

**CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
CROOKSTON, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	11
Statement of Cash Flows	13
Notes to the Financial Statements	15
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Authority's Contributions	29
Schedule of Authority's Share of Net Pension Liability	30
Note to the Required Supplementary Information	31
SUPPLEMENTARY INFORMATION	
Combining Schedule of Net Position	32
Combining Schedule of Revenues, Expenses and Changes in Net Position	34
Combining Schedule of Cash Flows	36
Capital Fund Program Schedule of Modernization Expenditures by Project Number	38
Schedule of Expenditures of Federal Awards	39
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	40
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	42
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	44
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	46
CORRECTIVE ACTION PLAN	47

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Crookston Housing and Economic Development Authority
Crookston, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Crookston Housing and Economic Development Authority of Crookston, Minnesota, a component unit of the City of Crookston, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Crookston Housing and Economic Development Authority of Crookston, Minnesota, a component unit of the City of Crookston, Minnesota, as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedules as noted in the accompanying table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2020 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

June 11, 2020

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

As management of the Crookston Housing and Economic Development Authority of Crookston, Minnesota (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 9.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at December 31, 2019 by \$4,033,017 (net position). Of this amount, \$2,096,260 (unrestricted) may be used to meet the Authority's ongoing obligations.
- The Authority's cash balance at December 31, 2019 was \$1,918,277, representing an increase of \$181,091 from December 31, 2018.
- The Authority's total net position decreased by \$243,729.
- The Authority had revenues of \$1,587,235 and expenses of \$1,830,964 for the year ended December 31, 2019. Revenues included grant revenues of \$1,079,623. Expenses included housing assistance payments of \$833,385.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise four parts: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Net Position 3) Statement of Cash Flows and 4) Notes to the Financial Statements. This report also contains Combining Financial Schedules, the Capital Fund Program Schedule of Modernization Expenditures by Project Number, and the Schedule of Expenditures of Federal Awards as supplementary information in addition to the basic financial statements themselves.

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2019

	December 31, 2019	2018
Current assets	\$2,650,588	\$2,710,360
Capital assets	1,880,712	1,648,288
Other assets	<u>894,916</u>	<u>983,433</u>
Total assets	<u>5,426,216</u>	<u>5,342,081</u>
Deferred outflow of resources	20,716	47,871
Current liabilities	870,428	545,031
Non current liabilities	<u>465,284</u>	<u>477,149</u>
Deferred inflow of resources	<u>78,203</u>	<u>91,026</u>
Net investment in capital assets	1,880,712	1,648,288
Restricted	56,045	34,708
Unrestricted	<u>2,096,260</u>	<u>2,593,750</u>
Total net position	<u><u>\$4,033,017</u></u>	<u><u>\$4,276,746</u></u>

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Authority's net position changed during the years ended December 31, 2019 and 2018. All changes in net position are reported as soon as the underlying event 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 periods (e.g., depreciation and earned but unused vacation leave).

	December 31, 2019	2018
OPERATING REVENUES		
Tenant revenues - rent	\$ 212,109	\$ 224,154
Excess utilities	15,254	15,217
HUD PHA grants	1,052,061	1,103,613
Fraud recovery	1,797	6,879
Contributions from City of Crookston	146,756	124,308
Proceeds from disposition of assets held for sale	115,033	241,401
Cost of sale of asset held for sale	(105,875)	(228,013)
Other revenue	67,808	19,303
Total	<u>1,504,943</u>	<u>1,506,862</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment income - unrestricted	52,864	40,084
Investment income - restricted	1,866	1,948
Interest Expense	-	-
Capital grants	27,562	1,860
Total	<u>82,292</u>	<u>43,892</u>
Total revenues	<u>1,587,235</u>	<u>1,550,754</u>
OPERATING EXPENSES		
Administrative	414,977	395,774
Tenant services	4,312	5,191
Utilities	70,117	72,695
Ordinary maintenance	127,800	141,795
Housing assistance payments	833,385	874,384
General expenses	232,465	72,788
Depreciation	147,908	151,543
Total expenses	<u>1,830,964</u>	<u>1,714,170</u>
Increase (decrease) in net position	<u>(243,729)</u>	<u>(163,416)</u>
Total net position, beginning of year	<u>4,276,746</u>	<u>4,440,162</u>
Total net position, end of year	<u>\$ 4,033,017</u>	<u>\$ 4,276,746</u>

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

The basic financial statements report on the function of the Authority that is principally supported by intergovernmental revenues. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations, which is funded primarily with grant revenue received from the U.S. Department of Housing and Urban Development.

The basic financial statements can be found on pages 9 through 14 of this report.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority has only one fund type, namely a proprietary fund that is used to account for its Housing and Economic Development operations.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 15 through 28 of this report.

SUPPLEMENTARY INFORMATION

The Combining Fund Financial Schedules and the Capital Fund Program Schedule of Modernization Expenditures by Project Number are presented for purposes of additional analysis. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Schedule of Expenditures of Federal Awards can be found on page 39 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, net position was \$4,033,017 at the close of the year ended December 31, 2019.

Forty percent of the Authority's net position reflects its investment in capital assets (e.g., buildings, machinery, and equipment). The Authority uses these capital assets to provide housing services to low income families; consequently, these assets are not available for future spending. The unrestricted portion of the Authority's net position is available for future program services.

The net position of the Authority decreased by \$243,729 during the year ended December 31, 2019. The Authority's revenues are largely intergovernmental revenues received from cost reimbursement grants. The Authority draws down monies from the grants' awards for allowable program expenses, except for non-cash transactions, such as depreciation expense and changes in compensated absences. The Authority's intergovernmental revenues and charges for services were insufficient to cover all expenses incurred during the period.

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Financial Analysis of the Authority's Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority's enterprise fund is discussed below:

PROPRIETARY FUND

As of December 31, 2019, the Authority's proprietary fund, which consists of one enterprise fund, reported an ending net position of \$4,033,017. The Authority's two major sources of revenues are cost reimbursement grant revenues and charges for services (e.g., rent receipts and damage charges). The net position primarily represents the accumulation of rental and interest income in excess of expenditures not reimbursed by funding sources. The net position is restricted for allowable program expenditures.

Capital Asset and Debt Administration

CAPITAL ASSETS

As of December 31, 2019, the Authority's investment in capital assets was \$1,880,712 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

Capital asset purchases during the year ended December 31, 2019 totaled \$380,332.

Additional information on the Authority's capital assets can be found in Note 3 of this report.

LONG-TERM DEBT

The Authority does not have any long-term liabilities at this time.

Future Events that will Financially Impact the Authority

Crookston Housing and Economic Development Authority receives revenue from the City of Crookston to support economic development activities. The amount budgeted to be received is \$140,000 for 2020.

Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Crookston Housing and Economic Development Authority, 510 County Road 71, Crookston, Minnesota, or call (218) 470-2000.

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets		
Cash and cash equivalents		
Cash - unrestricted	\$ 1,847,934	
Cash - restricted	56,045	
Cash - tenant security deposits	14,298	
Total cash and cash equivalents	<u>1,918,277</u>	
Investments - unrestricted	<u>265,854</u>	
Accounts and notes receivable		
Accounts receivable - miscellaneous	2,065	
Current portion of notes receivable	215,656	
Accrued interest receivable	2,275	
Total receivables	<u>219,996</u>	
Other current assets		
Prepaid expenses	8,724	
Asset held for resale	<u>237,737</u>	
Total other current assets	<u>246,461</u>	
Total current assets	<u>2,650,588</u>	
Noncurrent assets		
Capital assets		
Land	101,632	
Buildings	4,950,318	
Furniture, equipment & mach. - dwelling	113,157	
Furniture, equipment & mach. - admin.	139,417	
Construction-in-progress	380,332	
Accumulated depreciation	<u>(3,804,144)</u>	
Total capital assets	<u>1,880,712</u>	
Other assets		
Note receivable - City of Crookston	197,760	
Notes receivable - net of current portion	828,550	
Allowance for Doubtful Accounts	<u>(131,394)</u>	
Total other assets	<u>894,916</u>	
Total noncurrent assets	<u>2,775,628</u>	
Total assets	<u>5,426,216</u>	
Deferred outflows of resources		
Cost sharing defined benefit pension plan - PERA	<u>20,716</u>	
Total deferred outflows of resources	<u>20,716</u>	

See Notes to the Financial Statements

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION - CONTINUED
DECEMBER 31, 2019

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Current liabilities

Accounts payable	\$ 205,334
Accrued compensated absences	79,341
Unearned revenue	530,500
Payment in lieu of taxes	14,660
Due to City of Crookston	26,295
Tenant security deposits	<u>14,298</u>

Total current liabilities 870,428

Noncurrent liabilities

Due to City of Crookston - Net of Current	271,777
Net pension liability	<u>193,507</u>
Total noncurrent liabilities	<u>465,284</u>

Total liabilities 1,335,712

Deferred inflows of resources

Cost sharing defined benefit pension plan - PERA	78,203
Total deferred inflows of resources	<u>78,203</u>

Net position

Net investment in capital assets	1,880,712
Restricted	56,045
Unrestricted	<u>2,096,260</u>
Total net position	<u>\$ 4,033,017</u>

See Notes to the Financial Statements

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

OPERATING REVENUES	Primary Government
Revenues - rent	\$ 212,109
Tenant revenue - other	15,254
HUD PHA grants	1,052,061
Fraud recovery	1,797
Contributions from City of Crookston	146,756
Proceeds from disposition of assets held for sale	115,033
Cost of sale of assets held for sale	(105,875)
Other revenue	<u>67,808</u>
 Total revenues	 <u>1,504,943</u>
OPERATING EXPENSES	
Administrative	
Administrative salaries	231,132
Professional fees	16,749
Advertising and marketing	3,103
Employee benefit contributions	64,210
Other operating - administrative	38,041
Legal	9,325
Travel	6,989
Other	45,428
Tenant services	
Recreation, publication, other	4,312
Utilities	
Water	9,885
Electricity	37,048
Gas	22,129
Other utilities	1,055
Ordinary maintenance	
Labor	47,828
Materials	11,498
Contract costs	50,442
Employee benefits	18,032
General expenses	
Insurance premiums	22,034
Other general expenses	64,377
Bad debts	131,394
Payment in lieu of taxes	14,660
Depreciation	147,908
Housing assistance payments	<u>833,385</u>
 Total operating expenses	 <u>1,830,964</u>
 Operating income (loss)	 <u>(326,021)</u>

See Notes to the Financial Statements

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

NON-OPERATING REVENUES (EXPENSES)	Primary Government
Investment income - unrestricted	\$ 52,864
Investment income - restricted	1,866
Capital grants	<u>27,562</u>
Total non-operating revenues (expenses)	<u>82,292</u>
Increase (decrease) in net position	(243,729)
Total net position, beginning of year	<u>4,276,746</u>
Total net position, end of year	<u>\$ 4,033,017</u>

See Notes to the Financial Statements

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tenants	\$ 223,181
Receipts from federal grants	1,052,061
Other cash receipts	461,301
Housing assistance payments	(833,385)
Payments to employees	(308,297)
Payments to suppliers	<u>(289,734)</u>
Net cash provided (used) by operating activities	<u>305,127</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grant proceeds	27,562
Purchases of capital assets	<u>(380,332)</u>
Net cash flows used by capital and related financing activities	<u>(352,770)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Note receivable proceeds	219,407
Issuance of notes receivable	(173,100)
Interest received	<u>182,427</u>
Net cash flows provided (used) by investing activities	<u>228,734</u>
Change in cash and cash equivalents	181,091
Cash and cash equivalents, December 31, 2018 (including \$18,480 for the tenant security deposits funds, reported in restricted accounts)	<u>1,737,186</u>
Cash and cash equivalents, December 31, 2019 (including \$14,298 for the tenant security deposits funds, reported in restricted accounts)	<u>\$ 1,918,277</u>

See Notes to the Financial Statements

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Primary Government</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating loss	\$ (326,021)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation expense	147,908
Bad debt expense	131,394
Other receivables	(593)
Prepaid expenses	906
Asset held for sale	35,840
Deferred outflows of resources	27,155
Accounts payable	189,065
Unearned revenue	130,500
Accrued liabilities	8,847
Deferred inflows of resources	(4,182)
Net pension liability	(12,823)
Tenant security deposits	<u>(22,869)</u>
Total adjustments	<u>631,148</u>
Net cash provided (used) by operating activities	<u>\$ 305,127</u>

See Notes to the Financial Statements

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Crookston Housing and Economic Development Authority of Crookston, Minnesota administers various low-income housing assistance payment programs including the Section 8 Housing Choice Voucher Program, Low Income Housing Program, Shelter Plus Care, and Capital Fund Program. In addition, it offers programs to promote economic development. Its service area is Crookston, Minnesota and the surrounding area.

The Authority is a component unit of the City of Crookston, Minnesota.

Basis of Presentation

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Enterprise Funds are a type of proprietary fund used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. The accounting objective of this measurement focus is the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Proprietary Fund equity is classified as net position.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are tenant rent and other income. Operating expenses include administrative expenses, utilities, tenant services, maintenance, and general expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

Pensions

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The Authority has one item that qualifies for reporting in this category named *Cost Sharing Defined Benefit Pension Plan* which represents actuarial differences within PERA pension plans as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category named *Cost Sharing Defined Benefit Pension Plan*, which represents actuarial differences within PERA pension plans.

Net Position

Net position represents the difference between (a) assets and deferred outflows or resources and (b) liabilities and deferred inflows of resources and consist of three sections: Net position invested in Capital Assets, Restricted, and Unrestricted. Net position invested in capital assets includes capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to acquisition. Restricted for Section 8 HAP represents cash received for the Section 8 Housing Choice Vouchers program. All other net position is unrestricted.

Cash and Investments

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

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

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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

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

Interest Rate Risk

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

Credit Risk

The Authority may invest idle funds in deposits that are properly secured by FDIC insurance coverage and are with designated depositories, which meet or exceed the Governmental National Mortgage Association Ratings.

Capital Assets and Depreciation

Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not known. Contributed assets, including those from the Federal government, are recorded at acquisition value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

The Authority's capitalization threshold (the dollar values above which asset acquisitions are added to the capital asset accounts) is \$1,000.

Property and equipment are carried at cost less accumulated depreciation computed on the straight-line method over periods ranging between 5 and 40 years.

Accounts Receivable

Accounts (trade) receivables and tenant receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivables are written off when deemed uncollectible. Recoveries of accounts receivables previously written off are recorded when received. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. As of December 31, 2019, an allowance of \$131,394 was established. This represents the amount of note receivables management estimates as uncollectible.

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Use of Estimates

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

Budget

The Authority prepares its budget for the fiscal year using the same basis of accounting as the financial statements. The budget is submitted and must be approved by the Board of Directors. The Board of Directors must approve any amendments to the budget.

Compensated Absences

Employees earn vacation leave based on the length of employment with the Authority. Forty hours of vacation leave may be accumulated and carried forward each year. The Authority compensates individuals for unused vacation upon termination from employment.

Employees earn sick leave at a rate of eight hours per calendar month. The Authority will compensate individuals for unused sick leave upon termination, in the form of a contribution to a Health Care Savings Plan. The contribution will match 50% of all accumulated unused sick leave, up to the maximum accumulation of 1120 hours.

NOTE 2 CASH - RESTRICTED CASH AND INVESTMENTS

Cash has been restricted for tenant security deposits and Section 8 Housing Choice Voucher program HAP excess funds received.

Deposits

In accordance with Minnesota Statutes, the Authority maintains deposits at the depository bank authorized by its Board, which is a member of the Federal Reserve System.

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by a financial institution other than that furnishing the collateral. Minnesota Statutes require that all Authority deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the highest monthly deposits not covered by insurance or bonds.

At December 31, 2019, the carrying amount of the Authority's deposits was \$1,918,277 and the bank balance was \$2,040,387. The bank balance was covered by Federal Deposit Insurance, The Securities Investor Protection Corporation and by collateral held in safekeeping in the Authority's name.

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2019

Investments

As of December 31, 2019, the Authority had investments of \$265,854, as detailed below:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Corporate Bonds - Wells Fargo	\$ 70,012	70,012			
Certificates of Deposit - BMW Bank	65,075	65,075			
Certificates of Deposit - Bankers Bank	50,161		50,161		
Certificates of Deposit - Bridgewater Bank	50,283		50,283		
Certificates of Deposit - Premier Bank	30,323		30,323		
	\$ 265,854				

Investment Type	Fair Value	Credit Rating	Rating Agency	Fair Value Level
Corporate Bonds - Wells Fargo	\$ 70,012	A-	Standard & Poors	2
Certificates of Deposit - BMW Bank	65,075	N/A	N/A	N/A
Certificates of Deposit - Bankers Bank	50,161	N/A	N/A	N/A
Certificates of Deposit - Bridgewater Bank	50,283	N/A	N/A	N/A
Certificates of Deposit - Premier Bank	30,323	N/A	N/A	N/A
	\$ 265,854			

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 3 CAPITAL ASSETS

The following is a summary of the changes in capital assets at December 31, 2019:

	Beginning Balance 1/1/2019	Increases	Decreases	Ending Balance 12/31/2019
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 101,632	\$ -	\$ -	\$ 101,632
Construction in progress	-	380,332	-	380,332
Total capital assets, not being depreciated	<u>101,632</u>	<u>380,332</u>	<u>-</u>	<u>481,964</u>
Capital assets, being depreciated				
Buildings	4,950,319	-	-	4,950,319
Furniture & equipment	<u>252,573</u>	<u>-</u>	<u>-</u>	<u>252,573</u>
Total capital assets, being depreciated	<u>5,202,892</u>	<u>-</u>	<u>-</u>	<u>5,202,892</u>
Less accumulated depreciation for				
Buildings	(3,417,758)	(144,894)	-	(3,562,652)
Furniture & equipment	<u>(238,478)</u>	<u>(3,014)</u>	<u>-</u>	<u>(241,492)</u>
Total accumulated depreciation	<u>(3,656,236)</u>	<u>(147,908)</u>	<u>-</u>	<u>(3,804,144)</u>
Total capital assets, being depreciated, net	<u>1,546,656</u>	<u>(147,908)</u>	<u>-</u>	<u>1,398,748</u>
Business-type activities capital assets, net	<u>\$ 1,648,288</u>	<u>\$ 232,424</u>	<u>\$ -</u>	<u>\$ 1,880,712</u>

NOTE 4 ASSETS HELD FOR SALE

The Authority has assets held for sale totaling \$237,737 as of December 31, 2019. These assets held for sale represent costs incurred to purchase and rehabilitate/renovate a home and also land that the Authority expects to be sold for economic development. These assets have been classified as current on the statement of net position and are reported at cost.

NOTE 5 NOTES RECEIVABLE

Economic Development

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

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

The Authority provides loans to businesses for start-up or expansion costs. The Authority receives applications from various businesses for Board of Director approval. The following is a summary of the estimated principal and interest to be collected from all loans:

Year Ending December 31,	Principal	Interest
2020	\$ 215,656	\$ 26,100
2021	160,989	22,942
2022	69,909	19,874
2023	72,067	16,719
2024	71,171	13,569
Thereafter	<u>520,780</u>	<u>32,571</u>
Total	<u>\$ 1,110,572</u>	<u>\$ 131,775</u>

Current portion of notes receivable includes rehab loans made to local businesses, and an economic development receivable. The remaining is the current portion of revolving loans.

NOTE 6 ECONOMIC DEPENDENCY

The Authority receives 100 percent of the funds used for housing assistance payments from the United States Department of Housing and Urban Development.

NOTE 7 DEFINED BENEFIT PENSION PLANS-STATEWIDE

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

General Employees Retirement Plan

All full-time and certain part-time employees of the Authority are covered by the General Employees Retirement Plan. General Employees Retirement Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Benefits Provided – PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following 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.

General Employees Plan Benefits

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

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in calendar year 2019. The Authority was required to contribute 7.50% for Coordinated Plan members. The Authority's contributions to the General Employees Fund for the year ended December 31, 2019, were \$20,125. The Authority's contributions were equal to the required contributions for each year as set by state statute.

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Pension Costs – At December 31, 2019, the Authority reported a liability of \$193,507 for its proportionate share of the General Employees Fund's net pension liability. The net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Authority totaled \$6,000. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the Authority's proportion was 0.0035%, which was a decrease of 0.0004% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Authority recognized pension expense of \$11,546 for its proportionate share of General Employees Plan's pension expense. In addition, the Authority recognized an additional \$449 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the Authority reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 6,080	\$ -
Changes in actuarial assumptions	-	17,869
Difference between projected and actual investment earnings	-	24,369
Changes in proportion	4,573	35,965
Contributions paid to PERA subsequent to the measurement date	10,063	-
Total	\$ 20,716	\$ 78,203

\$10,063 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Pension Expense Amount
2020	\$ (23,766)
2021	(34,213)
2022	(9,886)
2023	315

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Actuarial Assumptions – The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019.

The following changes in actuarial assumptions occurred in 2019.

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

The following changes in plan provisions occurred in 2019.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.50%	5.10%
International Stocks	17.50%	5.90%
Bonds	20.00%	0.75%
Alternative Assets	25.00%	5.90%
Cash	2.00%	0.00%

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Discount Rate – The discount rate used to measure the total pension liability in 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that the employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Authority's Proportionate Share of NPL		
1% Decrease	Current	1% Increase
6.5%	7.5%	8.5%
\$ 318,115	\$ 193,507	\$ 90,618

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

NOTE 8 RISK MANAGEMENT

In the normal course of business, the Crookston Housing and Economic Development Authority of Crookston, Minnesota is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Settled claims resulting from these risks have not materially exceeded insurance coverage in any of the past three fiscal years.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Grants

The Authority participates in federal grant programs, which are governed by various rules and regulations of the grantor agency. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agency; therefore, to the extent that the Authority 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, 2019, may be impaired. In the opinion of the Authority, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 10 RELATED PARTIES

The Authority is a component unit of the City of Crookston. In 2019, the City of Crookston provided the Authority with \$296,756 of economic development funds, of which \$150,000 related to a prospective business is being reported as unearned revenue and will be recognized as expenses are incurred.

The Authority has a note receivable from the City of Crookston in the amount of \$197,760 as of December 31, 2019. For additional information regarding the note receivable, refer back to Note 5.

The Authority has a note payable to the City of Crookston in the amount of \$298,072 as of December 31, 2019. For additional information regarding the note payable, refer to Note 11.

NOTE 11 DUE TO CITY OF CROOKSTON

The authority has received funding from the City of Crookston to be repaid. The Revolving Loan Fund received \$300,000 that was loaned to organizations for business development. The annual requirements to repay the amount due to the City at December 31, 2019 are as follows and are contingent on receipts from the related notes receivable:

Year Ending December 31,	City of Crookston	
	Principal	Interest
2020	\$ 26,295	\$ 11,022
2021	27,503	9,815
2022	28,766	8,552
2023	30,088	7,230
2024	31,461	5,849
Thereafter	<u>141,790</u>	<u>8,677</u>
	<u><u>\$ 285,903</u></u>	<u><u>\$ 51,145</u></u>

NOTE 12 NEW PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement, except for paragraph 11b, are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. Earlier application is encouraged.

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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

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

NOTE 13 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Authority's year-end. Subsequent events have been evaluated through June 11, 2020, which is the date the financial statements were available to be issued.

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
LAST 10 YEARS

	Fiscal Year Ended December 31	Contributions in Relation to the			Contributions as a Percentage of Covered-Employee Payroll
		Statutorily Required Contribution	Statutorily Required Contributions	Contribution Deficiency (Excess)	
PERA	2019	\$ 20,125	\$ 20,125	\$ -	\$ 268,333 7.50%
	2018	19,437	19,437	-	259,160 7.50%
	2017	21,654	21,654	-	288,720 7.50%
	2016	19,467	19,467	-	259,560 7.50%
	2015	19,963	19,963	-	262,780 7.60%

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

See Note to the Required Supplementary Information

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF AUTHORITY'S SHARE OF NET PENSION LIABILITY
LAST 10 YEARS

Fiscal Year Ended June 30	Authority's Proportion of the Net Pension Liability (Asset)	Authority's Proportionate Share of the Net Pension Liability (Asset) (a)	State of Minnesota's Proportionate Share of the Net Pension Liability (if Applicable) (b)	Proportionate Share of the Net Pension Liability and State of Minnesota's Share of the Net Pension Liability (if Applicable) (a+b)	Authority's Covered Employee Payroll	Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	2019	0.0035%	\$ 193,507	\$ 6,000	\$ 199,507	\$284,735	68%
	2018	0.0039%	216,376	7,048	223,424	294,385	74%
	2017	0.0045%	287,278	3,598	290,876	269,719	107%
	2016	0.0042%	341,019	4,396	345,415	272,614	125%
	2015	0.0045%	233,213	-	233,213	250,544	93%

The amounts for each year were determined as of the measurement date of the collective net pension liability, which is June 30.

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

See Note to the Required Supplementary Information

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

NOTE 1 DEFINED BENEFIT PLAN

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2018 Changes

Changes in Actuarial Assumptions:

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

2017 Changes

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions:

- On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
COMBINING SCHEDULE OF NET POSITION
DECEMBER 31, 2019

Line Item #	Account Description	Low Rent Public Housing	Section 8 Housing Choice Voucher	Public Housing Capital Fund Program	Shelter Plus Care	Management Account	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES							
Current assets							
11100	Cash and cash equivalents						
11100	Cash - unrestricted	\$ 193,437	\$ 118,203	\$ -	\$ 27,323	\$ 1,508,971	\$ 1,847,934
11300	Cash - restricted	-	56,045	-	-	-	56,045
11400	Cash - tenant security deposits	14,298	-	-	-	-	14,298
10000	Total cash and cash equivalents	207,735	174,248	-	27,323	1,508,971	1,918,277
13100	Investments - unrestricted	265,854	-	-	-	-	265,854
Accounts and notes receivable							
12500	Accounts receivable - miscellaneous	-	-	-	-	2,065	2,065
12700	Current portion of note receivable	-	-	-	-	215,656	215,656
12100	Due from other funds	871	-	-	-	107,500	108,371
12900	Accrued interest receivable	-	-	-	-	2,275	2,275
12000	Total receivables	871	-	-	-	327,496	328,367
Other current assets							
14200	Prepaid expenses	8,724	-	-	-	-	8,724
14500	Assets held for sale	-	-	-	-	237,737	237,737
	Total other current assets	8,724	-	-	-	237,737	246,461
15000	Total current assets	483,184	174,248	-	27,323	2,074,204	2,758,959
Noncurrent assets							
Capital assets							
16100	Land	101,632	-	-	-	-	101,632
16200	Buildings	4,950,318	-	-	-	-	4,950,318
16300	Furniture, equipment & mach. - dwelling	111,568	-	-	-	1,589	113,157
16400	Furniture, equipment & mach. - admin.	139,417	-	-	-	-	139,417
16700	Construction-in-process	380,332	-	-	-	-	380,332
16600	Accumulated depreciation	(3,802,555)	-	-	-	(1,589)	(3,804,144)
16000	Total capital assets	1,880,712	-	-	-	-	1,880,712
Other assets							
17100	Notes receivable - City of Crookston	-	-	-	-	197,760	197,760
17100	Notes receivable - net of current portion	-	-	-	-	828,550	828,550
	Allowance for Doubtful Accounts	-	-	-	-	(131,394)	(131,394)
	Total other noncurrent assets	-	-	-	-	894,916	894,916
18000	Total noncurrent assets	1,880,712	-	-	-	894,916	2,775,628
19000	Total assets	2,363,896	174,248	-	27,323	2,969,120	5,534,587
Deferred outflows of resources							
20000	Cost sharing defined benefit pension plan	6,673	8,259	-	-	5,784	20,716
	Total deferred outflows of resources	6,673	8,259	-	-	5,784	20,716

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
COMBINING SCHEDULE OF NET POSITION - CONTINUED
DECEMBER 31, 2019

Line Item #	Account Description	Low Rent Public Housing	Section 8 Housing Choice Voucher	Public Housing Capital Fund Program	Shelter Plus Care	Management Account	Total	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION								
Current liabilities								
31200	Accounts payable	\$ 167,113	\$ 412	\$ -	\$ -	\$ 37,809	\$ 205,334	
32200	Accrued compensated absences	17,440	22,778	-	-	39,123	79,341	
33300	Payment in lieu of taxes	14,660	-	-	-	-	14,660	
33300	Due to City of Crookston	-	-	-	-	26,295	26,295	
34200	Unearned Revenue	-	-	-	-	530,500	530,500	
34100	Tenant security deposits	14,298	-	-	-	-	14,298	
34700	Due to other funds	-	-	-	-	108,371	108,371	
31000	Total current liabilities	213,511	23,190	-	-	742,098	978,799	
Long-term liabilities								
35200	Due to City of Crookston - Net of Current	-	-	-	-	271,777	271,777	
35700	Net pension liability	62,333	77,147	-	-	54,027	193,507	
	Total long-term liabilities	62,333	77,147	-	-	325,804	465,284	
	Total liabilities	275,844	100,337	-	-	1,067,902	1,444,083	
Deferred inflows of resources								
40000	Cost sharing defined benefit pension plan	25,191	31,178	-	-	21,834	78,203	
	Total deferred inflows of resources	25,191	31,178	-	-	21,834	78,203	
Net position								
50800	Investment in capital assets	1,880,712	-	-	-	-	1,880,712	
51100	Restricted	-	56,045	-	-	-	56,045	
51200	Unrestricted	188,822	(5,053)	-	27,323	1,885,168	2,096,260	
51300	Total net position	\$ 2,069,534	\$ 50,992	\$ -	\$ 27,323	\$ 1,885,168	\$ 4,033,017	

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

Line Item #	Account Description	Low Rent Public Housing	Section 8 Housing Choice Voucher	Public Housing Capital Fund Program	Shelter Plus Care	Management Account	Total
OPERATING REVENUE							
70300	Tenant revenues - rent	\$ 212,109	\$ -	\$ -	\$ -	\$ -	\$ 212,109
70400	Tenant revenues - other	15,254	-	-	-	-	15,254
70600	HUD PHA grants	90,846	961,215	-	-	-	1,052,061
71300	Proceeds from disposition of assets held for sale	-	-	-	-	115,033	115,033
71310	Cost of sale of assets held for sale	-	-	-	-	(105,875)	(105,875)
71400	Fraud recovery	-	1,797	-	-	-	1,797
71500	Contributions from City of Crookston	-	-	-	-	146,756	146,756
71500	Other revenue	11,184	330	-	-	56,294	67,808
70000	Total revenue	<u>329,393</u>	<u>963,342</u>	<u>-</u>	<u>-</u>	<u>212,208</u>	<u>1,504,943</u>
OPERATING EXPENSES							
Administrative							
91100	Administrative salaries	32,045	101,358	-	-	70,936	204,339
91200	Auditing and accounting fees	5,583	5,583	-	-	5,583	16,749
91400	Advertising and marketing	288	288	-	-	2,527	3,103
91500	Employee benefit contributions	6,695	28,734	-	-	28,781	64,210
91600	Office expenses	13,504	16,552	-	-	7,985	38,041
91700	Legal expense	1,569	137	-	-	7,619	9,325
91800	Travel	724	704	-	-	5,561	6,989
91900	Other	-	913	-	-	44,515	45,428
Tenant services							
92400	Recreation, publication, other	4,312	-	-	-	-	4,312
Utilities							
93100	Water	9,885	-	-	-	-	9,885
93200	Electricity	37,048	-	-	-	-	37,048
93300	Gas	22,129	-	-	-	-	22,129
93800	Other utilities	1,055	-	-	-	-	1,055
Ordinary maintenance							
94100	Labor	47,828	-	-	-	-	47,828
94200	Materials	11,055	-	-	-	443	11,498
94300	Contract Costs	50,276	83	-	-	83	50,442
94500	Employee benefits	18,032	-	-	-	-	18,032
General expenses							
96100	Insurance premiums	19,579	1,899	-	-	556	22,034
96200	Other general expenses	12,489	535	-	-	51,353	64,377
96210	Compensated absences	7,752	9,196	-	-	9,845	26,793
96300	Payment in lieu of taxes	14,660	-	-	-	-	14,660
96600	Bad debts	-	-	-	-	131,394	131,394
97400	Depreciation	147,908	-	-	-	-	147,908
97300	Housing assistance payments	-	833,385	-	-	-	833,385
96900	Total operating expenses	<u>464,416</u>	<u>999,367</u>	<u>-</u>	<u>-</u>	<u>367,181</u>	<u>1,830,964</u>
97000	Operating income (loss)	<u>(135,023)</u>	<u>(36,025)</u>	<u>-</u>	<u>-</u>	<u>(154,973)</u>	<u>(326,021)</u>

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Line Item #	Account Description	Low Rent Public Housing	Section 8 Housing Choice Voucher	Public Housing Capital Fund Program	Shelter Plus Care	Management Account	Total
NON-OPERATING REVENUE (EXPENSES)							
71100	Investment income - unrestricted	\$ 17,103	\$ 2,275	\$ -	\$ 33,486	\$ 52,864	
72000	Investment income - restricted	-	1,346	-	-	520	1,866
70600	Capital grants	-	-	27,562	-	-	27,562
10010	Operating transfers in	27,562	-	-	-	35,018	62,580
10020	Operating transfers out	-	-	(27,562)	-	(35,018)	(62,580)
	Total non-operating revenue (expenses)	<u>44,665</u>	<u>3,621</u>	<u>-</u>	<u>-</u>	<u>34,006</u>	<u>82,292</u>
10000	Increase (decrease) in net position	(90,358)	(32,404)	-	-	(120,967)	(243,729)
	Net position, January 1, 2019	2,159,892	85,408	-	27,323	2,004,123	4,276,746
	Equity Transfer	-	(2,012)	-	-	2,012	-
	Net position, December 31, 2019	<u>\$ 2,069,534</u>	<u>\$ 50,992</u>	<u>\$ -</u>	<u>\$ 27,323</u>	<u>\$ 1,885,168</u>	<u>\$ 4,033,017</u>
90000	Total expenses	\$ 464,416	\$ 999,367	\$ 27,562	\$ -	\$ 402,199	\$ 1,893,544
11190	Unit months available	780	2,652				3,432
11210	Number of units months leased	710	1,934				2,644

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Low Rent Public Housing	Section 8 Housing Choice Voucher	Public Housing Capital Fund Program	Shelter Plus Care	Management Account	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from tenants	\$ 223,181	\$ -	\$ -	\$ -	\$ -	\$ 223,181
Receipts from federal grants	90,846	961,215	-	-	-	1,052,061
Other cash receipts (expenses)	11,184	2,127	-	-	447,990	461,301
Housing assistance payments	-	(833,385)	-	-	-	(833,385)
Payments to employees	(95,603)	(145,564)	-	-	(67,130)	(308,297)
Payments to suppliers	(72,580)	(25,830)	-	-	(191,324)	(289,734)
Cash provided (used) by operating activities	<u>157,028</u>	<u>(41,437)</u>	<u>-</u>	<u>-</u>	<u>189,536</u>	<u>305,127</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Due from other funds	-	-	-	-	(4,871)	(4,871)
Due to other funds	-	-	-	-	4,871	4,871
Transfer to other funds	-	-	(27,562)	-	(35,018)	(62,580)
Transfers from other funds	<u>27,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,018</u>	<u>62,580</u>
Cash provided (used) by non-capital financing activities	<u>27,562</u>	<u>-</u>	<u>(27,562)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital grant proceeds	-	-	27,562	-	-	27,562
Purchases of capital assets	<u>(380,332)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(380,332)</u>
Cash provided (used) by capital and related financing activities	<u>(380,332)</u>	<u>-</u>	<u>27,562</u>	<u>-</u>	<u>-</u>	<u>(352,770)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Note receivable proceeds	-	63,464	-	-	155,943	219,407
Issuance of notes receivable	-	-	-	-	(173,100)	(173,100)
Interest received	<u>144,330</u>	<u>3,626</u>	<u>-</u>	<u>-</u>	<u>34,471</u>	<u>182,427</u>
Cash provided (used) by investing activities	<u>144,330</u>	<u>67,090</u>	<u>-</u>	<u>-</u>	<u>17,314</u>	<u>228,734</u>
Change in cash and cash equivalents	<u>(51,412)</u>	<u>25,653</u>	<u>-</u>	<u>-</u>	<u>206,850</u>	<u>181,091</u>
Cash and cash equivalents, December 31, 2018 (including \$18,480 for the tenant security deposits funds, reported in restricted accounts)	<u>259,147</u>	<u>148,595</u>	<u>-</u>	<u>27,323</u>	<u>1,302,121</u>	<u>1,737,186</u>
Cash and cash equivalents, December 31, 2019 (including \$8,713 for the tenant security deposits funds, reported in restricted accounts)	<u>\$ 207,735</u>	<u>\$ 174,248</u>	<u>\$ -</u>	<u>\$ 27,323</u>	<u>\$ 1,508,971</u>	<u>\$ 1,918,277</u>

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
COMBINING SCHEDULE OF CASH FLOWS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

	Low Rent Public Housing	Section 8 Housing Choice Voucher	Public Housing Capital Fund Program	Shelter Plus Care	Management Account	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (135,023)	\$ (36,025)	\$ -	\$ -	\$ (154,973)	\$ (326,021)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation	147,908	-	-	-	-	147,908
Bad Debt Expense	-	-	-	-	131,394	131,394
Cash provided (used) by operating activities						
Other receivables	-	-	-	-	(593)	(593)
Prepaid expenses	906	-	-	-	-	906
Assets held for sale	-	-	-	-	35,840	35,840
Deferred outflows of resources	9,603	11,847	-	-	5,705	27,155
Accounts payable	155,397	(49)	-	-	33,717	189,065
Unearned revenue	-	-	-	-	130,500	130,500
Accrued liabilities	(588)	3,574	-	-	5,861	8,847
Tenant security deposits	(4,182)	-	-	-	-	(4,182)
Deferred inflows of resources	(5,758)	(7,053)	-	-	(12)	(12,823)
Net pension liability	(11,235)	(13,731)	-	-	2,097	(22,869)
Total adjustments	292,051	(5,412)	-	-	344,509	631,148
Net cash provided (used) by operating activities	<u>\$ 157,028</u>	<u>\$ (41,437)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,536</u>	<u>\$ 305,127</u>

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
CAPITAL FUND PROGRAM SCHEDULE OF MODERNIZATION
EXPENDITURES BY PROJECT NUMBER
THROUGH THE YEAR ENDED DECEMBER 31, 2019

	<u>MN46P021501-17</u>	<u>MN46P021501-18</u>	<u>MN46P021501-19</u>
Funds approved	\$ 51,860	\$ 76,120	\$ 81,399
Funds expended	<u>27,562</u>	<u>-</u>	<u>-</u>
Excess of funds approved	<u>\$ 24,298</u>	<u>\$ 76,120</u>	<u>\$ 81,399</u>
Funds advanced	\$ 27,562	\$ -	\$ -
Funds expended	<u>27,562</u>	<u>-</u>	<u>-</u>
Excess of funds expended	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Program Title	Federal CFDA Number	Expenditures
Department of Housing and Urban Development		
Direct:		
Section 8 Housing Choice Vouchers Cluster	14.871	\$ 961,215
Operating Subsidy	14.850	90,846
Capital Fund Program	14.872	<u>27,562</u>
Total Expenditures of Federal Awards		<u>\$ 1,079,623</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedule of expenditures of federal awards (the "Schedule") are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 2 INDIRECT COST RATE

Crookston Housing and Economic Development Authority has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 BASIS OF PRESENTATION

The Schedule includes the federal award activity of the Crookston Housing and Economic Development Authority under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

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

To the Board of Directors
Crookston Housing and Economic Development Authority
Crookston, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Crookston Housing and Economic Development Authority of Crookston, Minnesota, a component unit of the City of Crookston, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 11, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

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

The Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

June 11, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Crookston Housing and Economic Development Authority
Crookston, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the compliance of Crookston Housing and Economic Development Authority of Crookston, Minnesota, a component unit of the City of Crookston, Minnesota, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2019. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the Authority'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Crookston Housing and Economic Development Authority of Crookston, Minnesota, a component unit of the City of Crookston, Minnesota, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Authority'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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

June 11, 2020

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Non-compliance material to financial statements noted?

x Yes

No

No

Reported

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes x No

Significant deficiency(ies) identified that are
not considered to be material weaknesses? Yes x No

Type of auditor's report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes x No

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

14.871 Section 8 Housing Choice Voucher Program

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Section II – Financial Statement Findings

2019-001 Finding

Criteria

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

Condition

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

Cause

The Authority elected to not allocate resources for the preparation of the financial statements.

Effect

The Authority's management is aware of the deficiency and addresses it by reviewing and approving the completed statements prior to distribution to end users.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

Management recognizes the deficiency and believes it is effectively handling the reporting responsibilities with the procedures described above.

Section III – Federal Awards Findings and Questioned Costs

There are no findings to be reported in this section.

CROOKSTON HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

2018-001 Finding

Criteria

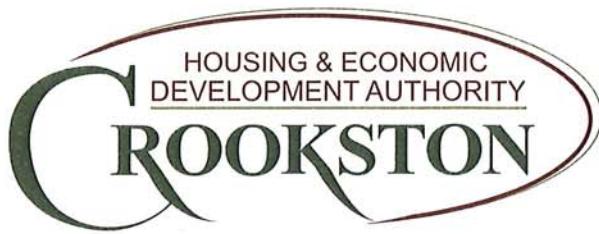
The Authority does not have internal resources to prepare full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition

The Authority's personnel prepare periodic financial information for internal use that meets the needs of management and the Board of Directors. However, the Authority does not have internal resources to prepare full-disclosure financial statements, including adjusting journal entries, required by GAAP for external reporting. The Authority is aware of this significant deficiency and obtains our assistance in the preparation of the Authority's annual financial statements.

Corrective Action Taken

See finding 2019-001.



CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019
10 SARGENT STREET, SUITE 1 -- PHONE 218-281-5334
CROOKSTON, MINNESOTA 56716
FAX 218-281-6214

2019-001

1. Correcting Plan

Management and Authority personnel will prepare financial statements when it becomes cost effective.

2. Explanation of Disagreement with the Audit Finding

There is essentially no disagreement with the finding.

3. Official Responsible for Insuring CAP

Craig Hoiseth – Executive Director

4. Planned Completion Date for CAP

Will implement when it becomes cost effective.

5. Plan to Monitor Completion of CAP

The Executive Director will monitor completion of the CAP.