ 2,356,471	\$ -	\$ 2,356,471	\$ 4,712,942
Restricted	93,058	-	-	93,058
Unrestricted	<u>1,069,698</u>	<u>1,393,149</u>	<u>615,270</u>	<u>3,078,117</u>
Total Net Assets	<u>\$ 3,519,227</u>	<u>\$ 1,393,149</u>	<u>\$ 2,971,741</u>	<u>\$ 7,884,117</u>

See notes to basic financial statements.

CITY OF CROOKSTON, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Crookston Housing and Economic Development Authority			
	Housing Programs	Economic Development	Civic Arena LLC	Total
REVENUES				
Intergovernmental	\$ 914,198	\$ -	\$ -	\$ 914,198
Rents	265,985	88,739	226,215	580,939
Charges for services		173,574	12,935	
Other	-	2,684	9,179	11,863
Total Revenue	<u>1,180,183</u>	<u>264,997</u>	<u>248,329</u>	<u>1,693,509</u>
EXPENSES				
Administrative	185,393	144,673	-	330,066
Recreation	-	-	779,845	779,845
General housing	220,375	-	-	220,375
Depreciation	133,232	-	-	133,232
Housing assistance payments	758,340	-	-	758,340
Total Expenses	<u>1,297,340</u>	<u>144,673</u>	<u>779,845</u>	<u>2,221,858</u>
Income From Operations	(117,157)	120,324	(531,516)	(528,349)
OTHER SOURCES (USES)				
Investment earnings - unrestricted	10,996	16,210	113,763	140,969
Investment earnings - restricted	1,409	-	-	1,409
Interest expense	-	-	(145,629)	(145,629)
Transfers from other fund	-	80,000	112,764	192,764
Net Other Sources (Uses)	<u>12,405</u>	<u>96,210</u>	<u>80,898</u>	<u>108,615</u>
Net Change in Net Assets	(104,752)	216,534	(450,618)	(338,836)
Net Assets, Beginning	<u>3,623,979</u>	<u>1,176,615</u>	<u>3,422,359</u>	<u>8,222,953</u>
Net Assets, Ending	<u>\$ 3,519,227</u>	<u>\$ 1,393,149</u>	<u>\$ 2,971,741</u>	<u>\$ 7,884,117</u>

See notes to basic financial statements.

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Reporting Entity

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

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

Component Units

The discretely presented component unit includes the Crookston 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.

The Crookston Housing and Economic Development Authority is the sole member of Crookston Civic Arena, LLC. The entire governing board is appointed by the Authority. Crookston Civic Arena, LLC is a legally separate entity but its sole purpose is to maintain and operate the Crookston Sports Center on behalf of the Authority and City of Crookston, in which 100% percent of operating profits and losses are allocated to the Authority.

The Crookston Housing and Economic Development Authority did issue separate audited financial statements for its housing activities to comply with US Housing and Urban Development program requirements. Audited financial statements have been separately issued for the Crookston Civic Arena, LLC as required by the City. Copies of component unit's financial statements may be obtained from the Authority's general accounting office in Crookston, Minnesota.

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

B. Basis of Presentation

Government-Wide Financial Statement

The Statement of Net Assets 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.

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:

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

<u>Special Revenue Funds</u>	<u>Description</u>
<i>Major Funds:</i>	
Improvement Fund	Accounts for revenues received in connection with improvement projects completed.
Intermediary Relending Program Fund	Accounts for revenues and expenditures relating to the City's IRP revolving business loan pool.
SSD Flood Control Fund	Accounts for special service district assessment restricted for the use of flood control within the City.
<u>Special Revenue Funds</u>	<u>Description</u>
<i>Nonmajor Funds:</i>	
Library Fund	Accounts for the cost-share of the Lake Agassiz Regional Library.
TIF Fund	Accounts for tax increment revenue received by City on various TIF Districts.
Airport	Accounts for the activities of the Crookston Municipal Airport.
Enterprise Zone Loan Fund	Accounts for all revenue received relating to enterprise business loans made to promote economic development.
Federal Revenue Sharing Fund	Account for residual revenue generated from a prior federal revenue sharing improvement program.
Code Enforcement Fund	Account for revenues generated from a prior residential rehab program.
Valley Technology Park Fund	Accounts for the activities of Valley Technology Park, a business incubator created through the City in collaboration with other governmental entities.
Park and Recreation Fund	Accounts for recreational facilities and services provided by the City.
Drug Task Force Fund	Account for revenues and program expenditures for drug enforcement.

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.

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

<u>Debt Service Funds</u>	<u>Description</u>
<i>Major Fund:</i>	
Grant Anticipation Note Fund	Accounts for grant funds received to pay off interim debt issued to fund arena project.
<i>Nonmajor Funds:</i>	
T-Hanger Loan Fund	Account for rents received designated for the retirement of the 2001 MNDoT T-hanger loan.
Tax Increment Bond Fund	Accounts for tax increment received designated for the retirement of the 1997 Tax Increment Refunding Bonds.
Johnson Control Contract Fund	Account for recovery of costs of energy efficient improvements financed by the City.
Special Assessment Bond Fund	Account 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>	
Flood Improvement Fund	Accounts for various flood prevention grants awarded for specific flood prevention projects.
Municipal Land & Building Fund	Accounts for contributions, specific revenue and transfers from other City funds and expenditures for various capital projects designated by City Council.
Arena Construction Project	Accounts for various grants and revenues for the construction of arena.
<i>Nonmajor Funds:</i>	
Street Construction Fund	Accounts for projects costs of council approved street improvement projects.
6th Street Landslide	Accounts for revenue received and project costs relating to the relocation and reconstruction of property effected by landslide.

Proprietary Funds

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

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

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

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

Internal Service Fund

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

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

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

D. Budgets

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

E. Revenues

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

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

F. Property Taxes

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

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

G. Cash and Investments

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

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

H. Restricted Assets

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

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.

I. Interfund Receivables and Payables

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

J. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (i.e. roads, bridges, sidewalks, storm sewers and similar improvements), are reported in the government-wide statements in the applicable governmental or business-type activities column. Capital assets that have been purchased or constructed have been valued at historical cost or estimated historical cost. Donated

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

assets are recorded at estimated fair market value at the time of donation. Estimated historical cost has been used to value capital assets for governmental activities acquired prior to January 1, 1980 that actual historical information could not be obtained.

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

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

K. Compensated Absences

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

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

L. Other Postemployment Benefit Payable

Under the provision of State law the City employees are allowed to continue on the City's health insurance plan until the age 65. Retirees reimburse the City for the cost of the monthly premium but the City funds the implicit rate subsidy created. All premiums are funded on a pay-as-you go basis. This amount was actuarially determined, in accordance with GASB 45, at December 31, 2008.

GASB 45 was implemented prospectively, meaning that the net OPEB obligation was zero at transition. Prior to the implementation of GASB 45, the City did not estimate the implicit rate subsidy liability that exists.

M. Bond Discounts/Premiums

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

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

N. 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.

O. Equity

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

Investment in Capital Assets, (net of related debt) – Consists of capital assets including restricted capital assets, net of accumulation depreciation and reduced by the outstanding balance of any bonds, mortgages, notes or other borrowings that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

P. Interfund Balances

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

Q. Estimates

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

R. Subsequent Events

The City has evaluated subsequent events through July 15, 2011, the date which the financial statements were available to be issued.

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS

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

As of December 31, 2010, the City had the following investments and maturities:

Investment	Fair Value	Credit Rating	Interest Rate	Maturity		
				1-12 mos	1 - 5 yrs	6 - 10 yrs
FDIC Investment CD's	\$ 1,956,560	not rated	3.0 - 4.75%	\$ -	\$ 1,956,560	\$ -
Federal Nat'l Mortgage Assn Notes	797,396	AAA	2.5 - 4.5%	797,396	-	-
Federal Home Loan Bank Bonds	790,665	Aaa/AAA	4.90%	790,665	-	-
Federal Home Loan Mtg Corp Notes	1,638,249	Aaa/AAA	3.0 - 4.5%	1,412,524	225,725	-
Other Federal Securities	480,006	Aaa/AAA	3.4 - 4.0%	127,201	352,805	-
	<u>\$ 5,662,876</u>			<u>\$ 3,127,786</u>	<u>\$ 2,535,090</u>	<u>\$ -</u>

As of December 31, 2010, the component unit had the following investments and maturities:

Investment	Fair Value	Credit Rating	Maturity		
			1-12 mos	1 - 5 yrs	6 - 10 yrs
Federal Home Loan Mortgage Corp	\$ 67,117	AAA	\$ -	\$ -	\$ 67,117
Federal Home Loan Bank Bonds	220,574	AAA	-	220,574	-
Federal Nat'l Mortgage Assn Notes	262,782	AAA	-	-	262,782
Corporate Bonds - General Electric	98,901	AA+	-	63,471	35,430
	<u>\$ 649,374</u>		<u>\$ -</u>	<u>\$ 284,045</u>	<u>\$ 365,329</u>

Interest Rate Risk

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

Credit Risk

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

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer.

NOTE 3. NOTES RECEIVABLE

Intermediary relending program loans are offered by the City through a revolving loan pool funded by the U.S. Department of Agriculture that provides loans to qualifying local businesses. These loans carry interest rates from 5.0% to 8.0% and are typically payable over 15 years. At December 31, 2010, the balance remaining on the loans was \$507,876, which is entirely offset by deferred revenue in the government funds for the portion that is not considered to be available to liquidate current liabilities.

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 with stated interest rates range from 5% to 8% and are payable over 7 years. At December 31, 2010, the balance remaining on the loans was \$192,444.

The component unit had two notes receivable totaling \$63,592. The first note with the remaining amount of \$33,601 is to be collected over five years and bears an interest rate of 5% and was borrowed to North Acres Estate. The second note with the remaining amount of \$29,992 is to be collected over 10 years and bears an interest of 6.75%, borrowed to J & RM, LLP to help finance a housing project.

NOTE 4. NOTE RECEIVABLE FROM USBCDC

As a result of the financing structure used to fund the construction of the new civic ice arena the City borrowed \$8,091,400 to the Crookston Investment Fund LLC, wholly owned by US Bank Community Development Corporation (USBCDC). This arrangement was necessary to facilitate the new market tax credits used to finance part of the construction costs. The promissory note carries an annual interest rate of 1%. Accrued interest on note is payable quarterly by the 10th of January, April, June and October. Starting July 10, 2017 and continuing thereafter through maturity (January 10, 2049) principal and interest shall be paid in equal installments of \$73,945.14.

An investment fund put and call agreement was entered into on March 31, 2009 relating to this note. On the seventh anniversary date of this note, the Crookston Civic Arena LLC has the right and option to purchase USBCDC's interest in the note receivable with the City of Crookston.

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Changes in capital assets for governmental activities for the year ended December 31, 2010 are as follows:

	Balance at Beginning of Year	Additions	Deletions	Transfers	Balance at End of Year
Land	\$ 5,504,047	\$ 112,099	\$ 252,370	\$ -	\$ 5,363,776
Construction in progress	-	4,866,943	-	-	4,866,943
Capital Assets Being Depreciated:					
Land improvements	925,655	-	-	-	925,655
Building and improvements	4,822,826	2,310,343	-	-	7,133,169
Equipment and machinery	2,067,779	144,509	17,387	-	2,194,901
Office equipment	533,211	34,105	21,312	-	546,004
Vehicles	1,301,945	83,400	32,860	-	1,352,485
Infrastructure	14,173,610	148,985	-	-	14,322,595
	<u>23,825,026</u>	<u>2,721,342</u>	<u>71,559</u>	<u>-</u>	<u>26,474,809</u>
Total Capital Assets	<u>\$ 29,329,073</u>	<u>\$ 7,700,384</u>	<u>\$ 323,929</u>	<u>\$ -</u>	<u>\$ 36,705,528</u>
Less Accumulated Depreciation:					
Land improvements	\$ 553,430	\$ 22,728	\$ -	\$ -	\$ 576,158
Building and improvements	3,469,486	151,418	12,544	-	3,608,366
Equipment and machinery	1,041,143	109,266	17,387	-	1,133,022
Office equipment	467,789	15,288	21,312	-	461,765
Vehicles	815,459	81,909	26,037	-	871,331
Infrastructure	1,033,055	370,505	-	-	1,403,560
Total Accumulated Depreciation	<u>7,380,362</u>	<u>751,114</u>	<u>77,280</u>	<u>-</u>	<u>8,054,196</u>
Net Capital Assets - Governmental Activities	<u>\$ 21,948,711</u>	<u>\$ 6,949,270</u>	<u>\$ 246,649</u>	<u>\$ -</u>	<u>\$ 28,651,332</u>

Changes in capital assets for business-type activities for the year ended December 31, 2010, are as follows:

	Balance at Beginning of Year	Additions	Deletions	Transfers	Balance at End of Year
Water Fund:					
Land	\$ 234,905	\$ -	\$ -	\$ -	\$ 234,905
Capital Assets Being Depreciated:					
Wells	\$ 2,134,038	\$ 30,381	\$ -	\$ -	\$ 2,164,419
Plant and equipment	1,827,631	99,275	-	-	1,926,906
Office equipment	102,980	-	-	-	102,980
Distribution system	9,514,017	781,841	-	-	10,295,858
	<u>13,578,666</u>	<u>911,497</u>	<u>-</u>	<u>-</u>	<u>14,490,163</u>
Total Capital Assets	<u>13,813,571</u>	<u>911,497</u>	<u>-</u>	<u>-</u>	<u>14,725,068</u>

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance at Beginning of Year	Additions	Deletions	Transfers	Balance at End of Year
Less Accumulated Depreciation:					
Wells	585,873	77,017	-	6,498	669,388
Plant and equipment	852,034	48,173	-	(6,498)	893,709
Office equipment	102,980	9,546	-	-	112,526
Distribution system	3,860,453	182,995	-	-	4,043,448
Total Accumulated Depreciation	<u>5,401,340</u>	<u>317,731</u>	<u>-</u>	<u>-</u>	<u>5,719,071</u>
Net Water Fund	<u>\$ 8,412,231</u>	<u>\$ 593,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,005,997</u>
Wastewater Fund:					
Land	<u>\$ 19,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,700</u>
Capital Assets Being Depreciated:					
Lift station	917,054	-	-	-	917,054
Lagoons	642,784	-	-	-	642,784
Distribution system	805,251	-	-	-	805,251
Equipment	108,146	-	-	-	108,146
	<u>2,473,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,473,235</u>
Total Capital Assets	<u>2,492,935</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,492,935</u>
Less Accumulated Depreciation:					
Lift station	401,043	23,149	-	-	424,192
Lagoons	297,288	16,070	-	-	313,358
Distribution system	252,975	20,063	-	-	273,038
Equipment	52,006	5,708	-	-	57,714
Total Accumulated Depreciation	<u>1,003,312</u>	<u>64,990</u>	<u>-</u>	<u>-</u>	<u>1,068,302</u>
Net Wastewater Fund	<u>\$ 1,489,623</u>	<u>\$ (64,990)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,424,633</u>
Net Capital Assets - Business-Type	<u>\$ 9,901,854</u>	<u>\$ 528,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,430,630</u>

Changes in capital assets for the discretely presented component unit for the year ended December 31, 2010, are as follows:

	Balance at Beginning of Year	Additions	Deletions	Transfers	Balance at End of Year
Crookston Civic Arena, LLC					
Construction in progress	<u>\$ 11,751,644</u>	<u>\$ -</u>	<u>\$ 11,751,644</u>	<u>\$ -</u>	<u>\$ -</u>
Land	<u>55,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,300</u>
Capital Assets Being Depreciated:					
Building and improvements	-	13,502,388	-	-	13,502,388
Equipment and furnishings	-	396,808	-	-	396,808
	<u>-</u>	<u>13,899,196</u>	<u>-</u>	<u>-</u>	<u>13,899,196</u>
Total Capital Assets	<u>11,806,944</u>	<u>13,899,196</u>	<u>11,751,644</u>	<u>-</u>	<u>13,954,496</u>
Less Accumulated Depreciation	<u>-</u>	<u>348,723</u>	<u>-</u>	<u>-</u>	<u>348,723</u>
	<u>\$ 11,806,944</u>	<u>\$ 13,550,473</u>	<u>\$ 11,751,644</u>	<u>\$ -</u>	<u>\$ 13,605,773</u>

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance at Beginning of Year	Additions	Deletions	Transfers	Balance at End of Year
Crookston Housing & Economic Development Authority (CHEDA):					
Land	\$ 101,632	\$ -	\$ -	\$ -	\$ 101,632
Construction in progress	-	7,365	-	-	7,365
Capital Assets Being Depreciated:					
Building	4,531,212	10,669	-	-	4,541,881
Furniture and equipment	247,423	6,138	6,011	-	247,550
	<u>4,778,635</u>	<u>16,807</u>	<u>6,011</u>	<u>-</u>	<u>4,789,431</u>
Total Capital Assets	<u>\$ 4,880,267</u>	<u>\$ 24,172</u>	<u>\$ 6,011</u>	<u>\$ -</u>	<u>\$ 4,898,428</u>
Less Accumulated Depreciation:					
Building	2,198,397	125,038	-	-	2,323,435
Furniture and equipment	216,339	8,194	6,011	-	218,522
Total Accumulated Depreciation	<u>2,414,736</u>	<u>133,232</u>	<u>6,011</u>	<u>-</u>	<u>2,541,957</u>
Net Capital Assets - CDA	<u>\$ 2,465,531</u>	<u>\$ (109,060)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,356,471</u>

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

Primary Government:

Governmental Activities:

General government	\$ 70,098
Public safety	90,078
Streets & highways	378,958
Culture & recreation	71,697
Airport	110,164
Community & economic development	30,119
Total Governmental Activities	<u>\$ 751,114</u>

Business-Type Activities:

Water	\$ 317,731
Wastewater	64,990
	<u>\$ 382,721</u>

Component Unit:

Crookston Hsg & Econ Develop Authority	\$ 133,232
Crookston Civic Arena, LLC	348,723
	<u>\$ 481,955</u>

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

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

	Balance Beginning of Year	New Issues	Debt Retired	Balance End of Year	Due Within One Year
PRIMARY GOVERNMENT:					
<u>Governmental Activities:</u>					
GO Grant Anticipation Note Series 2009	\$ 10,000,000	\$ -	\$ -	\$ 10,000,000	\$ 10,000,000
Bonds Payable:					
GO Tax Increment Refunding Bonds, Series 1997A	50,000	-	50,000	-	-
GO Improvement Bonds, Series 2003B	315,000	-	100,000	215,000	95,000
	<u>10,365,000</u>	<u>-</u>	<u>150,000</u>	<u>10,215,000</u>	<u>10,095,000</u>
State Loans Payable:					
MNDot Ag Service Hanger Loan - 2001	11,101	-	7,836	3,265	3,265
Other Loans Payable:					
Citimortgage, Inc.	174,358	-	20,921	153,437	21,330
NW MN Foundation	38,213	-	7,690	30,523	8,124
USDA - Intermediary Loan Program	451,206	-	28,111	423,095	28,675
	<u>663,777</u>	<u>-</u>	<u>56,722</u>	<u>607,055</u>	<u>58,129</u>
Postemployment Benefit Payable	127,176	64,951	6,640	185,487	-
Compensated Absences	459,943	15,704	17,409	458,238	-
Total - Governmental Activities	<u>\$ 11,626,997</u>	<u>\$ 80,655</u>	<u>\$ 238,607</u>	<u>\$ 11,469,045</u>	<u>\$ 10,156,394</u>
<u>Business-Type Activities:</u>					
Bonds Payable:					
Wastewater Facility Revenue Refunding Bonds, Series 2005A	\$ 165,000	\$ -	\$ 80,000	\$ 85,000	\$ 85,000
GO FmHA Revenue Bonds, Series 1996A	184,200	-	8,500	175,700	-
GO Water Revenue Bonds, Series 2003A	1,175,000	-	110,000	1,065,000	115,000
	1,524,200	-	198,500	1,325,700	200,000
Adjust for deferred amounts for issuance premiums (discounts)	5,098	19	-	5,117	-
	<u>1,529,298</u>	<u>19</u>	<u>198,500</u>	<u>1,330,817</u>	<u>200,000</u>
Compensated Absences	109,870	11,823	24,676	97,017	-
Total Business-Type Activities	<u>1,639,168</u>	<u>11,842</u>	<u>223,176</u>	<u>1,427,834</u>	<u>200,000</u>
Total Primary Government	<u>\$ 13,266,165</u>	<u>\$ 92,497</u>	<u>\$ 461,783</u>	<u>\$ 12,896,879</u>	<u>\$ 10,356,394</u>

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Debt Retired</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
<u>Component Unit:</u>					
Senior Note Payable - MMCDC New Markets Fund XV, LLC	\$ 8,091,400	\$ -	\$ -	\$ 8,091,400	\$ -
Subordinate Note Payable - MMCDC New Markets Fund XV, LLC	<u>2,833,600</u>	<u>-</u>	<u>-</u>	<u>2,833,600</u>	<u>-</u>
Total Component Unit	<u>\$ 10,925,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,925,000</u>	<u>\$ -</u>

Long-term indebtedness is made up of the following issues as of December 31, 2010, excluding compensated absences and postemployment benefits:

	<u>Debt Funding Source</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Final Payment Date</u>	<u>Outstanding</u>
<u>Governmental Activities:</u>					
Grant Anticipation Note, Series 2009	Grant	10,000,000	3.0%	2/24/2011	\$ 10,000,000
Bonds Payable:					
GO Improvement Bonds, Series 2003B	Spec assess	1,060,000	2.5-3.25%	2/1/2013	215,000
State Loans Payable:					
MNDOT Ag Service Hanger Loan - 2001	Rents	73,789	none	5/1/2011	3,265
Other Loans Payable:					
Citimortgage, Inc.	General	224,619	4.29%	1/1/2016	153,437
NW MN Foundation	Rents	100,000	6.0%	10/20/2005	30,523
USDA - Intermediary Loan Program	Loan pmts	789,922	1.0%	1/1/2023	<u>423,095</u>
Total Governmental Activities					<u>\$ 10,825,320</u>
	<u>Debt Funding Source</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Final Payment Date</u>	<u>Outstanding</u>
<u>Business-Type Activities:</u>					
Bonds Payable:					
GO FmHA Revenue Bonds, Series 1996A	User fees	263,000	5.125%	1/1/2025	175,700
Wastewater Facility Revenue Refunding Bonds, Series 2005A	User fees	660,000	2.4 - 3.4%	2/1/2011	85,000
GO Water Revenue Bonds, Series 2003A	User fees	1,745,000	2.375-3.7%	2/1/2018	<u>1,065,000</u>
Business-Type Activities					<u>\$ 1,325,700</u>
<u>Component Unit:</u>					
Senior Note Payable - MMCDC New Markets Fund XV, LLC	Tax credits	8,091,400	1.452%	4/1/2049	8,091,400
Subordinate Note Payable - MMCDC New Markets Fund XV, LLC	Tax credits	2,833,600	1.452%	4/1/2049	<u>2,833,600</u>
					<u>\$ 10,925,000</u>

CITY OF CROOKSTON, MINNESOTA
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MMCDC New Markets Fund XV, LLC Notes Payable

On March 31, 2009 the Crookston Civic Arena, LLC entered into a senior and subordinate note payable to facilitate the financing for construction of a civic ice arena with New Market Tax Credits.

Under the terms of the senior note agreement, accrued interest is paid quarterly through April 1, 2017 and commencing July 1, 2017 quarterly principal and interest installments of \$79,146 begin. In a related agreement, the City has borrowed \$8,091,400 to US Bank Community Development Corporation (USBCDC) which in effect recaptures annual interest of 1%, making the net interest rate paid on the senior note 0.452%.

Under the terms of the subordinate note agreement, accrued interest is paid quarterly through April 1, 2016, at which time a mandatory prepayment of principal in the amount of \$230,000 is required. Commencing thereafter until April 1, 2019 only accrued interest is payable in quarterly installments. On July 1, 2019 and continuing thereafter through January 1, 2049 quarterly principal and interest installments of \$26,803 begin.

The above notes are subject to various related agreements, including an operating deficit guaranty made between the City of Crookston and Crookston Civic Arena LLC and the investment fund put and call agreement between USBCC and Crookston Civic Arena LLC. Under the put and call agreement in seven years the LLC has the right to purchase back USBCDC's interest in the note receivable to the City of Crookston. Upon full compliance with related debt agreement terms, it is expected upon the seventh year anniversary of the financing date, the note receivable due to USBCDC and the notes payable to MMCDC will retired with no net cash flow by the LLC.

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, 2010 are as follows:

Year Ended	Governmental Activities					
	Bonds		Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 95,000	\$ 5,237	\$ 61,394	\$ 12,408	\$ 156,394	\$ 17,645
2012	70,000	2,718	74,281	10,633	144,281	13,351
2013	50,000	813	54,056	8,496	104,056	9,309
2014	-	-	56,312	7,161	56,312	7,161
2015	-	-	58,430	5,738	58,430	5,738
2016 - 2020	-	-	182,757	12,238	182,757	12,238
2021 - 2025	-	-	123,090	2,933	123,090	2,933
	<u>\$ 215,000</u>	<u>\$ 8,768</u>	<u>\$ 610,320</u>	<u>\$ 59,607</u>	<u>\$ 825,320</u>	<u>\$ 68,375</u>

Year Ended	Business-Type Activities					
	Water Revenue Bonds		Wastewater Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 115,000	\$ 34,839	\$ 85,000	\$ 1,445	\$ 200,000	\$ 36,284
2012	120,000	31,091	8,900	9,005	128,900	40,096
2013	125,000	27,111	9,300	8,549	134,300	35,660
2014	130,000	22,903	9,800	8,072	139,800	30,975
2015	135,000	18,363	10,300	7,570	145,300	25,933
2016 - 2020	440,000	24,835	60,200	29,346	500,200	54,181
2021 - 2025	-	-	77,200	12,264	77,200	12,264
	<u>\$ 1,065,000</u>	<u>\$ 159,142</u>	<u>\$ 260,700</u>	<u>\$ 76,251</u>	<u>\$ 1,325,700</u>	<u>\$ 235,393</u>

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended	Component Unit - Crookston Civic Arena LLC					
	Senior Note		Subordinate Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ -	\$ 117,487	\$ -	\$ 41,944	\$ -	\$ 159,431
2012	-	117,487	-	41,944	-	159,431
2013	-	117,487	-	41,944	-	159,431
2014	-	117,487	-	41,944	-	159,431
2015	-	117,487	-	41,944	-	159,431
2016 - 2020	557,561	568,162	282,245	188,525	839,806	756,687
2021 - 2025	1,072,475	494,784	363,196	167,560	1,435,671	662,344
2026 - 2030	1,153,080	413,000	390,493	139,864	1,543,573	552,864
2031 - 2035	1,239,745	325,071	419,843	110,087	1,659,588	435,158
2036 - 2040	1,332,923	230,534	451,398	78,070	1,784,321	308,604
2041 - 2045	1,433,104	128,890	485,324	43,649	1,918,428	172,539
2046 - 2050	<u>1,302,512</u>	<u>25,675</u>	<u>441,101</u>	<u>8,695</u>	<u>1,743,613</u>	<u>34,370</u>
	<u>\$ 8,091,400</u>	<u>\$ 2,773,551</u>	<u>\$ 2,833,600</u>	<u>\$ 946,170</u>	<u>\$ 10,925,000</u>	<u>\$ 3,719,721</u>

NOTE 7. POSTEMPLOYMENT BENEFIT PAYABLE

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The City engaged an actuary to determine the City's liability for the implicit rate subsidy created by the extended participation of retirees in the City's existing health insurance plan through age 65. An implicit subsidy is the difference between the actual and apparent cost of retiree medical coverage. The actual cost for early retirees is higher than the average per-person premium for the active/retiree group. Plans in which retirees pay the average active/retiree rate (the apparent cost) give rise to an implicit subsidy in which the employer pays the difference between the actual and apparent cost.

Plan Description

In accordance with State law the City of Crookston's retired employees are allowed to continue on the City's health insurance plan until the age 65. 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. There are 56 active participants and no retired participants. The plan does not issue financial reports available to the public.

Funding Policy

Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payment of future benefits. The general fund is used for funding the cost of the postemployment benefit.

Annual Pension Cost and Net Pension Obligation

The City's annual other postemployment benefit cost and net OPEB obligation for the current year is:

CITY OF CROOKSTON, MINNESOTA
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Annual Required Contribution (ARC)	\$ 67,219
Interest on Net OPEB Obligation	5,087
Adjustment to Annual ARC	<u>(7,355)</u>
Annual OPEB Cost (Expense)	64,951
Contributions Made	<u>(6,640)</u>
Increase in Net OPEB Obligation	58,311
Net OPEB Obligation, Beginning of Year	<u>127,176</u>
Net OPEB Obligation, End of Year	<u>\$ 185,487</u>

Funding Status and Progress

As of December 31, 2008, the most recent actuarial valuation date, for the period January 1, 2010 through December 31, 2010 the unfunded actuarial accrued liability (UAAL) was \$656,293. The annual payroll for active employees covered by the plan in the actuarial valuation for the year was \$2,833,705 for a ratio of the UAAL to covered payroll of 17%.

The annual required contribution for the current year was determined as part of the December 31, 2010 actuarial valuation using GASB 45's alternative measurement method available to employers with under 100 employees. The actuarial assumptions included a rate of 4% to discount expected liabilities to the valuation date. The initial healthcare trend rate was 10% reduced by decrements to an ultimate rate of 5% after 10 years. Mortality, disability and retirement rates are from the National Center for Health Statistics, 2000 US Life Tables for Males and US Life Tables form Females.

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The unfunded actuarial accrued liability is being amortized as a level dollar amount of projected payroll. The remaining amortization period at June 30, 2010 is 27 years.

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2009	\$ 66,021	9.18%	\$ 127,176
12/31/2010	\$ 64,951	10.20%	\$ 185,487

NOTE 8. CONDUIT DEBT

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

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9. CAPITAL LEASES

The Civic Arena LLC. (component unit) leases a phone system and related equipment, under a capital lease with Garden Valley Telephone Company. Accordingly, the asset and lease are recorded in the component unit's assets and liabilities.

The following is an analysis of the leased asset included in property and equipment:

	<u>2010</u>
Equipment	\$ 2,044
Less: accumulated depreciation	<u>(409)</u>
Net	<u>\$ 1,635</u>

The following is a schedule by years, of future minimum payments required under the lease, Together with their present value, as of December 31, 2010:

2011	\$ 828
2012	828
2013	<u>69</u>
Total Minimum Lease Payments	1,725
Less Amount Representing Interest	<u>(223)</u>
Present Value of Minimum Lease Payments	<u>\$ 1,502</u>
Current Portion	670
Noncurrent Portion	<u>832</u>
	<u>\$ 1,502</u>

NOTE 10. 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>Transfer In</u>		
Improvement Fund	Other financing source required	\$ 71,914
Arena Construction Fund	Other financing source required	247,492
Municipal Land and Building Fund	Other financing source required	150,000
Nonmajor Governmental Funds	Other financing source required	<u>431,277</u>
		<u>\$ 900,683</u>

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

<u>Transfer Out</u>		
General Fund	Other financing use required	\$ 167,765
Improvement Fund	Other financing use required	338,554
Municipal Land and Building Fund	Other financing use required	247,492
Water Fund	Other financing use required	71,914
Nonmajor Governmental Funds	Other financing use required	74,958
		<u>\$ 900,683</u>
<u>Transfer From (To) Component Unit</u>		
Arena Construction Fund	Financing for arena construction	\$ (193,678)
Municipal Land and Bldg Fund	Financing for arena construction	80,914
General Fund	Provide financial support	(80,000)
		<u>\$ (192,764)</u>
<u>Transfer From Primary Government</u>		
Crookston Civic Arena LLC	Construction financing	\$ 112,764
Crookston Hsg & Econ Develop Authority		80,000
		<u>192,764</u>

Details on interfund receivable/payable balances are as follows as of December 31, 2010:

<u>Due From Other Funds</u>		
Improvement Fund	Interim financing for deficit cash	\$ 900,000
Municipal Land and Bldg Fund	Interim financing for deficit cash	951,164
Park and Recreation Fund	Interim financing for deficit cash	500,000
Federal Revenue Sharing Fund	Interim financing for deficit cash	150,000
		<u>\$ 2,501,164</u>
<u>Due To Other Funds</u>		
General Fund	Interim financing for deficit cash	\$ 869,512
Street Construction Fund	Interim financing for deficit cash	939,603
Flood Improvement Fund	Interim financing for deficit cash	556,330
TIF Fund	Interim financing for deficit cash	93,190
Airport Fund	Interim financing for deficit cash	16,408
Johnson Control Debt Service Fund	Interim financing for deficit cash	3,828
Library Fund	Interim financing for deficit cash	22,293
		<u>\$ 2,501,164</u>

NOTE 11. DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Description

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

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

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.0%, respectively, of their annual covered salary in 2010. PEPFF members were required to contribute 9.4% of their annual covered salary in 2010.

The City of Crookston, Minnesota is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 7.0% for Coordinated Plan PERF members

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

and 14.1% for PEPFF members. The City's contributions, including its component unit, to the Public Employees Retirement Fund for the years ending December 30, 2010, 2009 and 2008 were \$116,386, \$116,752 and \$113,457, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2010, 2009 and 2008 were \$163,738, \$172,029, and \$156,525, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

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 four-tenths of one percent of the assets in each members account annually.

Total contributions made by the City of Crookston, Minnesota during the year ended December 31, 2010 were:

<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Rates</u>
<u>1,346</u>	<u>1,346</u>	<u>5.0%</u>	<u>5.0%</u>	<u>5.0%</u>

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.

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 14. RESERVED FUND EQUITY

Following is a summary of fund equity reserves and designations as of December 31, 2010:

PRIMARY GOVERNMENT:

General Fund:

Reserve for:

Prepays	\$ 29,902
Inventory	32,000
Severance pay	86,259
Health / BCBS tobacco	50,063
S.H.I.P.	6,628
Future infrastructure	206,824
Pest control	240,022
Recycling	9,658
Community improvement	70,759
Equipment & furnishings	5,500
Siren	35,380
Fire truck and other	298,107
Homeland fire grant	3,588
Police	18,975
Drug forfeitures & investigations	2,307
D.W.I. program	8,480
E.O.C.	5,985

Total	1,110,437
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Enterprise Zone Revolving Loan Fund:

Reserve for mortgage buy downs	10,000
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Intermediary Relending Program Fund:

Reserve for:

Prepays	280
Relending	655,037
Loan losses	30,473

Total	685,790
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Library Fund:

Reserve for:

Severance pay	8,905
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Park and Recreation Fund:

Reserve for:

Prepays	248
Inventory	52,640
Severance pay	20,577
Storage building	12,500
Beverage contract	5,000
Special recreation programs	2,148
Playground equipment	30,000
Park development	63,742
Mower and vehicle	83,130
Highland development	32,582
Baseball field improvements	5,000

Total	307,567
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CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

Special Service District Fund:		
Reserved for flood prevention		2,426,058
Drug Task Force Fund		
Reserved for drug prevention		23,639
Municipal Land and Building Fund:		
Reserved Doli escrow		500,000
Valley Technology Park Fund:		
Reserved for maintenance		17,786
Total Reserved		<u>\$ 5,090,182</u>
Water Fund:		
Reserve for:		
Debt retirement	\$	1,278,744
Line repairs		54,284
		<u>\$ 1,333,028</u>
<u>COMPONENT UNIT:</u>		
Reserve for:		
Housing		93,058
Revolving loans		-
		<u>\$ 93,058</u>

NOTE 15. FUND DEFICIENCIES / DEFICITS

The following funds have deficit fund balances at December 31, 2010:

Special Revenue Funds:		
Library	\$	24,654
TIF		93,190
Airport		38,777
Debt Service Funds:		
Johnson Control Contract		3,072
Capital Projects Funds:		
Street Construction		963,862
Flood Improvement		632,858

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

Expenditures exceed appropriations in certain individual funds for the year ended December 31, 2010, as follows:

Special Revenue Fund:		
SSD Flood Control	\$	7,010

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 16. RELATED PARTY ARRANGEMENTS

As a condition of the financing arrangement used by the City and its component unit, Crookston Housing and Economic Development Authority, relating to the construction and operation of the new civic arena the following lease arrangements were entered into during the year ended December 31, 2010.

Lease Agreement

The City has entered into a long-term lease agreement with Crookston Civic Arena, LLC. (sole member Crookston Housing and Economic Development Authority) the land and improvements to be constructed in Crookston, Minnesota, which upon completion will be leased for the operation of the civic ice arena complex. The lease expires on April 1, 2060.

Sublease Agreement

In a separate agreement, the Crookston Civic Arena, LLC entered into a long-term sublease agreement with the City of Crookston, whereby the City has agreed to sublease the above reference land and improvements made to such property, to be used by the Crookston Civic Arena LLC as a civic ice arena complex. This sublease agreement expires April 1, 2024.

Service Agreement

A service agreement was entered into between the City of Crookston and Crookston Civic Arena, LLC. In accordance with the agreement the City shall provide the LLC with day-to-day management services provided by an arena manager, including staffing, scheduling and related operations, and maintenance services by its employees. As compensation for services rendered by the City the LLC shall pay the actual costs attributable to the provision of City employees, which is estimated to be approximately \$9,447, per month. This agreement may be terminated by either party for any reason upon thirty day notice.

Operating Deficit Guaranty Agreement

An operating deficit guaranty agreement was entered into between the City of Crookston and Crookston Civic Arena LLC. Under terms of this agreement the City is obligated to provide sufficient appropriations to pay the full amount of the projected operating deficit, calculation of which is defined in the agreement. The City shall provide moneys for the payment thereof when and as the corresponding operating costs are specified by the LLC.

NOTE 17. 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.

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

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 18. 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, 2010, 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.

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 19. 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 20. ASSETS HELD FOR SALE

The component unit has assets held for sale totaling \$127,423 as of December 31, 2010. These assets held for sale represent costs incurred to purchase and rehabilitate/renovate two homes that the component unit expects will be sold in the subsequent year.

NOTE 21. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$5,035,591 was made to governmental activities beginning net assets. Upon State funding approval of the City's flood protection plan it was determined that preparation work done in the prior years should be capitalized.

CITY OF CROOKSTON, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 22. SUBSEQUENT EVENTS

The Minnesota Department of Labor and Industry conducted a prevailing wage investigation into various contractors on the arena construction project. The City contended that construction contracts with the primary contractors included prevailing wage requirements. Minnesota Department of Labor has requested that \$591,924 be withheld from contractor, which the City has complied with. Also, the State would not release any of the project grant funds until the matter is resolved. In April of 2011 the State released the \$10,000,000 grant proceeds to the City of Crookston.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CROOKSTON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance
	<u>Original</u>	<u>Final</u>		Final Budget to Actual
REVENUES:				
Property taxes	\$ 1,110,810	\$ 1,110,810	\$ 1,140,044	\$ 29,234
Intergovernmental:				
State	1,813,453	1,813,453	1,962,805	\$ 149,352
Federal	-	-	50,989	50,989
Other local	10,200	10,200	26,196	15,996
Total intergovernmental	1,823,653	1,823,653	2,039,990	216,337
License, Fees & Permits	742,050	742,050	753,055	11,005
Other:				
Fines & penalties	64,808	64,808	81,143	16,335
Charges for services	381,194	381,194	380,885	(309)
Interest	80,000	80,000	58,798	(21,202)
Miscellaneous	35,737	35,737	141,190	105,453
Total other revenue	561,739	561,739	662,016	100,277
Total Revenue	4,238,252	4,238,252	4,595,105	356,853
EXPENDITURES:				
General Government				
Mayor & council	134,837	134,837	146,481	(11,644)
City administrator	180,418	180,418	168,639	11,779
Assessor	28,000	28,000	26,600	1,400
Election	11,675	11,675	9,095	2,580
City clerk	268,188	268,188	261,115	7,073
Legal & auditing	121,500	121,500	120,567	933
City hall	147,684	147,684	142,059	5,625
Planning & zoning	2,100	2,100	2,386	(286)
Total general government	894,402	894,402	876,942	17,460
Police Department:				
Salaries and benefits	1,212,979	1,212,979	1,112,727	100,252
Other	315,684	315,684	282,159	33,525
Capital outlay	65,488	65,488	70,522	(5,034)
Total police department	1,594,151	1,594,151	1,465,408	128,743
Fire Department:				
Salaries and benefits	534,148	534,148	519,466	14,682
Other	164,651	164,651	131,293	33,358
Capital outlay	133,928	133,928	84,693	49,235
Total fire department	832,727	832,727	735,452	97,275

CITY OF CROOKSTON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

	Budget Amounts		Actual Amounts	Variance Final Budget to Actual
	Original	Final		
Civil Defense	\$ 36,774	\$ 36,774	\$ 14,120	22,654
Flood Control	12,779	12,779	32,046	(19,267)
Highways & Streets:				
Public works	78,974	78,974	62,588	16,386
Street & alley maintenance	323,720	323,720	309,724	13,996
Street lighting & signs	114,220	114,220	119,424	(5,204)
Snow removal	142,969	142,969	146,023	(3,054)
Parking lots	709	709	462	247
Street sweeping	26,408	26,408	31,039	(4,631)
Tree trimming	24,090	24,090	25,230	(1,140)
Total highways & streets	711,090	711,090	694,490	16,600
Sanitation:				
Garbage hauling	174,680	174,680	160,345	14,335
Pest control	22,653	22,653	18,367	4,286
Weed control	1,920	1,920	2,477	(557)
Lagoon farming	-	-	-	-
Total sanitation	199,253	199,253	181,189	18,064
Other:				
Capital outlay	-	-	-	-
SCBG	-	-	188,292	(188,292)
Dutch Elm disease program	22,103	22,103	16,734	5,369
Total other	22,103	22,103	205,026	(182,923)
Total Expenditures	4,303,279	4,303,279	4,204,673	98,606
Revenues Over (Under) Expenditures	(65,027)	(65,027)	390,432	(455,459)
OTHER SOURCES (USES):				
Proceeds from sale of assets	-	-	2,272	2,272
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	(167,765)	(167,765)
Transfers to component unit	80,000	(80,000)	(80,000)	-
Net Other Sources (Uses)	80,000	(80,000)	(245,493)	(165,493)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	14,973	(145,027)	144,939	(289,966)
Fund Balance, January 1	3,151,311	3,151,311	3,151,311	-
Fund Balance, December 31	\$ 3,166,284	\$ 3,006,284	\$ 3,296,250	\$ (289,966)

See notes to required supplementary information

CITY OF CROOKSTON, MINNESOTA
BUDGETARY COMPARISON SCHEDULES
MAJOR SPECIAL REVENUE FUND
INTERMEDIARY RELENDING PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance Final Budget to Actual</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 11,500	\$ 11,500	\$ 3,199	\$ (8,301)
Loan repayments	<u>240,000</u>	<u>240,000</u>	<u>153,429</u>	<u>(86,571)</u>
Total Revenues	<u>251,500</u>	<u>251,500</u>	<u>156,628</u>	<u>(94,872)</u>
EXPENDITURES				
Economic development	367,099	367,099	136,523	230,576
Debt service:				
Principal	28,622	28,622	28,111	511
Interest	<u>4,279</u>	<u>4,279</u>	<u>4,790</u>	<u>(511)</u>
Total Expenditures	<u>400,000</u>	<u>400,000</u>	<u>169,424</u>	<u>230,576</u>
Net Change in Fund Balance	(148,500)	(148,500)	(12,796)	135,704
Fund Balance, January 1	<u>698,586</u>	<u>698,586</u>	<u>698,586</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 550,086</u>	<u>\$ 550,086</u>	<u>\$ 685,790</u>	<u>\$ 135,704</u>

See notes to required supplementary information

CITY OF CROOKSTON, MINNESOTA
BUDGETARY COMPARISON SCHEDULES
MAJOR SPECIAL REVENUE FUND
SPECIAL SERVICE DISTRICT - FLOOD CONTROL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance
	<u>Original</u>	<u>Final</u>		Final Budget to Actual
REVENUES				
Special assessments	\$ 355,000	\$ 355,000	\$ 366,820	\$ 11,820
Charges for services	-	-	110	110
Miscellaenous	-	-	9,976	9,976
Investment earnings	48,000	48,000	36,524	(11,476)
Total Revenues	<u>403,000</u>	<u>403,000</u>	<u>413,430</u>	<u>10,430</u>
EXPENDITURES				
Public safety	<u>75,256</u>	<u>75,256</u>	<u>189,591</u>	<u>(114,335)</u>
Revenues Over (Under) Expenditures	327,744	327,744	223,839	(103,905)
OTHER SOURCES (USES)				
Proceeds from sale of property	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	327,744	327,744	223,839	(103,905)
Fund Balance, January 1	<u>2,202,219</u>	<u>2,202,219</u>	<u>2,202,219</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 2,529,963</u>	<u>\$ 2,529,963</u>	<u>\$ 2,426,058</u>	<u>\$ (103,905)</u>

See notes to required supplementary information

CITY OF CROOKSTON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
MAJOR SPECIAL REVENUE FUND
IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget to Actual</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ 132	\$ 132
Special assessments	423,969	423,969	314,404	(109,565)
Intergovernmental:				
State	191,986	191,986	191,986	-
Miscellaneous	-	-	659	659
Investment Earnings	-	-	25,103	25,103
Total Revenues	<u>615,955</u>	<u>615,955</u>	<u>532,284</u>	<u>(83,671)</u>
EXPENDITURES:				
General government	<u>437,531</u>	<u>437,531</u>	<u>32,551</u>	<u>404,980</u>
Revenues Over (Under) Expenditures	178,424	178,424	499,733	321,309
OTHER SOURCES (USES):				
Proceeds from sale of asset	-	-	15,000	15,000
Transfer from other funds	53,000	53,000	71,914	18,914
Transfer to other funds	-	-	(338,554)	(338,554)
Net Other Sources (Uses)	<u>53,000</u>	<u>53,000</u>	<u>(251,640)</u>	<u>(304,640)</u>
Net Change in Fund Balance	231,424	231,424	248,093	16,669
Fund Balance, January 1	<u>928,217</u>	<u>928,217</u>	<u>928,217</u>	<u>-</u>
Fund Balance, December 31	<u>\$ 1,159,641</u>	<u>\$ 1,159,641</u>	<u>\$ 1,176,310</u>	<u>\$ 16,669</u>

See notes to required supplementary information

CITY OF CROOKSTON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
MAJOR SPECIAL REVENUE FUND
MUNICIPAL LAND AND BUILDING
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance
	<u>Original</u>	<u>Final</u>		Final Budget to Actual
REVENUES				
Property taxes	\$ 40,027	\$ 40,027	\$ 35,633	\$ (4,394)
Special assessments	-	-	-	-
Intergovernmental:				
State	107,836	107,836	107,836	-
Miscellaneous	10,800	10,800	10,800	-
Investment Earnings	34,891	34,891	25,686	(9,205)
Total Revenues	<u>193,554</u>	<u>193,554</u>	<u>179,955</u>	<u>(13,599)</u>
EXPENDITURES:				
General government	-	-	20	(20)
Revenues Over (Under) Expenditures	193,554	193,554	179,935	(13,619)
OTHER SOURCES (USES):				
Transfer from other funds	-	-	150,000	150,000
Transfer to other funds	(193,554)	(193,554)	(247,492)	(53,938)
Transfer to component unit	-	-	80,914	80,914
Net Other Sources (Uses)	<u>(193,554)</u>	<u>(193,554)</u>	<u>(16,578)</u>	<u>176,976</u>
Net Change in Fund Balance	-	-	163,357	163,357
Fund Balance, January 1	<u>1,028,745</u>	<u>1,028,745</u>	<u>1,028,745</u>	-
Fund Balance, December 31	<u>\$ 1,028,745</u>	<u>\$ 1,028,745</u>	<u>\$ 1,192,102</u>	<u>\$ 163,357</u>

See notes to required supplementary information

CITY OF CROOKSTON, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR POST EMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (AAL) (a - b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 486,760	\$ 486,760	0.00%	\$ 2,833,705	17.18%

See notes to required supplementary information

CITY OF CROOKSTON, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF CROOKSTON, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ 472,339	69,120	-	\$ 541,459
Receivables:				
Accounts	37,996	-	-	37,996
Taxes	167,662	45,870	-	213,532
Special assessments	-	188,192	-	188,192
Due from other funds	650,000	-	-	650,000
Inventory	52,640	-	-	52,640
Prepaid expenses	248	-	-	248
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,380,885</u>	<u>303,182</u>	<u>-</u>	<u>\$ 1,684,067</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 58,507	-	24,259	\$ 82,766
Due to other funds	131,891	3,828	939,603	1,075,322
Accrued liabilities	13,823	-	-	13,823
Customer deposits	7,598	-	-	7,598
Due to other governments	39	-	-	39
Deferred revenue:				
Taxes	162,345	45,026	-	207,371
Special assessments	-	182,777	-	182,777
Other	15,690	-	-	15,690
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>389,893</u>	<u>231,631</u>	<u>963,862</u>	<u>1,585,386</u>
Fund Balance:				
Reserved	367,897	-	-	367,897
Unreserved:				
Undesignated -				
Special revenue funds	623,095	-	-	623,095
Debt service funds	-	71,551	-	71,551
Capital projects fund	-	-	(963,862)	(963,862)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>990,992</u>	<u>71,551</u>	<u>(963,862)</u>	<u>98,681</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,380,885</u>	<u>303,182</u>	<u>-</u>	<u>\$ 1,684,067</u>

CITY OF CROOKSTON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	\$ 177,740	\$ 25,864	\$ -	\$ 203,604
Special assessments	-	148,810	-	148,810
Intergovernmental	1,867,600	-	262,532	2,130,132
Charges for services	280,757	-	-	280,757
Interest	12,528	49	-	12,577
Miscellaneous	64,652	7,966	112	72,730
Total Revenues	<u>2,403,277</u>	<u>182,689</u>	<u>262,644</u>	<u>2,848,610</u>
EXPENDITURES				
Parks and recreation	1,104,831	-	-	1,104,831
Public safety	115,545	-	-	115,545
Library	299,442	-	-	299,442
Streets	-	-	528,365	528,365
Airport	696,780	-	-	696,780
Economic & community development	78,654	-	-	78,654
Allocated interest	4,598	3,066	26,271	33,935
Other	-	1,033	-	1,033
Debt service:				
Principal	7,690	178,757	-	186,447
Interest & fees	1,910	18,215	-	20,125
Total Expenditures	<u>2,309,450</u>	<u>201,071</u>	<u>554,636</u>	<u>3,065,157</u>
Excess (Deficiency) of Revenues Over Expenditures	93,827	(18,382)	(291,992)	(216,547)
OTHER SOURCES (USES)				
Proceeds from sale of property	25,854	-	-	25,854
Transfers from other funds	6,068	74,958	-	81,026
Transfers to other funds	(74,958)	-	350,251	275,293
Transfers to component unit	-	-	-	-
Net Other Sources (Uses)	<u>(43,036)</u>	<u>74,958</u>	<u>350,251</u>	<u>382,173</u>
Net Change in Fund Balance	50,791	56,576	58,259	165,626
Fund Balance, January 1	<u>940,201</u>	<u>14,975</u>	<u>(1,022,121)</u>	<u>(66,945)</u>
Fund Balance, December 31	<u>\$ 990,992</u>	<u>\$ 71,551</u>	<u>\$ (963,862)</u>	<u>\$ 98,681</u>

CITY OF CROOKSTON, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2010

	Library	Park & Recreation	TIF	P2P Drug Taskforce	Airport	Enterprise Zone Loans	Code Enforcement	Federal Revenue Sharing	Valley Tech Park	Total
ASSETS										
Cash and cash equivalents	\$ -	\$ 241,310	\$ -	\$ 12,023	\$ -	\$ 101,251	\$ 58,680	\$ 37,690	\$ 21,385	\$ 472,339
Receivables, net:										
Accounts	-	1,900	-	26,229	7,572	-	-	-	2,295	37,996
Taxes	36,079	127,732	-	-	3,549	-	-	-	302	167,662
Due from other funds	-	500,000	-	-	-	-	-	150,000	-	650,000
Inventory	-	52,640	-	-	-	-	-	-	-	52,640
Prepaid expenses	-	248	-	-	-	-	-	-	-	248
TOTAL ASSETS	\$ 36,079	\$ 923,830	\$ -	\$ 38,252	\$ 11,121	\$ 101,251	\$ 58,680	\$ 187,690	\$ 23,982	\$ 1,380,885
LIABILITIES AND FUND BALANCE										
Liabilities:										
Accounts payable	\$ 1,384	\$ 30,017	\$ -	\$ 14,613	\$ 9,864	\$ -	\$ -	\$ -	\$ 2,629	\$ 58,507
Accrued liabilities	1,081	12,689	-	-	-	-	-	-	53	13,823
Due from other funds	22,293	-	93,190	-	16,408	-	-	-	-	131,891
Due to other governments	-	27	-	-	-	-	-	-	12	39
Customer deposits	-	-	-	-	4,398	-	-	-	3,200	7,598
Deferred revenue:										
Taxes	35,975	122,530	-	-	3,538	-	-	-	302	162,345
Other	-	-	-	-	15,690	-	-	-	-	15,690
Total Liabilities	60,733	165,263	93,190	14,613	49,898	-	-	-	6,196	389,893
Fund Balance (Deficit):										
Reserved	8,905	307,567	-	23,639	-	10,000	-	-	17,786	367,897
Unreserved - special revenue fund	(33,559)	451,000	(93,190)	-	(38,777)	91,251	58,680	187,690	-	623,095
Total Fund Balance	(24,654)	758,567	(93,190)	23,639	(38,777)	101,251	58,680	187,690	17,786	990,992
TOTAL LIABILITIES AND FUND BALANCE	\$ 36,079	\$ 923,830	\$ -	\$ 38,252	\$ 11,121	\$ 101,251	\$ 58,680	\$ 187,690	\$ 23,982	\$ 1,380,885

CITY OF CROOKSTON, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Library	Park & Recreation	TIF	P2P Drug Taskforce	Airport	Enterprise Zone Loans	Code Enforcement	Federal Revenue Sharing	Valley Tech Park	Total
REVENUES										
Property taxes	\$ 1,445	\$ 149,715	\$ 26,433	\$ -	\$ 147	\$ -	\$ -	\$ -	\$ -	\$ 177,740
Intergovernmental	284,936	932,231	1,255	111,745	537,433	-	-	-	-	1,867,600
Charges for services	-	152,748	-	-	87,060	-	-	-	40,949	280,757
Interest	-	5,468	2,892	36	-	2,372	589	800	371	12,528
Other	36	31,825	-	16,336	8,307	-	-	-	8,148	64,652
Total Revenues	286,417	1,271,987	30,580	128,117	632,947	2,372	589	800	49,468	2,403,277
EXPENDITURES										
Library	299,442	-	-	-	-	-	-	-	-	299,442
Park and recreation	-	1,104,831	-	-	-	-	-	-	-	1,104,831
Economic & community development	-	-	44,286	-	-	-	-	-	34,368	78,654
Public safety	-	-	-	115,545	-	-	-	-	-	115,545
Airport	-	-	-	-	696,780	-	-	-	-	696,780
Allocated interest	2,073	-	-	-	2,525	-	-	-	-	4,598
Debt service:										
Principal	-	-	-	-	-	-	-	-	7,690	7,690
Interest & fees	-	-	-	-	-	-	-	-	1,910	1,910
Total Expenditures	301,515	1,104,831	44,286	115,545	699,305	-	-	-	43,968	2,309,450
Excess (Deficiency) of Revenues Over Expenditures	(15,098)	167,156	(13,706)	12,572	(66,358)	2,372	589	800	5,500	93,827
OTHER SOURCES (USES)										
Proceeds from sale of assets	5,144	5,444	15,000	-	266	-	-	-	-	25,854
Transfers from other funds	-	6,068	-	-	-	-	-	-	-	6,068
Transfers to other funds	-	-	(71,758)	-	(3,200)	-	-	-	-	(74,958)
Net Other Sources (Uses)	5,144	11,512	(56,758)	-	(2,934)	-	-	-	-	(43,036)
Net Change in Fund Balance	(9,954)	178,668	(70,464)	12,572	(69,292)	2,372	589	800	5,500	50,791
Fund Balance (Deficit), January 1	(14,700)	579,899	(22,726)	11,067	30,515	98,879	58,091	186,890	12,286	940,201
Fund Balance (Deficit), December 31	\$ (24,654)	\$ 758,567	\$ (93,190)	\$ 23,639	\$ (38,777)	\$ 101,251	\$ 58,680	\$ 187,690	\$ 17,786	\$ 990,992

CITY OF CROOKSTON, MINNESOTA
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL DEBT SERVICE FUNDS
DECEMBER 31, 2010

	<u>T-hanger State Loan</u>	<u>Tax Increment Bonds</u>	<u>Special Assessment Bonds</u>	<u>Johnson Control Contract</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 90	\$ -	\$ 69,030	\$ -	\$ 69,120
Receivables:					
Taxes	-	-	38,767	7,103	45,870
Special assessments	-	-	188,192	-	188,192
TOTAL ASSETS	\$ 90	\$ -	\$ 295,989	\$ 7,103	\$ 303,182
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	3,828	3,828
Deferred revenue:					
Special assessments	-	-	182,777		182,777
Taxes	-	-	38,679	6,347	45,026
Total Liabilities	-	-	221,456	10,175	231,631
Fund Balance:					
Unreserved:					
Debt service funds	90	-	74,533	(3,072)	71,551
TOTAL LIABILITIES AND FUND BALANCE	\$ 90	\$ -	\$ 295,989	\$ 7,103	\$ 303,182

CITY OF CROOKSTON, MINNESOTA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	T-hanger State Loan	Tax Increment Bonds	Special Assessment Bonds	Johnson Control Contract	Total
REVENUES					
Property taxes	\$ -	\$ -	\$ 762	\$ 25,102	\$ 25,864
Special assessments	-	-	148,810	-	148,810
Rents	8,063	-	-	(97)	7,966
Interest	49	-	-	-	49
Total Revenues	<u>8,112</u>	<u>-</u>	<u>149,572</u>	<u>25,005</u>	<u>182,689</u>
EXPENDITURES					
Allocated interest	-	1,206	1,772	88	3,066
Other	-	-	-	1,033	1,033
Debt service:					
Principal	7,836	50,000	100,000	20,921	178,757
Interest & fees	-	2,207	9,069	6,939	18,215
Total Expenditures	<u>7,836</u>	<u>53,413</u>	<u>110,841</u>	<u>28,981</u>	<u>201,071</u>
Excess (Deficiency) of Revenues Over Expenditures	276	(53,413)	38,731	(3,976)	(18,382)
OTHER SOURCES (USES)					
Transfers from other funds	3,200	48,358	23,400	-	74,958
Transfers to other funds	-	-	-	-	-
Net Other Sources (Uses)	<u>3,200</u>	<u>48,358</u>	<u>23,400</u>	<u>-</u>	<u>74,958</u>
Net Change in Fund Balance	3,476	(5,055)	62,131	(3,976)	56,576
Fund Balance, January 1	<u>(3,386)</u>	<u>5,055</u>	<u>12,402</u>	<u>904</u>	<u>14,975</u>
Fund Balance (Deficit), December 31	<u>\$ 90</u>	<u>\$ -</u>	<u>\$ 74,533</u>	<u>\$ (3,072)</u>	<u>\$ 71,551</u>

CITY OF CROOKSTON, MINNESOTA
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL CAPITAL PROJECT FUNDS
DECEMBER 31, 2010

	<u>6th Street Landslide</u>	<u>Street Construction</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Due to other funds	-	-	-
TOTAL ASSETS	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ -	\$ 24,259	\$ 24,259
Due to other funds	-	939,603	939,603
Total Liabilities	-	963,862	963,862
Fund Balance:			
Unreserved:			
Capital projects funds	-	(963,862)	(963,862)
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ -	\$ -

CITY OF CROOKSTON, MINNESOTA
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>6th Street Landslide</u>	<u>Street Construction</u>	<u>Total</u>
REVENUES			
Intergovernmental	\$ -	\$ 262,532	\$ 262,532
Miscellaneous	112	-	112
Total Revenues	<u>112</u>	<u>262,532</u>	<u>262,644</u>
EXPENDITURES			
Allocated interest	-	26,271	26,271
Capital improvements	-	528,365	528,365
Total Expenditures	<u>-</u>	<u>554,636</u>	<u>554,636</u>
Excess (Deficiency) of Revenues Over Expenditures	112	(292,104)	(291,992)
OTHER SOURCES (USES)			
Transfers from other funds	11,697	338,554	350,251
Transfers to component unit	-	-	-
Net Other Sources (Uses)	<u>11,697</u>	<u>338,554</u>	<u>350,251</u>
Net Change in Fund Balance	11,809	46,450	58,259
Fund Balance (Deficit), January 1	<u>(11,809)</u>	<u>(1,010,312)</u>	<u>(1,022,121)</u>
Fund Balance (Deficit), December 31	<u>\$ -</u>	<u>\$ (963,862)</u>	<u>\$ (963,862)</u>

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AUDITORS' REPORT ON LEGAL COMPLIANCE

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

We have audited the financial statements of the City of Crookston, Minnesota, as of and for the year ended December 31, 2010, and have issued our report thereon dated July 27, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller general of the United States and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the Legal Compliance Task Force pursuant to Minn. Stat. 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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

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

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

DREES, RISKEY & VALLAGER, LTD.

Certified Public Accountants

July 27, 2011
Crookston, Minnesota

*Members of Minnesota and North Dakota Society of CPA's
Members of American Institute of Certified Public Accountants*

CITY OF CROOKSTON, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Federal Grantor - Pass-through Agency - Program Title</u>	<u>Federal CFDA Number</u>	<u>State Number</u>	<u>Amount Expended</u>
U.S. Department of Transportation:			
Pass-through Minnesota Department of Transportation Airport improvement project	20.106	SP6001-48M	\$ 434,430
U.S. Department of Housing and Urban Development:			
Pass-through Minnesota Department of Employment and Economic Development Small Cities Block Grant	14.228		188,292
U.S. Department of Justice:			
Passed through Minnesota Department of Public Safety			
Drug Task Force	16.378		111,745
Bulletproof Vest Partnership Program	16.607		3,987
U.S. Department of Homeland Security:			
Assistance to Firefighters Grant	97.044		47,002
Pass-through Minnesota Emergency Management Disaster Assistance	97.036		<u>23,493</u>
			<u>\$ 808,949</u>

CITY OF CROOKSTON, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE A. RISK-BASED AUDIT APPROACH

The dollar threshold used to distinguish between Type A and B programs is \$300,000. The City did not qualify as a low-risk auditee.

NOTE B. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Crookston, Minnesota and is presented on the modified-accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in the preparation of the basic financial statements.

NOTE C. TESTED AS MAJOR PROGRAM

The City's major program tested for the year ended December 31, 2010 was:

Airport Improvement Project Grant	CFDA # 20.106
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CITY OF CROOKSTON, MINNESOTA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None

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

City of Crookston
Crookston, MN 56716

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and aggregate remaining fund information of City of Crookston, Minnesota, as of and for the year ended December 31, 2010, which collectively comprise the City of Crookston, Minnesota's basic financial statements and have issued our report thereon dated July 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

DREES, RISKEY & VALLAGER, LTD.

Certified Public Accountants

July 27, 2011
Crookston, Minnesota

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
 HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
 AND ON INTERNAL CONTROL OVER COMPLIANCE IN
 ACCORDANCE WITH OMB CIRCULAR A-133

City of Crookston
 Crookston, MN 56716

Compliance

We have audited the compliance of City of Crookston, Minnesota, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2010. City of Crookston, Minnesota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Crookston, Minnesota's management. Our responsibility is to express an opinion on City of Crookston, Minnesota's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Crookston, Minnesota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Crookston, Minnesota's compliance with those requirements.

In our opinion, City of Crookston, Minnesota, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of City of Crookston, Minnesota, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Crookston, Minnesota's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Crookston, Minnesota's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

DREES, RISKEY & VALLAGER, LTD.

Certified Public Accountants

July 27, 2011
Crookston, MN

CITY OF CROOKSTON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

SUMMARY OF AUDIT RESULTS

1. The Auditor's report expresses an unqualified opinion on the basic financial statements of the City of Crookston, Minnesota.
2. No significant or material weaknesses were disclosed during the audit of the basic financial statements that would be reported in the Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the basic financial statements of the City of Crookston, Minnesota were disclosed during the audit.
4. No significant or material weaknesses were disclosed during the audit of major federal award programs that would be reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the City of Crookston, Minnesota expresses an unqualified opinion on its federal awards.
6. The programs tested as major included:

Airport Improvement Project Grant	CFDA No. 20.106
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The threshold for distinguishing Type A and B programs was \$300,000.
7. City of Crookston, Minnesota did not qualify as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None