

**CITY OF SAUK CENTRE, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2010**

**CITY OF SAUK CENTRE, MINNESOTA  
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## **INTRODUCTORY SECTION**

**CITY OF SAUK CENTRE, MINNESOTA  
ELECTED OFFICIALS AND ADMINISTRATION  
DECEMBER 31, 2010**

Elected Officials	Position	Term Expires
<b>CITY COUNCIL</b>		
Brad Kirckof	Mayor	December 31, 2010
Dave Thomas	Acting Mayor	December 31, 2010
Allan Coenen	Council Member	December 31, 2012
Keith Johnson	Council Member	December 31, 2010
Warren Stone	Council Member	December 31, 2012

<b>CITY OFFICIALS</b>		
Vicki Willer	City Administrator	
Carol Inderrieden	Deputy Treasurer	
Bryon Friedrichs	Chief of Police	
Butch Wessel	Public Works Director	
Keith Polipnick	Fire Marshall and Chief	

<b>PUBLIC UTILITIES COMMISSION - APPOINTED</b>		
Dennis Rykken	Chairperson	December 31, 2013
Ted Spanier	Vice-Chairperson	December 31, 2011
Roy Walz	Commissioner	December 31, 2012
Rick Bullard	Commissioner	December 31, 2013
Michael Bick	Commissioner	December 31, 2011

<b>HOUSING AND REDEVELOPMENT AUTHORITY BOARD - APPOINTED</b>		
Victor Traut	Chairperson	March 31, 2012
Gwen Kranz	Vice-Chairperson	March 31, 2011
Robert Polipnick	Board Member	March 31, 2014
Don Leonard	Board Member	March 31, 2013
Mary Lou Schaefer	Board Member	March 31, 2015
David Thomas	Council Representative	

<b>HOSPITAL BOARD</b>		
Dan Borgmann	Chair	December 31, 2013
Dale Emmel	Vice-Chair	December 31, 2010
Marlene Otte	Secretary	December 31, 2010
Dr. Jim Sayovitz	Board Member	December 31, 2014
Joe Uphus	Board Member	December 31, 2011
Brad Kirckof	Council Representative	

**FINANCIAL SECTION**



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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council  
City of Sauk Centre  
Sauk Centre, Minnesota

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sauk Centre, Minnesota (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Sauk Centre, Minnesota's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Housing and Redevelopment Authority of Sauk Centre. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing and Redevelopment Authority of Sauk Centre, is based on the report of the other auditors.

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

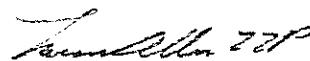
In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sauk Centre, Minnesota, as of December 31, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and Members of the City Council  
City of Sauk Centre

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2011 on our consideration of the City of Sauk Centre, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information and the schedule of funding progress as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The City of Sauk Centre, Minnesota has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sauk Centre, Minnesota's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the basic financial statements. The other supplementary information and the schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**LarsonAllen LLP**

Alexandria, Minnesota  
April 6, 2011

## **BASIC FINANCIAL STATEMENTS**

**CITY OF SAUK CENTRE, MINNESOTA**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2010**

	Governmental Activities	Component Units		
		St. Michael's Hospital and Nursing Home	Sauk Centre Public Utilities Commission	Sauk Centre HRA
<b>ASSETS</b>				
Cash and Investments	\$ 5,246,704	\$ 1,449,511	\$ 935,696	\$ 113,695
Noncurrent Cash and Investments	-	3,789,450	-	-
Designated Cash and Investments	-	-	4,878,653	-
Due from Other Governments	29,235	-	-	-
Accounts Receivable	332,789	2,710,309	554,520	-
Taxes Receivable - Delinquent	179,774	-	-	-
Special Assessments Receivable	1,243,850	-	-	-
Due from Primary Government	-	-	40,000	-
Interest Receivable	18,159	-	42,363	-
Inventories	-	263,082	294,230	-
Prepaid Expenses	1,829	218,862	40,746	6,133
Land Held for Investment	-	-	60,000	-
Bond Closing Costs	11,888	-	-	-
Deferred Financing Costs - Net	-	496,793	-	-
Investment in Joint Venture	-	638,566	-	-
Capital Assets				
Land	3,312,525	529,595	129,633	95,033
Land Improvements	1,680,089	262,441	-	-
Buildings	5,801,619	18,064,761	-	1,941,353
Machinery and Equipment	2,450,648	3,328,683	19,743,924	64,194
Infrastructure	9,405,040	-	-	-
Construction in Process	565,430	-	3,455,576	-
Less: Accumulated Depreciation	(8,026,367)	(7,987,608)	(10,282,099)	(1,147,279)
Total Assets	22,253,212	23,764,445	19,893,242	1,073,129
<b>LIABILITIES</b>				
Salaries/Benefits Payable	26,565	879,111	78,651	2,038
Accounts and Contracts Payable	42,675	437,145	807,698	4,289
Due to Other Governments	-	-	-	7,695
Tenant Security Deposits	-	-	-	5,815
Unearned Revenue	179,750	-	-	-
Accrued Interest	107,607	163,193	29,726	-
Long-Term Obligations				
Due Within One Year	1,125,938	485,000	423,810	-
Due in More than One Year	6,274,485	10,768,662	4,902,165	-
Total Liabilities	7,757,020	12,793,111	6,242,050	19,837
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	7,949,275	3,037,872	8,179,421	953,301
Restricted	4,778,032	961,001	-	-
Unrestricted	1,768,885	6,972,461	5,471,771	99,991
Total Net Assets	14,496,192	10,971,334	13,651,192	1,053,292
Total Liabilities and Net Assets	\$ 22,253,212	\$ 23,764,445	\$ 19,893,242	\$ 1,073,129

See accompanying Notes to Financial Statements.

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Net (Expense) Revenue and Changes in Net Assets

Primary Government	Component Units		
	St. Michael's Hospital and Nursing Home	Sauk Centre Public Utilities Commission	Sauk Centre HRA
\$ (581,404)	\$ -	\$ -	\$ -
(403,731)	-	-	-
(783,241)	-	-	-
(185,727)	-	-	-
(141,293)	-	-	-
11,307	-	-	-
(269,841)	-	-	-
<u>(2,353,930)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	91,516
-	255,557	-	-
-	-	252,594	-
<u>-</u>	<u>255,557</u>	<u>252,594</u>	<u>91,516</u>
1,381,267	-	-	-
736,797	-	-	-
1,050,531	-	-	-
50,152	378,338	112,662	685
-	-	26,555	(22,812)
-	-	-	(10,670)
33,688	-	18,121	-
<u>3,252,435</u>	<u>378,338</u>	<u>157,338</u>	<u>(32,797)</u>
898,505	633,895	409,932	58,719
<u>13,597,687</u>	<u>10,337,439</u>	<u>13,241,260</u>	<u>994,573</u>
<u>\$ 14,496,192</u>	<u>\$ 10,971,334</u>	<u>\$ 13,651,192</u>	<u>\$ 1,053,292</u>

**CITY OF SAUK CENTRE, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	General	Special Revenue Arena	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and Investments	\$ 717,772	\$ -	\$ 266,002	\$ 2,273,805	\$ 1,989,125	\$ 5,246,704
Taxes Receivable - Delinquent	120,776	-	-	-	58,998	179,774
Special Assessments Receivable	51,151	-	-	1,192,699	-	1,243,850
Accounts Receivable	45,714	5,550	170,021	-	111,504	332,789
Interest Receivable	18,159	-	-	-	-	18,159
Prepaid Expenses	-	-	-	-	1,829	1,829
Due from Other Governments	12,223	425	-	9,712	6,875	29,235
Due from Other Funds	136,473	-	-	-	-	136,473
Advances to Other Funds	273,992	-	-	-	-	273,992
<b>Total Assets</b>	<b>\$ 1,376,260</b>	<b>\$ 5,975</b>	<b>\$ 436,023</b>	<b>\$ 3,476,216</b>	<b>\$ 2,168,331</b>	<b>\$ 7,462,805</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Salaries/Benefits Payable	\$ 26,140	\$ -	\$ -	\$ -	\$ 425	\$ 26,565
Accounts and Contracts Payable	12,119	-	22,853	-	7,703	42,675
Due to Other Funds	-	-	126,871	-	9,602	136,473
Advances from Other Funds	-	273,992	-	-	-	273,992
Deferred Revenue	173,826	-	133,183	1,192,699	103,666	1,603,374
<b>Total Liabilities</b>	<b>212,085</b>	<b>273,992</b>	<b>282,907</b>	<b>1,192,699</b>	<b>121,396</b>	<b>2,083,079</b>
<b>FUND BALANCES</b>						
Reserved for Debt Service	-	-	-	2,283,517	-	2,283,517
Reserved for Advances	273,992	-	-	-	-	273,992
Unreserved, Reported in:						
General Fund						
Designated	316,726	-	-	-	-	316,726
Undesignated	573,457	-	-	-	-	573,457
Special Revenue Fund						
Designated	-	-	-	-	186,288	186,288
Undesignated	-	(268,017)	-	-	1,860,647	1,592,630
Capital Projects Fund						
Undesignated	-	-	153,116	-	-	153,116
<b>Total Fund Balances (Deficit)</b>	<b>1,164,175</b>	<b>(268,017)</b>	<b>153,116</b>	<b>2,283,517</b>	<b>2,046,935</b>	<b>5,379,726</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,376,260</b>	<b>\$ 5,975</b>	<b>\$ 436,023</b>	<b>\$ 3,476,216</b>	<b>\$ 2,168,331</b>	<b>\$ 7,462,805</b>

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2010**

	2010
<b>FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 5,379,726</b>
 Amounts reported for governmental activities in the statement of net assets are different because:	
 Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of Capital Assets	23,215,351
Less: Accumulated Depreciation	(8,026,367)
 Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Long-Term Debt	(7,400,423)
Bond Closing Costs	11,888
Accrued Interest Payable	(107,607)
 Delinquent receivables will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
Delinquent Property Taxes	179,774
 Delinquent receivables are not available to pay for current expenditures and, therefore, are deferred in the funds.	
Deferred Special Assessments Receivable	1,243,849
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 14,496,192</b>

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue Arena	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property Taxes	\$ 720,573	\$ 44,012	\$ -	\$ 521,123	\$ 102,434	\$ 1,388,142
Tax Increments Received	-	-	-	-	742,573	742,573
Special Assessments	3,020	-	-	481,702	-	484,722
Licenses and Permits	204,744	-	-	-	-	204,744
Intergovernmental Revenues	1,089,446	1,434	36,838	16,215	62,307	1,206,240
Charges for Services	175,592	68,614	-	-	561,502	805,708
Fines and Forfeits	37,758	-	-	-	-	37,758
Other Revenues	67,804	(3,940)	22,607	16,717	136,749	239,937
Total Revenues	<u>2,298,937</u>	<u>110,120</u>	<u>59,445</u>	<u>1,035,757</u>	<u>1,605,565</u>	<u>5,109,824</u>
<b>EXPENDITURES</b>						
General Government	636,612	-	-	-	27,838	664,450
Public Safety	730,523	-	-	-	393,741	1,124,264
Public Works	542,299	-	31,940	-	-	574,239
Culture and Recreation	250,270	47,517	-	-	28,255	326,042
Economic Development	-	-	-	-	174,831	174,831
Airport	-	-	-	-	90,946	90,946
Debt Service						
Principal	17,673	-	-	1,191,680	-	1,209,353
Interest	-	-	-	282,867	-	282,867
Capital Outlay	80,520	-	26,260	-	48,295	155,075
Total Expenditures	<u>2,257,897</u>	<u>47,517</u>	<u>58,200</u>	<u>1,474,547</u>	<u>763,906</u>	<u>4,602,067</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	41,040	62,603	1,245	(438,790)	841,659	507,757
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	10,000	542,235	-	552,235
Transfers Out	-	-	-	-	(552,235)	(552,235)
Sale of Assets	-	5,000	-	-	-	5,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>5,000</u>	<u>10,000</u>	<u>542,235</u>	<u>(552,235)</u>	<u>5,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	41,040	67,603	11,245	103,445	289,424	512,757
Fund Balances (Deficit) - Beginning of Year	1,123,135	(335,620)	141,871	2,180,072	1,757,511	4,866,969
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ 1,164,175</u>	<u>\$ (268,017)</u>	<u>\$ 153,116</u>	<u>\$ 2,283,517</u>	<u>\$ 2,046,935</u>	<u>\$ 5,379,726</u>

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
YEAR ENDED DECEMBER 31, 2010**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ 512,757**

Amounts reported for governmental activities in the statement of activities are different

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital Outlay	145,490
Depreciation Expense	(530,147)

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Also, governmental funds report the effect of issuance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities however, interest expense is recognized as it accrues. The effect of these items is as follows:

Repayment of Debt Principal	1,206,072
Amortization of Deferred Bond Issuance Costs	(1,486)
Amortization of Bond Discount	(4,625)
Change in Accrued Interest	19,142

Some capital asset additions are financed through capital leases. In governmental funds, a capital leases arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Principal payments of capital leases are reported as expenditures in the governmental funds. In the statement of net assets, however, the repayment of principal reduces the liability.

3,281

In the statement of activities, compensated absences and other postemployment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid.)

Change in Other Postemployment Benefits	(17,707)
Change in Compensated Absences	(8,838)

Delinquent and deferred property taxes and special assessments will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds. Property taxes receivable decreased by \$6,805 while special assessments decreased by \$418,629.

(425,434)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 898,505**

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of the City of Sauk Centre, Minnesota (the City), have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**B. Financial Reporting Entity**

The City of Sauk Centre, Minnesota is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

The City's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the City is considered to be financially accountable.

Component units are legally separate entities for which the City (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the Primary Government misleading. Certain organizations warrant inclusion as part of the City because of the nature and significance of their relationship with the City, including their ongoing financial support of the Primary Government or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of a City if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the City, its component units, or its constituents.
2. The City is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the City, or its component units, is entitled to, or has the ability to otherwise access, are significant to that City.

Discretely presented component units are separate legal entities, but are presented in a separate column on the statement of net assets and statement of activities.

The Sauk Centre Public Utilities Commission operates as a commission for the purpose of providing municipal utility services to residents of Sauk Centre. The commission can issue bonds pledging as security the full-faith and credit of the City (with the City's approval).

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Financial Reporting Entity (Continued)**

The St. Michael's Hospital and Nursing Home operates as a local government unit for the purpose of providing medical and long-term care services to residents of Sauk Centre and others. The Hospital can issue bonds pledging as security the full-faith and credit of the City (with the City's approval).

The complete financial statements of the Public Utilities Commission and St. Michael's Hospital are available at the Sauk Centre City Hall.

The Housing and Redevelopment Authority of Sauk Centre (HRA) operates as a local government unit for the purpose of providing housing and redevelopment services to the Sauk Centre area. The HRA cannot issue bonds pledging as security the full-faith and credit of the City. The HRA's property tax levy must be approved by the City Council. The HRA's financial information is presented as of and for the fiscal year ended September 30, 2010.

The complete financial statements of the HRA may be obtained from the HRA executive director at the following address:

Housing and Redevelopment Authority of Sauk Centre  
407 First Street North  
Sauk Centre, MN 56378

**C. Basic Financial Statement Presentation**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

In the government-wide statement of net assets, the governmental activities column: (a) is presented on a consolidated basis by column; and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basic Financial Statement Presentation (Continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

State aids are recorded as revenue in the fiscal year for which the aids are designated by statute.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, and revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

**Governmental Funds**

**General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Arena Special Revenue Fund** – The Arena Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for the functions of the arena.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources for the payment of principal, interest and related costs on long-term debt and special assessment debt.

**Capital Projects Fund** – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

GASB Statement No. 34 specifies that the accounts and activities of each of the City's most significant governmental funds (termed major funds) be reported in separate columns on the fund financial statements. Other nonmajor funds can be reported in total.

GASB Statement No. 34 also requires that budget vs. actual information be presented for the general fund and all budgeted major special revenue funds. For 2010 the City's adopted budget was consistent with U.S. generally accepted accounting principles.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Fund Accounting (Continued)**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

**F. Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results may differ from these estimates.

**G. Assets, Liabilities, and Net Assets or Equity**

**1. Cash and Cash Equivalents**

Cash and Cash Equivalents consist of demand deposits and short-term investments with original maturities of three months or less. Interest income or expenditure is allocated to specific funds based on the average cash balance carried in each fund during the year.

**2. Accounts Receivable**

Sauk Centre Ambulance provides an allowance for uncollectible self-pay and miscellaneous commercial insurance accounts based on the allowance method. Patients are not required to provide collateral for services rendered. Payment for services is required upon receipt of an invoice, after payment by insurance, if any. Self-pay accounts are analyzed for collectability based on the months past due and payment history. An allowance is estimated for these accounts based on the historical experience of the City. Accounts that are determined to be uncollectible are sent to a collection agency and written off at that time. At December 31, 2010, the allowance for uncollectible accounts was \$59,241.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

G. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Investments

State statutes authorize investments which are direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better, general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States' banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualifies as a "depository" by the City entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

4. Inventories

Inventories are reported at cost using the weighted average method.

5. Designated Assets

A portion of the cash balances is classified as designated assets since its use is limited by the governing body.

6. Restricted Assets

A portion of the cash and investment balances is classified as restricted since their use is limited.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Assets, Liabilities, and Net Assets or Equity (Continued)**

**7. Property Taxes Calendar**

The City levies its property taxes for the subsequent year during the month of December. In Minnesota, the lien date and assessment date is January 2. The property tax is recorded as revenue when it becomes available. Stearns County is the collecting agency for the levy and then remits the collections to the City. All taxes not collected as of December 31 are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax capacity rate to the tax capacity value of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain payments paid directly to the City.

The County Auditor provides a list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

Property owners are required to pay one-half of their real estate taxes by May 15 and the balances by October 15.

Within 30 days after the May settlement, the County Treasurer is required to pay 70 percent of the estimated collections of taxes and special assessments to the City Treasurer. The County Treasurer must pay the balance to the City Treasurer within 60 days after the settlement, provided that after 45 days interest begins to accrue.

Within ten business days after November 15, the County Treasurer shall pay to each taxing district, except any school district, 100 percent of the estimated collections arising from taxes levied by and belonging to each taxing district from May 20 to November 20.

Taxes are recognized as receivables on January 1 of the current year when they are levied against individual properties by the County. They become a lien against the property against which they are levied on the levy date.

Current year property tax revenues represent the tax levy certified to the County Auditor in December of 2009 which was collected during the year ended December 31, 2010, respectively. Any adjustments or abatements to either the current, or any prior year, levy are adjusted through the current year general property tax revenues. Property taxes not collected by the County and remitted to the City within 60 days of year end are classified as delinquent and not considered measurable and available and are fully offset by deferred revenue in the governmental fund financial statements. Delinquent taxes receivable represent the past years of uncollected tax years. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

G. Assets, Liabilities, and Net Assets or Equity (Continued)

8. Special Assessments

Special assessments receivable represents amounts levied on a property owner for improvements.

9. Due from Other Governments

Due from other governments includes amounts due from grantors for grants related to specific financial award programs and also amounts due from the County for the January property tax settlement. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

10. Short-Term Interfund Receivables / Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The resulting receivables and payables are classified as "due from other funds" or "due to other funds" on the fund financial statements.

11. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$5,000 to \$100,000, depending on asset type, for capitalizing capital assets. The City does not elect to record infrastructure assets acquired before December 31, 1980. Costs of Infrastructure assets from 1980 to 2003 have been estimated based on estimated historical costs.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since assets are sold for an immaterial amount when declared as no longer needed for public purpose by the City, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 10 to 50 years for land improvements, buildings and infrastructure, and 5 to 20 years for equipment.

Capital assets not being depreciated include land and construction in progress, if any.

12. Deferred Revenue

Deferred revenue represents the delinquent taxes and delinquent and deferred assessments receivable. In 2010, deferred revenue also included outstanding loans to area businesses. This revenue is deferred until it is measurable and available as net current assets.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

G. Assets, Liabilities, and Net Assets or Equity (Continued)

13. Long-Term Obligations

In the government-wide financial statements, and in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, and statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported separately and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

14. Long-Term Interfund Receivables / Payables

The City has elected to internally fund certain deficits. The resulting receivables and payables are classified as "advances to other funds" or "advances from other funds" on the fund financial statements.

15. Compensated Absences

The City compensates employees who resign or retire with due notice for unused vacation and compensatory time. Employees may carry over vacation from one vacation year to another vacation year as established by City personnel policy and union contract terms. Compensatory time is accumulated at 1½ times for overtime hours worked by non-exempt employees

Full-time employees earn sick leave at the rate of 4 hours per bi-weekly payroll period, or 13 days per year, to a maximum of 720 hours (90 days). Employees maintaining the maximum of 720 hours qualify for the City's sick leave incentive program whereby one extra hour of vacation and two hours in a "sick leave bank" are earned per bi-weekly pay period. The accumulated sick leave bank hours are paid out in severance to the employee at termination or retirement according to the City's personnel policy and union contract terms.

Vacation and sick pay are considered expenditures in the year due in the governmental funds. All estimated vacation and compensatory time is recorded when incurred in the government-wide statements.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

G. Assets, Liabilities, and Net Assets or Equity (Continued)

16. Fund Equity

Reservations of fund balances are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change. Undesignated fund balance and retained earnings represent that portion of fund equity which is available for budgeting in future periods.

17. Net Assets

Net assets represent the difference between assets and liabilities in the government-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

H. Revenues, Expenditures, and Expenses

1. Revenues

In the fund financial statements, property taxes are recognized to the extent they are collected and received in the current period or within 60 days after year-end. Portions paid by the state in the form of market value credit aid, and other state tax credits are included in intergovernmental revenues. Delinquent property taxes receivable which have not been recognized as revenue are equally offset in the financial statements by deferred revenues.

Licenses and permits, charges for services, fines, forfeits, and miscellaneous revenues are recorded as revenues measurable and available.

Special assessments principal and interest earnings are recorded as revenues in the same manner as property taxes.

2. Expenditures

Expenditure recognition for governmental fund types includes only amounts represented by current liabilities. Since noncurrent liabilities do not affect net current assets, they are not recognized as governmental fund expenditures or liabilities. They are reported as liabilities on the statement of net assets.

3. Expenses

Government wide financial statements recognize expenses when they are incurred.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budget**

The budget was prepared for the general and arena fund on the same basis and using the same accounting practices as are used to account and prepare financial reports for the fund. The budget presented in this report along with the budget to actual is presented in accordance with generally accepted accounting principles.

Formal budgetary integration is employed as a management control device during the year for the general fund.

**Deficit Fund Balances**

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

Arena Fund	\$	268,017
Other Governmental Funds		
Tax Increment Financing District No. 1-10		3,722
Tax Increment Financing District No. 1-11		1,644
Total	\$	273,383

The deficit fund balance is the cumulative amount of overspending in the fund. These deficits will be corrected through normal government operations.

**NOTE 3 DEPOSITS AND INVESTMENTS**

**Deposits**

In accordance with *Minnesota Statutes*, the City maintains deposits at those institutions authorized by the Council. All such depositories are members of the Federal Reserve System, State designated investment pools, or the U.S. Treasury.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

*Minnesota Statutes* require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

The City's deposits in excess of the FDIC limits are covered by collateral held in a Federal Reserve Pledge account or by an agent for the City and thus no custodial credit risk exists.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Deposits (Continued)**

Authorized collateral includes: (a) United States government treasury bills, treasury notes, treasury bonds; (b) issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity; (c) general obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers with is rated "AA" or better by a national bond rating service; (d) unrated general obligation securities of a local government with taxing power pledged as collateral against funds deposited by that same local government entity's; (e) irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation; and (f) time deposits that are fully insured by the Federal Deposit Insurance Corporation.

**Investment Policies**

Generally, the City's investing activities are managed under the custody of the City Administrator. Investing is performed in accordance with the investment policy adopted by the City Council complying with state statutes. The City has adopted an investment policy that is the same as the investments allowed by statute which is described in Note 1.

The City had the following investments at December 31, 2010:

Investment	Credit Risk		Concentration	Interest Rate Risk		Carrying Fair Value
	Rating	Agency	Risk % of Portfolio	Maturity Date	Interest Rate	
Minnesota Municipal Money Market Fund						
4M Plus Fund	N/R	N/A	N/A	N/A	N/A	\$ 471
Smith Barney						
Money Market Fund	N/R	N/A	N/A	N/A	N/A	3,909
Capmark Bank - UT						
Transferable Certificate of Deposit	N/R	N/A	N/A	5/23/2011	4.05%	97,172
MN National Bank						
Certificate of Deposit	N/R	N/A	N/A	4/1/2011	1.12%	256,868
Certificate of Deposit	N/R	N/A	N/A	4/3/2011	1.86%	256,150
Certificate of Deposit	N/R	N/A	N/A	4/12/2012	2.14%	250,000
First State Bank						
Certificate of Deposit	N/R	N/A	N/A	4/4/2011	1.05%	154,227
Certificate of Deposit	N/R	N/A	N/A	4/6/2011	2.00%	256,125
Certificate of Deposit	N/R	N/A	N/A	4/6/2011	2.55%	102,550
Certificate of Deposit	N/R	N/A	N/A	4/13/2012	2.15%	225,000
Total Investments						<u>\$ 1,602,472</u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investment Policies (Continued)**

	Bank Value	Carrying Value
Deposits		
Checking Accounts	\$ 157,425	\$ 70,770
Savings Accounts	3,573,462	3,573,462
Total Deposits	<u>\$ 3,644,232</u>	<u>\$ 3,644,232</u>
 Total Deposits and Investments - Governmental Funds		 <u>\$ 5,246,704</u>

Cash and cash equivalents at Sauk Centre Public Utilities Commission and St Michael's Hospital and Nursing Home component units are comprised of the following:

	St Michael's Hospital and Nursing Home	Sauk Centre Public Utility Commission
Cash on Hand	\$ -	\$ 600
Cash in Checking	1,449,511	935,096
Designated Assets:		
Operations and Maintenance Deposits	-	400,000
Capital Replacement Deposits	-	3,714,316
Postemployment Benefits Deposits	-	414,337
Debt Retirement Deposits	-	350,000
Under Bond Indenture Agreements:		
Certificates of Deposit	953,171	-
Accrued Interest	7,830	-
By Board for Capital Improvements:		
Certificates of Deposit	2,821,483	-
Accrued Interest	6,966	-
Total Cash and Investments	<u>5,238,961</u>	<u>5,814,349</u>
Less: Designated Assets and Assets under Bond Indenture Agreements	<u>(3,789,450)</u>	<u>(4,878,653)</u>
Total Cash and Investments	<u>\$ 1,449,511</u>	<u>\$ 935,696</u>

All of the Hospital's deposits are insured or registered in the Hospital's name and held in safekeeping by the treasurer or in a financial institution other than that furnishing collateral. The noncurrent cash and investments consist of certificates of deposit and cash and cash equivalents. The certificates of deposit all have a maturity of less than twenty-four months and earn interest at rates ranging from 1.3 percent to 2.1 percent.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2010 is as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	January 1, 2010 Balance	Additions	Disposals	December 31, 2010 Balance
Capital Assets, Not Being Depreciated				
Land	\$ 3,300,141	\$ 12,384	\$ -	\$ 3,312,525
Construction in Progress	563,879	1,551	-	565,430
Total Capital Assets, Not Being Depreciated	<u>3,864,020</u>	<u>13,935</u>	<u>-</u>	<u>3,877,955</u>
Capital Assets, Being Depreciated				
Land Improvements	1,664,748	15,341	-	1,680,089
Buildings and Improvements	5,801,619	-	-	5,801,619
Vehicles, Machinery and Equipment	2,434,414	45,245	29,011	2,450,648
Infrastructure	9,334,071	70,969	-	9,405,040
Total Capital Assets, Being Depreciated	<u>19,234,852</u>	<u>131,555</u>	<u>29,011</u>	<u>19,337,396</u>
Less: Accumulated Depreciation				
Land Improvements	1,273,735	25,594	-	1,299,329
Buildings and Improvements	1,453,037	147,139	-	1,600,176
Vehicles, Machinery and Equipment	1,285,623	125,335	29,011	1,381,947
Infrastructure	3,512,836	232,079	-	3,744,915
Total Accumulated Depreciation	<u>7,525,231</u>	<u>530,147</u>	<u>29,011</u>	<u>8,026,367</u>
Total Capital Assets, Being Depreciated, Net	<u>11,709,621</u>	<u>(398,592)</u>	<u>-</u>	<u>11,311,029</u>
Governmental Capital Assets, Net	<u>\$ 15,573,641</u>	<u>\$ (384,657)</u>	<u>\$ -</u>	<u>\$ 15,188,984</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 106,047
Public Safety	72,953
Public Works	282,493
Culture and Recreation	65,139
Airport	<u>3,515</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 530,147</u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

<b>COMPONENT UNIT</b>	January 1, 2010			December 31, 2010
<b>SAUK CENTRE PUBLIC UTILITIES COMMISSION</b>	Balance	Additions	Disposals	Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 129,633	\$ -	\$ -	\$ 129,633
Construction in Progress	552,632	2,902,944	-	3,455,576
<b>Total Capital Assets, Not Being Depreciated</b>	<b>682,265</b>	<b>2,902,944</b>	<b>-</b>	<b>3,585,209</b>
Capital Assets, Being Depreciated:				
Station Equipment	539,761	-	3,813	535,948
Distribution System	15,308,681	123,207	-	15,431,888
General Plant	1,378,469	37,735	131,610	1,284,594
Load Management	838,222	29,144	-	867,366
Treatment Facility	1,624,128	-	-	1,624,128
<b>Total Capital Assets, Being Depreciated</b>	<b>19,689,261</b>	<b>190,086</b>	<b>135,423</b>	<b>19,743,924</b>
<b>Total Capital Assets</b>	<b>20,371,526</b>	<b>3,093,030</b>	<b>135,423</b>	<b>23,329,133</b>
Less: Accumulated Depreciation	(9,853,575)	(563,947)	(135,423)	(10,282,099)
<b>Capital Assets, Net</b>	<b>\$ 10,517,951</b>	<b>\$ 2,529,083</b>	<b>\$ -</b>	<b>\$ 13,047,034</b>
 <b>COMPONENT UNIT</b>				
<b>ST. MICHAEL'S HOSPITAL AND NURSING HOME</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 529,595	\$ -	\$ -	\$ 529,595
Capital Assets, Being Depreciated				
Land Improvements	262,441	-	-	262,441
Buildings	17,900,073	205,897	41,209	18,064,761
Moveable and Fixed Equipment	3,190,283	351,387	212,987	3,328,683
<b>Total Capital Assets, Being Depreciated</b>	<b>21,352,797</b>	<b>557,284</b>	<b>254,196</b>	<b>21,655,885</b>
<b>Total Capital Assets</b>	<b>21,882,392</b>	<b>557,284</b>	<b>254,196</b>	<b>22,185,480</b>
Less: Accumulated Depreciation	(7,281,340)	(960,464)	(254,196)	(7,987,608)
<b>Capital Assets, Net</b>	<b>\$ 14,601,052</b>	<b>\$ (403,180)</b>	<b>\$ -</b>	<b>\$ 14,197,872</b>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 5 LONG-TERM DEBT**

The following is a summary of debt transactions of the City for the year ended December 31, 2010:

	Balance January 1, 2010	New Issues	Retired	Balance December 31, 2010	Amounts Due in One Year
General Obligation Tax Increment Bonds	\$ 1,712,007	\$ -	\$ 251,680	\$ 1,460,327	\$ 257,282
General Obligation Improvement Bonds	6,470,000	-	920,000	5,550,000	825,000
Discount on Bonds	(46,267)	-	(4,625)	(41,642)	-
Other Long-Term Debt	80,077	-	14,392	65,685	14,834
Revenue Bonds	215,000	-	20,000	195,000	25,000
Other Postemployment Benefits Payable	24,996	40,172	22,465	42,703	-
Compensated Absences	109,173	13,905	5,067	118,011	-
Capital Leases	13,620	-	3,281	10,339	3,822
Total Long-Term Debt	<u>\$ 8,578,606</u>	<u>\$ 54,077</u>	<u>\$ 1,232,260</u>	<u>\$ 7,400,423</u>	<u>\$ 1,125,938</u>

**General Obligation Bonds**

These bonds are backed by full-faith and credit of the City.

	Balance Outstanding
General Obligation Tax Increment Bonds	
\$585,000 General Obligation Tax Increment Refunding Bonds, Series 2004B, interest from 2.00% to 4.00%, matures February 1, 2015.	\$ 315,000
\$195,000 Tax Increment Revenue Note, Series 1998C, interest at 6.50%, matures August 1, 2014.	55,327
\$1,720,000 of General Obligation Tax Refunding Bonds, Series 2006A, interest from 3.45% to 4.00%, matures February 1, 2015.	<u>1,090,000</u>
Total General Obligation Tax Increment Bonds	1,460,327
General Obligation Improvement Bonds	
\$2,430,000 General Obligation Capital Improvement Plan Refunding Bonds, Series 2007A, interest from 3.75% to 4.20%, matures February 1, 2025.	2,120,000
\$415,000 General Obligation Improvement Bonds, Series 2007B, interest from 3.65% to 4.10%, matures February 1, 2017.	310,000

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**General Obligation Bonds (Continued)**

\$1,265,000 of General Obligation Improvement Bonds, Series 2008A, interest from 3.50% to 4.75%, matures February 1, 2024. Includes a discount of \$12,987.	\$ 1,200,000
\$2,560,000 of General Obligation Refunding Bonds, Series 2009A, interest from 3.50% to 4.75%, matures February 1, 2024. Includes a discount of \$33,280.	<u>1,920,000</u>
Total General Obligation Improvement Bonds	5,550,000
 Other Long-Term Debt	
\$50,000 Sauk River Watershed District Loan of 2002, interest at 3.5%, matures August 22, 2012.	11,421
\$80,000 City purchase of Public Utilities Property of 2000, Interest at 0.00% matures September 20, 2020.	40,000
\$45,700 Contract for Deed for David Schneider Land Purchase of 2004, interest at 5.0%, matures July 1, 2013.	<u>14,264</u>
Total Other Long-Term Debt	65,685
 Revenue Bonds - Expected to be repaid from airport related activities.	
\$330,000 of Taxable Airport Revenue Bonds, Series 2000A, interest at 7.9%, due February 1, 2016.	195,000
 Capital Leases	
\$17,573 of Capital leases for two copier machines, Interest at 16.3% on \$12,574 and 13.3% on \$4,999, due May 31, 2013.	10,339
Less Discount on Bonds	<u>41,642</u>
Total Long-Term Debt	<u><u>\$ 7,239,709</u></u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**General Obligation Bonds (Continued)**

Long-term debt maturities are as follows:

<u>Year Ended December 31,</u>	<u>Total Principal Maturities</u>	<u>Total Interest Maturities</u>
2011	\$ 1,125,938	\$ 233,964
2012	1,081,909	206,103
2013	932,912	177,781
2014	801,591	149,837
2015	719,001	123,763
2016-2020	1,365,000	404,386
2021-2025	1,255,000	131,696
Total	7,281,351	1,427,530
Less: Discount	41,642	-
Total	<u>\$ 7,239,709</u>	<u>\$ 1,427,530</u>

The following is a summary of bond information for the component units for the year ended December 31, 2010.

<b><u>Long-Term Debt - Sauk Centre Public Utilities Commission - Component Unit</u></b>	<u>Balance Outstanding</u>
Wastewater Treatment General Obligation Bonds - \$1,407,000, 1995 issue, interest at 3.20%, due August 2016.	\$ 519,174
Drinking Water General Obligation Revenue Bonds - \$2,121,231, 1998 issue, interest at 3.54%, due August 2018.	1,065,000
Wastewater Treatment General Obligation Bonds - \$410,000, 2005 Issue, interest at 3.82% , due December 2015	225,000
General Obligation Drinking Water Revenue Note - \$7,058,050, 2010 issue, interest 1.911%, due August 2030	3,058,439
Total	<u>4,867,613</u>
Less: Current Maturities	<u>(423,810)</u>
Total Long-Term Debt	<u>\$ 4,443,803</u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**Long-Term Debt –Sauk Centre Public Utilities Commission (Continued)**

Scheduled principal and interest repayments on long-term debt are as follows:

<u>Year Ended December 31.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 423,810	\$ 184,424	\$ 608,234
2012	442,434	186,314	628,748
2013	457,041	173,817	630,858
2014	472,785	160,589	633,374
2015	484,616	147,000	631,616
2016-2020	2,255,538	553,222	2,808,760
2021-2025	2,063,000	336,451	2,399,451
2026-2030	2,268,000	131,611	2,399,611
Total	* \$ 8,867,224	\$ 1,873,428	\$ 10,740,652

\* This amount includes the full \$7,058,050 of debt issued to the commission, which is comprised of \$3,058,439 that has been drawn by the commission as of December 31, 2010 and \$3,999,611 which is what is left to be drawn.

The general obligation revenue bonds are backed by the full-faith and credit of the City of Sauk Centre, Minnesota. The bonds financed the construction of a new water treatment facility.

The general obligation bonds are backed by the full-faith and credit of the City of Sauk Centre, Minnesota and financed construction of improvements to the wastewater treatment system of the City.

Long-term debt at December 31, 2010 consists of the following:

	<u>Balance January 1, 2010</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance December 31, 2010</u>
Changes in Long-Term Liabilities				
G.O. Bonds	\$ 2,040,489	\$ 3,058,439	\$ 231,315	\$ 4,867,613
Other Postemployment				
Benefits Payable	387,705	26,632	-	414,337
Total Long-Term Liabilities	<u>\$ 2,428,194</u>	<u>\$ 3,085,071</u>	<u>\$ 231,315</u>	<u>\$ 5,281,950</u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

<b>Long-Term Debt - St. Michael's Hospital and Nursing Home - Component Unit</b>	<b>Balance Outstanding</b>
2002 General Obligation Bonds: City of Sauk Centre, Minnesota, General Obligation Refunding Bonds, Series 2002B maturing in December 2012. Bonds bear interest rate coupons from 3.0% to 3.75% with an average interest rate of 3.46%.	\$ 230,000
2003 General Obligation Bonds: City of Sauk Centre, Minnesota, General Obligation Bonds, Series 2003C. Bonds bear interest rate coupons from 2.35% to 5.50%, with an average interest rate of 5.39%. The bonds are being refunded by the proceeds of the 2005C General Obligation Crossover Refunding Bonds discussed below. Through the issuance of the 2005C bonds, funds were deposited with a trustee and invested such that the amount will be adequate to pay off the 2003 Bonds from 2010 to 2013, the earliest redemption dates without penalties.	720,000
2005B General Obligation Refunding Bonds: City of Sauk Centre, Minnesota, Gross Revenue Refunding Bonds, Series 2005B, maturing in September 2016. Bonds bear interest rate coupons from 3.00% to 4.50% with an average interest rate of 4.44%. These bonds refinanced the 1995B Gross Revenue Bonds.	705,000
2005C General Obligation Crossover Refunding Bonds: City of Sauk Centre, Minnesota, Gross Revenue Crossover Refunding Bonds, Series 2005C, matures in September 2033. Bonds bear interest rate coupons from 4.60% to 5.00%, with an average interest rate of 4.80%. Principal payments begin September 2011. These bonds will refund the 2003 General Obligation Bonds in years 2010 - 2013.	9,505,000
Less: Current Maturities	(485,000)
<b>Total Long-Term Debt</b>	<b>\$ 10,675,000</b>

Scheduled principal and interest repayments on Hospital debt are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 485,000	\$ 496,009	\$ 981,009
2012	510,000	475,848	985,848
2013	410,000	454,003	864,003
2014	425,000	435,189	860,189
2015	445,000	414,657	859,657
2016-2020	1,950,000	1,802,155	3,752,155
2021-2025	2,220,000	1,379,156	3,599,156
2026-2030	2,755,000	836,525	3,591,525
2031-2033	1,960,000	183,080	2,143,080
Total	\$ 11,160,000	\$ 6,476,622	\$ 17,636,622

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**Long-Term Debt – St. Michael’s Hospital and Nursing Home (Continued)**

Under the terms of the above bond agreements, the Organization is required to maintain certain deposits with the trustee. Such deposits are included with non-current cash and investments. The bond agreements also place restrictions on the incurrence of additional borrowings and also require the Organization to satisfy certain measures of financial performance as long as the bonds are outstanding.

The general obligation bonds of the City of Sauk Centre, Minnesota, are to be paid first from the net revenues of the Organization. If net revenues are not sufficient for payment of principal and interest, the City’s full-faith and credit in the form of its taxing ability can be used to meet the debt service requirements.

Long-term debt at December 31, 2010 consists of the following:

	Balance January 1, 2010	Additions	Payments	Balance December 31, 2010
Long-Term Debt				
2002 General Obligation Bonds	\$ 335,000	\$ -	\$ 105,000	\$ 230,000
2003 General Obligation Bonds	10,145,000	-	9,425,000	720,000
2005B General Obligation Bonds	810,000	-	105,000	705,000
2005C General Obligation Bonds	9,505,000	-	-	9,505,000
Total Long-Term Debt	<u>\$ 20,795,000</u>	<u>\$ -</u>	<u>\$ 9,635,000</u>	11,160,000
Less: Current Maturities				<u>(485,000)</u>
Total Long-Term Debt, Net of Current Maturities				<u>\$ 10,675,000</u>

**NOTE 6 OTHER POSTEMPLOYMENT BENEFITS**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45), which addresses how state and local governments must account for and report their obligations related to post-employment healthcare and other non-pension benefits (referred to as Other Post Employment Benefits or “OPEB”). GASB 45 requires that local governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions.

**Plan Description**

The City makes available to eligible retirees and their spouses a single-employer defined healthcare plan. The plan offers medical coverage.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Funding Policy**

The City and the St. Michael's Hospital do not provide healthcare coverage for retired employees. Rather, they allow employees who separate from the City and the hospital employment due to retirement or disability, access to the coverage; however, that coverage is paid for at the former employees' expense. Sauk Centre Public Utilities Commission provides healthcare coverage for eligible retired employees. Eligible employees who retire between the ages of 55 – 59 shall receive Employer paid single medical insurance at the rate of \$652 per month until the age of 60. When those retirees reach the age of 60 or when eligible employees retire at the age of 60 years or older they shall receive employer paid single medical insurance at the rate of \$805 per month until the age of 65 or when eligible for Medicare. The employee shall be responsible for any premiums over the \$652 or \$805.

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost of the year, the amount actually contributed to the plan, and changes in City's net OPEB obligation to the plan:

	Governmental Funds	Sauk Centre Public Utilities Commission	St. Michaels Hospital and Nursing Home	Total
Annual Required Contribution	\$ 38,467	\$ 36,134	\$ 65,078	\$ 139,679
Interest on Net OPEB Obligation	(408)	1,117	2,317	3,026
Adjustment to Annual Required Contribution	2,113	(1,490)	(3,091)	(2,468)
Annual OPEB Cost (Expense)	40,172	35,761	64,304	140,237
Contributions Made	(22,465)	(9,129)	(22,122)	(53,716)
Increase in Net OPEB Obligation	17,707	26,632	42,182	86,521
Net OPEB Obligation - Beginning of Year	24,996	387,705	51,480	464,181
Net OPEB Obligation - End of Year	<u>\$ 42,703</u>	<u>\$ 414,337</u>	<u>\$ 93,662</u>	<u>\$ 550,702</u>
Net OPEB Designated Assets	<u>\$ -</u>	<u>\$ 414,337</u>	<u>\$ -</u>	<u>\$ -</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending 12/31/10 were as follows:

	Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Governmental Funds	12/31/2010	\$ 40,172	\$ 22,465	56%	\$ 42,703
Sauk Centre Public Utilities Commission	12/31/2010	35,761	9,129	26%	414,337
St. Michaels Hospital and Nursing Home	12/31/2010	64,304	22,122	34%	93,662
Governmental Funds	12/31/2009	38,467	13,471	35%	24,996
Sauk Centre Public Utilities Commission	12/31/2009	399,014	11,309	3%	387,705
St. Michaels Hospital and Nursing Home	12/31/2009	65,078	13,598	21%	51,480

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Funded Status and Funding Progress**

As of January 1, 2009 the most recent actuarial valuation date, the City had no assets deposited to fund the plan.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
Governmental Activities 1/1/2009	\$ -	\$ 319,269	\$ 319,269	0.0%	\$ 945,773	33.8%
Sauk Centre Public Utilities Commission 1/1/2009	\$ -	\$ 362,880	\$ 362,880	0.0%	\$ 709,360	51.2%
St. Michael's Hospital and Nursing Home 1/1/2009	\$ -	\$ 466,685	\$ 466,685	0.0%	\$ 8,574,475	5.4%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a rate of the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 9%, reduced by decrements to an ultimate rate of 5% after ten years. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at December 31, 2010 was 28 years for the City and the Hospital, Sauk Centre Public Utilities Commission did not choose to amortize, but to record the entire liability as of December 31, 2009.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 7 FUND BALANCES**

**Designated Fund Balance**

Designated fund balance is comprised of the following components:

	General	Other Governmental Funds	Total
Unreserved Designated for:			
Park Trails	\$ 19,000	\$ -	\$ 19,000
Future Projects	182,830	-	182,830
Severance - Police	17,010	-	17,010
MnDot Signs	5,227	-	5,227
Build A Forest	3,941	-	3,941
Streets	68,639	-	68,639
Park Mower	20,079	-	20,079
Fire Land/Building	-	71,326	71,326
Airport Land/Building	-	35,215	35,215
Ambulance Building	-	34,793	34,793
Library	-	44,953	44,953
Total	<u>\$ 316,726</u>	<u>\$ 186,287</u>	<u>\$ 503,013</u>

**NOTE 8 DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**A. Plan Description**

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

GERF 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. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA at 60 Empire Drive #200, St. Paul, MN 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 8 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

B. Funding Policy

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

The City of Sauk Centre, Minnesota is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERP members, 7.00% for Coordinated Plan GERP members, and 14.1% for PEPFF members. The City's contributions to the General Employees Retirement Fund for the years ending December 31, 2010, 2009, and 2008 were \$46,720, \$46,911, and \$43,640, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2010, 2009, and 2008 were \$46,456, \$44,907, and \$41,257, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute. The St. Michael's Hospital and Nursing Home's contributions to PERA for the years ended December 31, 2010, 2009, and 2008 were approximately \$485,000, \$468,000, and \$422,000, respectively. The Sauk Centre Public Utilities Commission's contributions to the Public Employees Retirement Fund for the years ending December 31, 2010, 2009, and 2008 were \$47,597, \$43,020, and \$41,691, respectively.

**NOTE 9 RELATED ORGANIZATION**

**Sauk Centre Volunteer Fire Relief Association (the "Association")**

Plan Description

The Public Employee Retirement System (PERS) Plan is a single-employer defined benefit pension plan administered by the Sauk Centre Fire Department Relief Association. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by state statute. The Sauk Centre Fire Department issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by contacting the City's Fire Department.

Funding Policy

*Minnesota Statutes* specify minimum contributions that may be required from the City on an annual basis. These minimum contributions are determined based on the amount required to meet the normal cost plus amortizing any prior year's service cost over a ten year period. A contribution was not required from the City for the year ended December 31, 2010. The Sauk Centre Fire Department Relief Association also receives funding from the State of Minnesota as a two percent fire premium tax. The City receives the contributions and is required by statute to pass this through as payment to the Fire Relief Association. Investment earnings also add to the resources available for benefits.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 9 RELATED ORGANIZATION (CONTINUED)**

**Sauk Centre Volunteer Fire Relief Association (the "Association") (Continued)**

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to PERS for the current year were as follows:

Annual Required Contribution	\$ 14,590
Interest on Net Pension Obligation	-
Adjustment to Annual Required Contribution	-
Annual Pension Cost	14,590
Less Contribution Made	(14,590)
Increase (Decrease) in Net Pension Obligation	-
Net Pension Obligation Beginning of Year	-
Net Pension Obligation End of Year	\$ -

The annual required contribution for the current year was determined as part of December 31, 2009, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return and (b) age and service retirement was assumed to occur at age 50. Pension benefit obligations on an actuarial basis are not calculated for individual volunteer fire relief associations since state statutes permit alternate calculation of required reserves based on overall actuarial assumptions.

The City's net pension obligation for the Fire Relief Association for the years ended December 31, 2010, 2009, and 2008 are as follows:

December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 14,590	100.0 %	N/A
2009	-	100.0	N/A
2008	-	100.0	N/A

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 9 RELATED ORGANIZATION (CONTINUED)**

**Sauk Centre Volunteer Fire Relief Association (the "Association") (Continued)**

Contributions Required and Made

The City makes contributions to the Association annually in an amount equal to the fire aid received from the State of Minnesota as required by state statutes. The City is required to make additional contributions to the Association in the following year if the following years anticipated administrative expenses plus the anticipated increase in the required reserves plus amortization of the original unfunded accrued liability exceeds the anticipated revenues. The City was required to make a \$14,590 contribution in excess of fire aid for 2010. The City also contributed an additional \$2,500 to the fire relief in 2010. The City was not required to make any contributions in excess of fire aid for 2009 and 2008.

Funding Progress

As of December 31, 2009 (the most recent available information), the plan was underfunded by \$127,791. Additional information on the funding progress is included in the required supplementary information section of this report.

Related-Party Investments

As of December 31, 2010 and for the year then ended, the Association held no securities issued by the City or other related-parties.

**NOTE 10 JOINT VENTURES**

**Great River Regional Library**

The Great River Regional Library operates under authority granted to it by *Minnesota Statutes*. The Great River Regional Library operates under a joint powers type arrangement. The specific operating framework is set forth in a service agreement, which has been entered into by each of the ten members. The membership consists of Benton, Morrison, Sherburne, Stearns, Todd and Wright counties and the cities of St. Cloud, Sauk Centre and Paynesville. The Board of Trustees consists of 15 people.

The City's 2010 contribution to the Great River Regional Library of \$7,188 is included in the expenditures of the Library Special Revenue Fund. This Fund also includes expenditures relating to providing library service for residents of the City of Sauk Centre.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 11 RISK MANAGEMENT**

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust with other cities in the state, which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the League for its insurance coverage. The League of Minnesota Cities Insurance Trust is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, but retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

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

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2010 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

**NOTE 12 OPERATING LEASES**

The City of Sauk Centre, Minnesota has entered a contract for the lease of a Sharp AR-M355NA copier. The lease agreement is for a period of five years. The City of Sauk Centre, Minnesota also entered into a contract for the lease of two squad cars. One squad car is for a period of three years and the second is for a period of two years. The payments on operating leases in 2010 totaled \$34,587. Future minimum lease payments are as follows:

	<u>Copier</u>	<u>Squad Cars</u>	<u>Total</u>
2011	\$ 3,482	\$ 21,113	\$ 24,595
2012	2,611	6,285	8,896
Total	<u>\$ 6,093</u>	<u>\$ 27,398</u>	<u>\$ 33,491</u>

**NOTE 13 CAPITAL LEASES**

The City of Sauk Centre, Minnesota has entered a contract for the lease of a Sharp MX-4501 copier and an HP 4345 copier. These lease agreement are for a period of 60 and 55 months respectively. The related assets are carried at a cost of \$17,573 with accumulated depreciation of \$10,544. Future minimum lease payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,822	\$ 1,328	\$ 5,150
2012	4,452	697	5,149
2013	2,065	80	2,145
Total	<u>\$ 10,339</u>	<u>\$ 2,105</u>	<u>\$ 12,444</u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 14 INTERFUND TRANSACTIONS**

At December 31, 2010, due from/to other funds were as follows:

Due To	Due From		Total
	Capital Projects	Other Governmental Funds	
General Fund	\$ 126,871	\$ 9,602	\$ 136,473

These balances have resulted from working capital loans made from the General Fund which are expected to be collected in the subsequent year.

In addition, the General Fund made an advance to the Arena Fund. The balance at December 31, 2010 was \$273,992.

The composition of interfund transfers as of December 31, 2010 is as follows:

Transfers Out	Transfers In		Total
	Debt Service Fund	Capital Projects Fund	
Other Governmental Funds			
Area Fire Service	\$ 64,045	\$ -	\$ 64,045
Airport	33,633	10,000	43,633
TIF	444,557	-	444,557
Total	\$ 542,235	\$ 10,000	\$ 552,235

Transfers are used to 1) fund capital projects and 2) to fund debt service requirements.

**NOTE 15 DISCRETELY PRESENTED COMPONENT UNIT**

**Housing and Redevelopment Authority of Sauk Centre (Organization)**

**Deposits**

*Minnesota Statutes* require all Organization deposits be protected by insurance, surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. *Minnesota Statutes* also require securities pledged as collateral be held in safekeeping by the Organization or in a financial institution other than that furnishing the collateral.

At December 31, 2010, the bank carrying amount of the Organization's deposits was \$33,564. The entire amount of the bank carrying value was covered by Federal Depository Insurance Corporation (FDIC) insurance or by collateral held by the Organization's agent in the Organization's name.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 15 DISCRETELY PRESENTED COMPONENT UNIT (CONTINUED)**

**Housing and Redevelopment Authority of Sauk Centre (Organization) (Continued)**

**Investments**

*Minnesota Statutes* authorize the Organization to invest in obligations of the U.S. Government and its agencies and of the State of Minnesota and its agencies, bankers' acceptances, commercial paper and certain other types of securities. All of the investments are insured or registered in the Organization's name.

**Capital Assets**

Capital asset activity for the year ended December 31, 2010 is as follows:

<b>COMPONENT UNIT HOUSING AND REDEVELOPMENT AUTHORITY OF SAUK CENTRE</b>	<b>January 1, 2010 Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2010 Balance</b>
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land and Improvements	\$ 95,033	\$ -	\$ -	\$ 95,033
Capital Assets, Being Depreciated				
Buildings	1,860,974	122,396	42,017	1,941,353
Equipment and Other	99,083	-	34,889	64,194
Total Capital Assets being Depreciated	<u>1,960,057</u>	<u>122,396</u>	<u>76,906</u>	<u>2,005,547</u>
Total Capital Assets	2,055,090	122,396	76,906	2,100,580
Less: Accumulated Depreciation	<u>(1,125,383)</u>	<u>(75,990)</u>	<u>54,094</u>	<u>(1,147,279)</u>
Capital Assets, Net	<u>\$ 929,707</u>	<u>\$ 46,406</u>	<u>\$ 131,000</u>	<u>\$ 953,301</u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

**NOTE 16 COMMITMENTS AND CONTINGENCIES**

**Tax Increment Districts**

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

**Commitments**

At December 31, 2010, the Sauk Centre Public Utilities was committed under a construction contract with Staab Construction related to the upgrade and expansion of the wastewater treatment facility. Total contract price is approximately \$5,186,000, with approximately \$2,700,000 being paid as of December 31, 2010, and the remaining commitment being approximately \$2,500,000. The project is being financed by General Obligation Drinking Water Revenue Note.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SAUK CENTRE, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2010**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
<b>REVENUES</b>			
General Property Taxes	\$ 792,292	\$ 720,573	\$ (71,719)
Special Assessments	2,000	3,020	1,020
Licenses and Permits	200,653	204,744	4,091
Intergovernmental Revenues	1,059,705	1,089,446	29,741
Charges for Services	140,750	175,592	34,842
Fines and Forfeits	31,250	37,758	6,508
Other Revenues	33,160	67,804	34,644
Total Revenues	<u>2,259,810</u>	<u>2,298,937</u>	<u>39,127</u>
<b>EXPENDITURES</b>			
General Government	715,369	636,612	(78,757)
Public Safety	746,199	730,523	(15,676)
Public Works	732,869	621,819	(111,050)
Culture and Recreation	286,930	251,270	(35,660)
Debt Service	14,391	17,673	3,282
Total Expenditures	<u>2,495,758</u>	<u>2,257,897</u>	<u>(237,861)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(235,948)	41,040	276,988
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	<u>45,000</u>	<u>-</u>	<u>(45,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (190,948)</u>	41,040	<u>\$ 231,988</u>
Fund Balances - Beginning of Year		<u>1,123,135</u>	
<b>FUND BALANCES - ENDING END OF YEAR</b>		<u>\$ 1,164,175</u>	

**NOTE TO SCHEDULE**

The budget and the actual are both prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**CITY OF SAUK CENTRE, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
ARENA FUND  
YEAR ENDED DECEMBER 31, 2010**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
<b>REVENUES</b>			
General Property Taxes	\$ 50,000	\$ 44,012	\$ (5,988)
Intergovernmental Revenues	-	1,434	1,434
Charges for Services	68,950	68,614	(336)
Other Revenues	-	(3,940)	(3,940)
Total Revenues	118,950	110,120	(8,830)
 <b>EXPENDITURES</b>			
Culture and Recreation	65,511	47,517	(17,994)
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	53,439	62,603	9,164
 <b>OTHER FINANCING SOURCES</b>			
Sale of Capital Assets	-	5,000	5,000
 <b>NET CHANGE IN FUND BALANCES</b>	\$ 53,439	67,603	\$ 14,164
Fund Balances (Deficit) - Beginning of year		(335,620)	
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>		\$ (268,017)	

**NOTE TO SCHEDULE**

The budget and the actual are both prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**CITY OF SAUK CENTRE, MINNESOTA  
SCHEDULES OF FUNDING PROGRESS  
YEAR ENDED DECEMBER 31, 2010**

**Sauk Centre Fireman's Relief Association**

Fiscal Year Ending	Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Benefit Per Year of Service
12/31/2009	\$ 463,720	\$ 591,511	\$ 127,791	78.4 %	\$ 1,550
12/31/2008	505,087	679,954	174,867	74.3	1,550
12/31/2007	597,407	663,431	66,024	90.0	1,550

Additional information relating to the pension plan is provided in Note 9.

The December 31, 2010 report is not yet available.

**Other Postemployment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
Governmental Activities 1/1/2009	\$ -	\$ 319,269	\$ 319,269	0.0%	\$ 945,773	33.8%
Sauk Centre Public Utilities Commission 1/1/2009	\$ -	\$ 362,880	\$ 362,880	0.0%	\$ 709,360	51.2%
St. Michael's Hospital and Nursing Home 1/1/2009	\$ -	\$ 466,685	\$ 466,685	0.0%	\$ 8,574,475	5.4%

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF SAUK CENTRE, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2010**

	General	Arena	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
<b>Taxes</b>						
Property Taxes	\$ 720,573	\$ 44,012	\$ -	\$ 521,123	\$ 102,434	\$ 1,388,142
Tax Increments	-	-	-	-	742,573	742,573
Special Assessments	3,020	-	-	481,702	-	484,722
<b>Total Taxes</b>	<b>723,593</b>	<b>44,012</b>	<b>-</b>	<b>1,002,825</b>	<b>845,007</b>	<b>2,615,437</b>
<b>Licenses and Permits</b>						
<b>Licenses</b>						
Beer, Liquor and Cigarettes	23,960	-	-	-	-	23,960
Electricity Franchise Fee	119,977	-	-	-	-	119,977
Cable Franchise Fee	34,098	-	-	-	-	34,098
Other	21,919	-	-	-	-	21,919
Building Permits	4,790	-	-	-	-	4,790
<b>Total Licenses and Permits</b>	<b>204,744</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>204,744</b>
<b>Intergovernmental Revenues</b>						
<b>Federal Grants</b>						
Other Grants	-	-	36,838	-	-	36,838
<b>State Aids</b>						
Local Governmental Aid	966,004	-	-	-	40,884	1,006,888
Market Value Credits	22,354	1,434	-	16,215	18,423	58,426
Fire State Aid	28,947	-	-	-	3,000	31,947
Police State Aid	46,040	-	-	-	-	46,040
PERA Aid	26,101	-	-	-	-	26,101
<b>Total Intergovernmental     Revenues</b>	<b>1,089,446</b>	<b>1,434</b>	<b>36,838</b>	<b>16,215</b>	<b>62,307</b>	<b>1,206,240</b>
<b>Charges for Services</b>						
Special Police Services	868	-	-	-	-	868
Fire Contracts	-	-	-	-	176,795	176,795
Ambulance Service	-	-	-	-	311,684	311,684
Arena Rentals and Charges	-	68,614	-	-	-	68,614
Planning and Zoning Charges	54,932	-	-	-	-	54,932
County Highway Maintenance	5,409	-	-	-	-	5,409
Campground Charges	98,027	-	-	-	-	98,027
Rent	9,000	-	-	-	28,409	37,409
Other	7,356	-	-	-	44,614	51,970
<b>Total Charges for Services</b>	<b>175,592</b>	<b>68,614</b>	<b>-</b>	<b>-</b>	<b>561,502</b>	<b>805,708</b>
Fines and Forfeits	37,758	-	-	-	-	37,758

**CITY OF SAUK CENTRE, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES (CONTINUED)  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2010**

	General	Arena	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES (CONTINUED)</b>						
Other Revenues						
Interest	\$ 13,173	\$ (3,940)	\$ 1,680	\$ 16,717	\$ 22,521	\$ 50,151
Donations/Contributions	2,361	-	-	-	57,066	59,427
Refunds and Reimbursements	27,621	-	-	-	17,663	45,284
Other	24,649	-	20,927	-	39,499	85,075
<b>Total Other Revenues</b>	<b>67,804</b>	<b>(3,940)</b>	<b>22,607</b>	<b>16,717</b>	<b>136,749</b>	<b>239,937</b>
<b>Total Revenues</b>	<b>2,298,937</b>	<b>110,120</b>	<b>59,445</b>	<b>1,035,757</b>	<b>1,605,565</b>	<b>5,109,824</b>
<b>EXPENDITURES</b>						
General Government						
Mayor and Council	94,521	-	-	-	-	94,521
Administration	295,228	-	-	-	-	295,228
Assessor	19,215	-	-	-	-	19,215
Finance	17,318	-	-	-	-	17,318
Legal	28,671	-	-	-	-	28,671
Planning and Zoning	117,572	-	-	-	-	117,572
General Government						
Buildings and Property	58,641	-	-	-	-	58,641
Other General Government	5,446	-	-	-	27,838	33,284
<b>Total General Government</b>	<b>636,612</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,838</b>	<b>664,450</b>
Public Safety						
Police	605,540	-	-	-	3,906	609,446
Fire Department	123,772	-	-	-	157,608	281,380
Ambulance	653	-	-	-	232,227	232,880
Animal Control	558	-	-	-	-	558
Capital Outlay	-	-	-	-	33,954	33,954
<b>Total Public Safety</b>	<b>730,523</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>427,695</b>	<b>1,158,218</b>
Public Works						
Highways, Streets and Alleys	398,868	-	31,940	-	-	430,808
Sidewalk and Curb	10,078	-	-	-	-	10,078
Snow and Ice Control	10,989	-	-	-	-	10,989
Street Lighting	59,230	-	-	-	-	59,230
Campground	34,556	-	-	-	-	34,556
Other	28,578	-	-	-	-	28,578
Capital Outlay	79,520	-	13,884	-	-	93,404
<b>Total Public Works</b>	<b>621,819</b>	<b>-</b>	<b>45,824</b>	<b>-</b>	<b>-</b>	<b>667,643</b>

**CITY OF SAUK CENTRE, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES (CONTINUED)  
 GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2010**

	General	Arena	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>EXPENDITURES (CONTINUED)</b>						
Culture and Recreation						
Arena Activities	\$ -	\$ 47,517	\$ -	\$ -	\$ -	\$ 47,517
Parks	223,469	-	-	-	-	223,469
Other	26,801	-	-	-	28,255	55,056
Capital Outlay	1,000	-	-	-	14,341	15,341
Total Culture and Recreation	<u>251,270</u>	<u>47,517</u>	<u>-</u>	<u>-</u>	<u>42,596</u>	<u>341,383</u>
Economic Development						
Other Charges	-	-	-	-	174,831	174,831
Other						
Airport	-	-	12,376	-	90,946	103,322
Debt Service						
Principal	17,673	-	-	1,191,680	-	1,209,353
Interest and Fiscal Charges	-	-	-	282,867	-	282,867
Total Debt Service	<u>17,673</u>	<u>-</u>	<u>-</u>	<u>1,474,547</u>	<u>-</u>	<u>1,492,220</u>
Total Expenditures	<u>2,257,897</u>	<u>47,517</u>	<u>58,200</u>	<u>1,474,547</u>	<u>763,906</u>	<u>4,602,067</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	41,040	62,603	1,245	(438,790)	841,659	507,757
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers From:						
Governmental Funds	-	-	10,000	542,235	-	552,235
Transfers To:						
Governmental Funds	-	-	-	-	(552,235)	(552,235)
Sale of Capital Assets	-	5,000	-	-	-	5,000
Total Other Financing Sources/(Uses)	<u>-</u>	<u>5,000</u>	<u>10,000</u>	<u>542,235</u>	<u>(552,235)</u>	<u>5,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	41,040	67,603	11,245	103,445	289,424	512,757
Fund Balances (Deficit) - Beginning of Year	<u>1,123,135</u>	<u>(335,620)</u>	<u>141,871</u>	<u>2,180,072</u>	<u>1,757,511</u>	<u>4,866,969</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ 1,164,175</u>	<u>\$ (268,017)</u>	<u>\$ 153,116</u>	<u>\$ 2,283,517</u>	<u>\$ 2,046,935</u>	<u>\$ 5,379,726</u>

**CITY OF SAUK CENTRE, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	211	224	225	230	240
	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance
<b>ASSETS</b>					
Cash and Investments	\$ 55,756	\$ 71,506	\$ 238,726	\$ 95,306	\$ 132,970
Taxes Receivable - Delinquent	-	-	-	-	-
Accounts Receivable	-	-	1,595	319	59,146
Prepaid Expenses	-	-	-	1,829	-
Due from Other Governments	294	-	-	359	9
Total Assets	<u>\$ 56,050</u>	<u>\$ 71,506</u>	<u>\$ 240,321</u>	<u>\$ 97,813</u>	<u>\$ 192,125</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Salaries/Benefits Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts and Contracts Payable	-	472	4,093	-	1,598
Due to Other Funds	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	-	472	4,093	-	1,598
<b>FUND BALANCES</b>					
Unreserved,					
Special Revenue Fund					
Designated	44,954	-	71,327	35,214	34,793
Undesignated	11,096	71,034	164,901	62,599	155,734
Total Fund Balances	<u>56,050</u>	<u>71,034</u>	<u>236,228</u>	<u>97,813</u>	<u>190,527</u>
Total Liabilities and Fund Balances	<u>\$ 56,050</u>	<u>\$ 71,506</u>	<u>\$ 240,321</u>	<u>\$ 97,813</u>	<u>\$ 192,125</u>

226	227	228	229	260	214		
Sauk Centre Economic Development Authority	Economic Development Revolving Loan	Park Dedication	Siren Dedication	Senior Center	Police Forfeiture	Tax Increment Financing	Total Non-Major Special Revenue
\$ 36,852	\$ 239,208	\$ 69,954	\$ 11,228	\$ 25,915	\$ 8,589	\$ 1,003,115	\$ 1,989,125
-	-	-	-	-	-	58,998	58,998
-	44,668	-	-	-	-	5,776	111,504
-	-	-	-	-	-	-	1,829
141	-	-	-	211	-	5,861	6,875
<u>\$ 36,993</u>	<u>\$ 283,876</u>	<u>\$ 69,954</u>	<u>\$ 11,228</u>	<u>\$ 26,126</u>	<u>\$ 8,589</u>	<u>\$ 1,073,750</u>	<u>\$ 2,168,331</u>
\$ -	\$ -	\$ -	\$ -	\$ 425	\$ -	\$ -	\$ 425
-	-	-	-	-	-	1,540	7,703
-	-	-	-	-	-	9,602	9,602
-	44,668	-	-	-	-	58,998	103,666
-	44,668	-	-	425	-	70,140	121,396
-	-	-	-	-	-	-	186,288
36,993	239,208	69,954	11,228	25,701	8,589	1,003,610	1,860,647
<u>36,993</u>	<u>239,208</u>	<u>69,954</u>	<u>11,228</u>	<u>25,701</u>	<u>8,589</u>	<u>1,003,610</u>	<u>2,046,935</u>
<u>\$ 36,993</u>	<u>\$ 283,876</u>	<u>\$ 69,954</u>	<u>\$ 11,228</u>	<u>\$ 26,126</u>	<u>\$ 8,589</u>	<u>\$ 1,073,750</u>	<u>\$ 2,168,331</u>

**CITY OF SAUK CENTRE, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2010**

	211	224	225	230	240
	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance
<b>REVENUES</b>					
Taxes					
Property Taxes	\$ 29,427	\$ -	\$ -	\$ 36,712	\$ 865
Tax Increments	-	-	-	-	-
Total Taxes	29,427	-	-	36,712	865
Intergovernmental Revenues					
State Aids					
Market Value Credits	920	-	-	1,147	-
Fire State Aid	-	-	3,000	-	-
Other Grants	-	26,600	1,100	13,184	-
Total Intergovernmental Revent	920	26,600	4,100	14,331	-
Charges for Services					
Fire Contracts	-	-	176,795	-	-
Ambulance Service	-	-	-	-	311,684
Rent	-	-	-	23,279	-
Other	-	-	-	41,574	3,040
Total Charges for Services	-	-	176,795	64,853	314,724
Other Revenues					
Interest	595	502	2,766	1,148	1,308
Donations/Contributions	100	43,780	500	-	480
Refunds and Reimbursements	-	-	13,067	3,269	1,217
Other	45	-	11,935	-	-
Total Other Revenues	740	44,282	28,268	4,417	3,005
Total Revenues	31,087	70,882	209,163	120,313	318,594
<b>EXPENDITURES</b>					
General Government					
Other General Government	27,838	-	-	-	-
Total General Government	27,838	-	-	-	-
Public Safety					
Police	-	-	-	-	-
Fire Department	-	14,767	142,841	-	-
Ambulance	-	-	-	-	232,227
Capital Outlay	-	28,349	-	-	-
Total Public Safety	-	43,116	142,841	-	232,227

226	227	228	229	260	214		
Sauk Centre Economic Development Authority	Economic Development Revolving Loan	Park Dedication	Siren Dedication	Senior Center	Police Forfeiture	Tax Increment Financing	Total Non-Major Special Revenue
\$ 14,182	\$ -	\$ -	\$ -	\$ 21,248	\$ -	\$ -	\$ 102,434
-	-	-	-	-	-	742,573	742,573
14,182	-	-	-	21,248	-	742,573	845,007
423	-	-	-	634	-	15,299	18,423
-	-	-	-	-	-	-	3,000
-	-	-	-	-	-	-	40,884
423	-	-	-	634	-	15,299	62,307
-	-	-	-	-	-	-	176,795
-	-	-	-	-	-	-	311,684
-	-	-	-	5,130	-	-	28,409
-	-	-	-	-	-	-	44,614
-	-	-	-	5,130	-	-	561,502
370	2,960	868	137	228	99	11,540	22,521
-	-	5,960	-	6,246	-	-	57,066
-	-	-	-	-	110	-	17,663
-	6,835	8,043	-	250	12,391	-	39,499
370	9,795	14,871	137	6,724	12,600	11,540	136,749
14,975	9,795	14,871	137	33,736	12,600	769,412	1,605,565
-	-	-	-	-	-	-	27,838
-	-	-	-	-	-	-	27,838
-	-	-	-	-	3,906	-	3,906
-	-	-	-	-	-	-	157,608
-	-	-	-	-	-	-	232,227
-	-	-	-	-	5,605	-	33,954
-	-	-	-	-	9,511	-	427,695

**CITY OF SAUK CENTRE, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES (CONTINUED)  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2010**

	211	224	225	230	240
	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance
<b>EXPENDITURES (CONTINUED)</b>					
Culture and Recreation					
Other	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay	-	-	-	-	-
Total Culture and Recreation	-	-	-	-	-
Economic Development					
Other Charges	-	-	-	-	-
Other					
Airport	-	-	-	90,946	-
Total Expenditures	27,838	43,116	142,841	90,946	232,227
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	3,249	27,766	66,322	29,367	86,367
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers To:					
Governmental Funds	-	-	(64,045)	(43,633)	-
<b>NET CHANGE IN FUND BALANCES</b>	3,249	27,766	2,277	(14,266)	86,367
Fund Balances - Beginning of Year	52,801	43,268	233,951	112,079	104,160
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 56,050</b>	<b>\$ 71,034</b>	<b>\$ 236,228</b>	<b>\$ 97,813</b>	<b>\$ 190,527</b>

226	227	228	229	260	214		
Sauk Centre Economic Development Authority	Economic Development Revolving Loan	Park Dedication	Siren Dedication	Senior Center	Police Forfeiture	Tax Increment Financing	Total Non-Major Special Revenue
\$ -	\$ -	\$ -	\$ -	\$ 28,255	\$ -	\$ -	\$ 28,255
-	-	14,341	-	-	-	-	14,341
-	-	14,341	-	28,255	-	-	42,596
5,386	50,000	-	-	-	-	119,445	174,831
-	-	-	-	-	-	-	90,946
5,386	50,000	14,341	-	28,255	9,511	119,445	763,906
9,589	(40,205)	530	137	5,481	3,089	649,967	841,659
-	-	-	-	-	-	(444,557)	(552,235)
9,589	(40,205)	530	137	5,481	3,089	205,410	289,424
27,404	279,413	69,424	11,091	20,220	5,500	798,200	1,757,511
\$ 36,993	\$ 239,208	\$ 69,954	\$ 11,228	\$ 25,701	\$ 8,589	\$ 1,003,610	\$ 2,046,935

**CITY OF SAUK CENTRE, MINNESOTA  
COMBINING BALANCE SHEET  
TAX INCREMENT FINANCING FUNDS  
DECEMBER 31, 2010**

	256	255	250	251
	Tax Increment Financing Water Tower	Tax Increment Financing District No. 5	Tax Increment Financing District No. 1	Tax Increment Financing District No. 1 Expanded
<b>ASSETS</b>				
Cash and Investments	\$ 24,843	\$ 26,466	\$ 619,773	\$ 192,099
Taxes Receivable - Delinquent	-	-	58,998	-
Accounts Receivable	-	-	-	-
Due from Other Governments	-	2,924	2,290	-
Total Assets	<u>\$ 24,843</u>	<u>\$ 29,390</u>	<u>\$ 681,061</u>	<u>\$ 192,099</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Accounts and Contracts Payable	-	-	-	-
Deferred Revenue	-	-	58,998	-
Total Liabilities	-	-	58,998	-
<b>FUND BALANCES (DEFICITS)</b>				
Unreserved				
Special Revenue Fund				
Undesignated	24,843	29,390	622,063	192,099
Total Liabilities and Fund Balances	<u>\$ 24,843</u>	<u>\$ 29,390</u>	<u>\$ 681,061</u>	<u>\$ 192,099</u>

253	252	254	258	257	259	
Tax Increment Financing District No. 1-10	Tax Increment Financing District No. 1-11	Tax Increment Housing District 4	Tax Increment Financing Morning View Housing	Tax Increment Financing Roach Center Crossing	East River Heights Housing	Total TIF Funds
\$ -	\$ -	\$ 24,333	\$ 67,369	\$ 35,071	\$ 13,161	\$ 1,003,115
-	-	-	-	-	-	58,998
-	5,776	-	-	-	-	5,776
-	-	-	647	-	-	5,861
<u>\$ -</u>	<u>\$ 5,776</u>	<u>\$ 24,333</u>	<u>\$ 68,016</u>	<u>\$ 35,071</u>	<u>\$ 13,161</u>	<u>\$ 1,073,750</u>
\$ 3,722	\$ 5,880	\$ -	\$ -	\$ -	\$ -	\$ 9,602
-	1,540	-	-	-	-	1,540
-	-	-	-	-	-	58,998
<u>3,722</u>	<u>7,420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,140</u>
<u>(3,722)</u>	<u>(1,644)</u>	<u>24,333</u>	<u>68,016</u>	<u>35,071</u>	<u>13,161</u>	<u>1,003,610</u>
<u>\$ -</u>	<u>\$ 5,776</u>	<u>\$ 24,333</u>	<u>\$ 68,016</u>	<u>\$ 35,071</u>	<u>\$ 13,161</u>	<u>\$ 1,073,750</u>

**CITY OF SAUK CENTRE, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 TAX INCREMENT FINANCING FUNDS  
 YEAR ENDED DECEMBER 31, 2010**

	256	255	250	251
	Tax Increment Financing Water Tower	Tax Increment Financing District No. 5	Tax Increment Financing District No. 1	Tax Increment Financing District No. 1 Expanded
<b>REVENUES</b>				
Taxes				
Tax Increments	\$ 17,199	\$ 73,936	\$ 475,014	\$ 30,106
Intergovernmental Revenues				
State Aids				
Market Value Credits	3,009	-	2,487	986
Other Revenues				
Interest	311	155	7,687	2,066
Total Revenues	20,519	74,091	485,188	33,158
<b>EXPENDITURES</b>				
Economic Development				
Other Charges	521	521	44,680	521
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	19,998	73,570	440,508	32,637
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To:				
Governmental Funds	(16,339)	(60,799)	(325,000)	-
<b>NET CHANGE IN FUND BALANCES</b>	3,659	12,771	115,508	32,637
Fund Balances (Deficits) - Beginning of Year	21,184	16,619	506,555	159,462
<b>FUND BALANCES (DEFICITS) - END OF YEAR</b>	<u>\$ 24,843</u>	<u>\$ 29,390</u>	<u>\$ 622,063</u>	<u>\$ 192,099</u>

253	252	254	258	257	259	
Tax Increment Financing District No. 1-10	Tax Increment Financing District No. 1-11	Tax Increment Housing District 4	Tax Increment Financing Morning View Housing	Tax Increment Financing Roach Center Crossing	East River Heights Housing	Total TIF Funds
\$ 22,884	\$ 5,776	\$ 22,790	\$ 35,981	\$ 26,809	\$ 32,078	\$ 742,573
-	-	246	5,878	-	2,693	15,299
10	(11)	295	600	229	198	11,540
22,894	5,765	23,331	42,459	27,038	34,969	769,412
22,241	7,409	17,370	521	25,340	321	119,445
653	(1,644)	5,961	41,938	1,698	34,648	649,967
-	-	-	(11,945)	-	(30,474)	(444,557)
653	(1,644)	5,961	29,993	1,698	4,174	205,410
(4,375)	-	18,372	38,023	33,373	8,987	798,200
\$ (3,722)	\$ (1,644)	\$ 24,333	\$ 68,016	\$ 35,071	\$ 13,161	\$ 1,003,610

**CITY OF SAUK CENTRE, MINNESOTA  
COMBINING BALANCE SHEET  
DEBT SERVICE FUNDS  
DECEMBER 31, 2010**

	313	314	517	518	316
	Tax Increment Bonds of 1998A	Increment Revenue Bonds of 1998 Series C	G.O. Improvement Bonds of 1998D	G.O. Improvement Bonds of 1999A	G.O. Increment Bonds of 1999B
<b>ASSETS</b>					
Cash and Investments	\$ 2,502	\$ 22,170	\$ 25,482	\$ 4,834	\$ 123,260
Special Assessments Receivable	-	-	3,671	42,946	50,000
Due from Other Governments	-	-	-	358	447
Total Assets	<u>\$ 2,502</u>	<u>\$ 22,170</u>	<u>\$ 29,153</u>	<u>\$ 48,138</u>	<u>\$ 173,707</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Deferred Revenue	\$ -	\$ -	\$ 3,671	\$ 42,946	\$ 50,000
<b>FUND BALANCES</b>					
Reserved for Debt Service	<u>2,502</u>	<u>22,170</u>	<u>25,482</u>	<u>5,192</u>	<u>123,707</u>
Total Liabilities and Fund Balances	<u>\$ 2,502</u>	<u>\$ 22,170</u>	<u>\$ 29,153</u>	<u>\$ 48,138</u>	<u>\$ 173,707</u>

318	326	327	328	329	330	
Airport Revenue Bonds of 2000A	G.O. Improvement Bonds of 2006A	G.O. Improvement Bonds of 2007B	2007A G.O. City Hall Bond	G.O. Improvement Bonds of 2008A	G.O. Refunding Bonds of 2009A	Total Debt Service
\$ -	\$ 249,831	\$ 69,292	\$ 141,139	\$ 310,763	\$ 1,324,532	\$ 2,273,805
-	-	184,612	-	281,351	630,119	1,192,699
-	-	-	1,118	675	7,114	9,712
<u>\$ -</u>	<u>\$ 249,831</u>	<u>\$ 253,904</u>	<u>\$ 142,257</u>	<u>\$ 592,789</u>	<u>\$ 1,961,765</u>	<u>\$ 3,476,216</u>
\$ -	\$ -	\$ 184,612	\$ -	\$ 281,351	\$ 630,119	\$ 1,192,699
-	249,831	69,292	142,257	311,438	1,331,646	2,283,517
<u>\$ -</u>	<u>\$ 249,831</u>	<u>\$ 253,904</u>	<u>\$ 142,257</u>	<u>\$ 592,789</u>	<u>\$ 1,961,765</u>	<u>\$ 3,476,216</u>

**CITY OF SAUK CENTRE, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUNDS**  
**YEAR ENDED DECEMBER 31, 2010**

	313	314	517	518	316
	Tax Increment Bonds of 1998A	Increment Revenue Bonds of 1998 Series C	G.O. Improvement Bonds of 1998D	G.O. Improvement Bonds of 1999A	G.O. Increment Bonds of 1999B
<b>REVENUES</b>					
Taxes					
Property Taxes	\$ -	\$ -	\$ -	\$ 36,824	\$ 46,030
Special Assessments	-	-	-	9,760	16,469
Total Taxes	-	-	-	46,584	62,499
Intergovernmental Revenues					
State Aids					
Market Value Credits	-	-	-	1,147	1,434
Other Revenues					
Interest	31	270	311	(289)	739
Total Revenues	31	270	311	47,442	64,672
<b>EXPENDITURES</b>					
Debt Service					
Principal	-	16,680	-	75,000	55,000
Interest and Fiscal Charges	-	4,425	116	2,346	11,993
Total Expenditures	-	21,105	116	77,346	66,993
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	31	(20,835)	195	(29,904)	(2,321)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers From:					
Governmental Funds	-	21,105	-	-	39,694
Transfers To:					
Governmental Funds	-	-	-	-	-
Principal on Bonds	-	-	-	-	-
Total Other Financing Sources (Uses)	-	21,105	-	-	39,694
<b>NET CHANGE IN FUND BALANCES</b>	31	270	195	(29,904)	37,373
Fund Balances - Beginning of Year	2,471	21,900	25,287	35,096	86,334
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 2,502</b>	<b>\$ 22,170</b>	<b>\$ 25,482</b>	<b>\$ 5,192</b>	<b>\$ 123,707</b>

318	326	327	328	329	330	
Airport Revenue Bonds of 2000A	G.O. Improvement Bonds of 2006A	G.O. Improvement Bonds of 2007B	2007A G.O. City Hall Bond	G.O. Improvement Bonds of 2008A	G.O. Refunding Bonds of 2009A	Total Debt Service
\$ -	\$ -	\$ -	\$ 115,597	\$ 69,506	\$ 253,166	\$ 521,123
-	-	61,736	-	40,811	352,926	481,702
-	-	61,736	115,597	110,317	606,092	1,002,825
-	-	-	3,584	2,165	7,885	16,215
-	(278)	399	1,013	3,144	11,377	16,717
-	(278)	62,135	120,194	115,626	625,354	1,035,757
20,000	180,000	40,000	100,000	65,000	640,000	1,191,680
13,633	46,421	13,580	88,484	52,915	48,954	282,867
33,633	226,421	53,580	188,484	117,915	688,954	1,474,547
(33,633)	(226,699)	8,555	(68,290)	(2,289)	(63,600)	(438,790)
33,633	325,000	-	64,045	-	58,758	542,235
-	-	-	-	-	-	-
-	-	-	-	-	-	-
33,633	325,000	-	64,045	-	58,758	542,235
-	98,301	8,555	(4,245)	(2,289)	(4,842)	103,445
-	151,530	60,737	146,502	313,727	1,336,488	2,180,072
\$ -	\$ 249,831	\$ 69,292	\$ 142,257	\$ 311,438	\$ 1,331,646	\$ 2,283,517

**CITY OF SAUK CENTRE, MINNESOTA  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 DECEMBER 31, 2010**

	412	408	411
	EDA Improvement Projects	Storm Water Project	Safe Ride to School Grant
<b>ASSETS</b>			
Cash and Investments	\$ 139,717	\$ 29,877	\$ -
Accounts Receivable	133,183	-	-
Total Assets	<u>\$ 272,900</u>	<u>\$ 29,877</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts and Contracts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	-	7,536
Deferred Revenue	133,183	-	-
Total Liabilities	<u>133,183</u>	<u>-</u>	<u>7,536</u>
<b>FUND BALANCES (DEFICITS)</b>			
Capital Projects Fund			
Undesignated	<u>139,717</u>	<u>29,877</u>	<u>(7,536)</u>
Total Liabilities and Fund Balances	<u>\$ 272,900</u>	<u>\$ 29,877</u>	<u>\$ -</u>

407	437	438	439	
Airport Hangar 2007-11	2005/2006 CIP Projects	2008 CIP Projects	2009 CIP Projects	Total Capital Projects
\$ -	\$ 92,170	\$ 4,238	\$ -	\$ 266,002
36,838	-	-	-	170,021
<u>\$ 36,838</u>	<u>\$ 92,170</u>	<u>\$ 4,238</u>	<u>\$ -</u>	<u>\$ 436,023</u>
\$ 10,469	\$ 12,384	\$ -	\$ -	\$ 22,853
87,213	-	-	32,122	126,871
-	-	-	-	133,183
<u>97,682</u>	<u>12,384</u>	<u>-</u>	<u>32,122</u>	<u>282,907</u>
<u>(60,844)</u>	<u>79,786</u>	<u>4,238</u>	<u>(32,122)</u>	<u>153,116</u>
<u>\$ 36,838</u>	<u>\$ 92,170</u>	<u>\$ 4,238</u>	<u>\$ -</u>	<u>\$ 436,023</u>

**CITY OF SAUK CENTRE, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECT FUNDS  
 YEAR ENDED DECEMBER 31, 2010**

	412	408	411
	EDA Improvement Projects	Storm Water Project	Safe Ride to School Grant
<b>REVENUES</b>			
Intergovernmental Revenues			
Other Grants	\$ -	\$ -	\$ -
Other Revenues			
Interest	1,467	364	(92)
Other	20,927	-	-
Total Other Revenues	<u>22,394</u>	<u>364</u>	<u>(92)</u>
Total Revenues	22,394	364	(92)
<b>EXPENDITURES</b>			
Public Works			
Highways, Streets and Alleys	-	-	-
Capital Outlay	-	-	-
Total Public Works	<u>-</u>	<u>-</u>	<u>-</u>
Airport	-		
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	22,394	364	(92)
Transfers From:			
Governmental Funds	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	22,394	364	(92)
Fund Balances (Deficits) - Beginning of Year	<u>117,323</u>	<u>29,513</u>	<u>(7,444)</u>
<b>FUND BALANCES (DEFICITS) - END OF YEAR</b>	<u>\$ 139,717</u>	<u>\$ 29,877</u>	<u>\$ (7,536)</u>

407	437	438	439	
Airport Hangar 2007-11	2005/2006 CIP Projects	2008 CIP Projects	2009 CIP Projects	Total Capital Projects
\$ 36,838	\$ -	\$ -	\$ -	\$ 36,838
(1,015)	1,123	15	(182)	1,680
-	-	-	-	20,927
<u>(1,015)</u>	<u>1,123</u>	<u>15</u>	<u>(182)</u>	<u>22,607</u>
35,823	1,123	15	(182)	59,445
-	-	-	31,940	31,940
-	12,384	1,500	-	13,884
-	12,384	1,500	31,940	45,824
12,376	-	-	-	12,376
12,376	12,384	1,500	31,940	58,200
23,447	(11,261)	(1,485)	(32,122)	1,245
10,000	-	-	-	10,000
<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
33,447	(11,261)	(1,485)	(32,122)	11,245
<u>(94,291)</u>	<u>91,047</u>	<u>5,723</u>	<u>-</u>	<u>141,871</u>
<u>\$ (60,844)</u>	<u>\$ 79,786</u>	<u>\$ 4,238</u>	<u>\$ (32,122)</u>	<u>\$ 153,116</u>

**REPORTS RELATED TO *GOVERNMENT AUDITING STANDARDS* AND SINGLE AUDIT (A-133)**



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

Members of the City Council  
City of Sauk Centre  
Sauk Centre, Minnesota

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information, of the City of Sauk Centre, Minnesota (the City), as of and for the year ended December 31, 2010, which collectively comprise the City of Sauk Centre, Minnesota's basic financial statements and have issued our report thereon dated April 6, 2011. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Housing and Redevelopment Authority of Sauk Centre. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing and Redevelopment Authority of Sauk Centre, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The City's basic financial statements include the operations of the Sauk Centre Public Utilities Commission (PUC), St. Michael's Hospital and Nursing Home (Hospital), and Sauk Centre Housing and Redevelopment Authority (HRA). Our audit described below did not include the operations of the PUC, Hospital, and HRA because the component units engaged for their own separate audits in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Members of the City Council  
City of Sauk Centre

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 2010-1 and 2010-2.

### **Compliance and Other Matters**

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

The City of Sauk Centre's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and accordingly we express no opinions on them.

This report is intended solely for the information and use of management, City Council, others within the entity, the Minnesota Office of the State Auditor, and state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**LarsonAllen LLP**

Alexandria, Minnesota  
April 6, 2011

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

Members of the City Council  
City of Sauk Centre  
Sauk Centre, Minnesota

### Compliance

We have audited the compliance of the City of Sauk Centre, Minnesota (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2010. The City's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. We did not audit the Housing and Redevelopment Authority of Sauk Centre. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing and Redevelopment Authority of Sauk Centre, is based on the report of the other auditors. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of the Sauk Centre Public Utilities Commission (PUC), St. Michael's Hospital and Nursing Home (Hospital), and Sauk Centre Housing and Redevelopment Authority (HRA) which the Hospital and HRA are not included in the accompanying Schedule of Expenditures of Federal Awards for the year ended December 31, 2010. Our audit described below did not include the operations of the PUC, Hospital, and HRA because the component units engaged for their own separate audits in accordance with OMB Circular A-133.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.

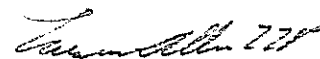
**Internal Control Over Compliance**

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

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

*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.

This report is intended solely for the information and use of the City Council, management, others within the entity, and state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**LarsonAllen LLP**

Alexandria, Minnesota  
April 6, 2011

**CITY OF SAUK CENTRE, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2010**

FEDERAL AGENCY/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
<b>PRIMARY GOVERNMENT</b>		
<b>Department of Homeland Security</b>		
State Domestic Preparedness Equipment Support	97.044	\$ 28,295
Passed through the Minnesota Department of Public Safety		
State Community Highway Safety	20.600	<u>3,175</u>
Total Primary Government Federal Awards		31,470
<b>DISCRETELY PRESENTED COMPONENT UNITS</b>		
<b>Department of Environmental Protection Agency</b>		
Passed through the Minnesota Public Facilities Authority		
Clean Water Revolving Loan Fund	66.458	<u>3,600,508 *</u>
Total Federal Awards		<u>\$ 3,631,978</u>

Notes to the Schedule of Expenditures of Federal Awards:

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award program expended by the City of Sauk Centre and its discretely presented component unit the Sauk Centre Public Utilities. The City's reporting entity is defined in Note 1 to the basic financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting, which is described in Note 1 to the basic financial statements of the City.
3. Reconciliation of the Schedule of Expenditures of Federal Awards to the cash basis note proceeds:

Federal Expenditures	\$ 3,600,508 *
Less Retainage at Year-End	(135,737)
Less Expenditures not Reimbursed at Year-End	<u>(406,332)</u>
Cash Basis Note Proceeds (Note Balance)	<u>\$ 3,058,439</u>

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## REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the City Council  
City of Sauk Centre  
Sauk Centre, Minnesota

We have audited the financial statements of the governmental activities, the discretely presented component units each major fund, and the aggregate remaining fund information of the City of Sauk Centre, Minnesota (the City), as of and for the year ended December 31, 2010, and have issued our report thereon dated April 6, 2011. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Housing and Redevelopment Authority of Sauk. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing and Redevelopment Authority of Sauk Centre, is based on the report of the other auditors.

The City's basic financial statements include the operations of the Sauk Centre Public Utilities Commission (PUC), St. Michael's Hospital and Nursing Home (Hospital), and Sauk Centre Housing and Redevelopment Authority (HRA). Our audit described below did not include the operations of the PUC, Hospital, and HRA because the component units engaged for their own separate audits in accordance with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to *Minnesota Statutes* section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and Tax Increment Financing. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City of Sauk Centre, Minnesota, complied with the material terms and conditions of applicable legal provisions.

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



LarsonAllen LLP

Alexandria, Minnesota  
April 6, 2011

**CITY OF SAUK CENTRE, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2010**

**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Sauk Centre, Minnesota (the City).
2. Two material weaknesses in internal control were disclosed during the audit of the basic financial statements of the City of Sauk Centre and is reported in the "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*."
3. No instances of noncompliance material to the basic financial statements of the City were disclosed during the audit.
4. No significant control deficiencies were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award program for the City expresses an unqualified opinion.
6. No audit findings relative to the major federal award program for the City was disclosed during the audit.
7. The program tested as a major program was:

Environmental Protection Agency

Capitalization Grants for Clean Water Revolving Funds

CFDA No. 66.458

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City was not determined to be a low risk auditee.

**CITY OF SAUK CENTRE, MINNESOTA  
SCHEDULE OF FINDINGS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2010**

**MATERIAL WEAKNESSES**

**2010-1    LACK OF SEGREGATION OF DUTIES**

**Condition:** The City has a limited number of office personnel and, accordingly, does not have adequate internal controls in certain areas because of lack of segregation of duties.

**Criteria:** Effective internal control provides an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

**Cause:** Because of the lack of segregation of duties, one individual regularly handles transactions from inception to completion.

**Effect:** The City's internal control policies can be compromised by certain individuals.

**Recommendation:** While we recognize the City's office staff may not be large enough to permit an adequate segregation of duties in all respects for an effective internal control structure, it is important that the City be aware of this condition.

**CORRECTIVE ACTION PLAN**

**Explanation of Disagreement with Audit Findings:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The City will continue to look for areas to improve segregation of duties.

**Official Responsible for Ensuring CAP:**

The City's Administrator is the official responsible for ensuring the corrective action of the deficiency.

**Planned Completion Date for CAP:**

The CAP is ongoing.

**Plan to Monitor Completion of CAP:**

The City's Administrator will be monitoring this corrective action plan.

**CITY OF SAUK CENTRE, MINNESOTA  
SCHEDULE OF FINDINGS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2010**

**MATERIAL WEAKNESSES (CONTINUED)**

**2010-2    OVERSIGHT OF THE FINANCIAL REPORTING PROCESS**

**Condition:** The City does not have an internal control process in place over annual financial reporting under GAAP, therefore, the potential exists that a material misstatement if the annual financial statements could occur and not be prevented or detected by the City's internal controls.

**Criteria:** The City must be able to prevent or detect a material misstatement in the annual financial statement including footnote disclosures.

**Cause:** The City relies on the audit firm to prepare the annual financial report.

**Effect:** Departures from generally accepted accounting principles may not be detected by the City.

**Recommendation:** While we recognize the City may not find it necessary to account and report using generally accepted accounting principles, it is important the City constantly be aware of these conditions.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings:**  
There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**  
The City will continue to utilize the expertise of the audit firm to prepare the financial statements and related footnote disclosures and will review and approve these prior to the issuance of the annual financial statements.

**Official Responsible for Ensuring CAP:**  
The City's Administrator is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**  
The CAP is ongoing.

**Plan to Monitor Completion of CAP:**  
The City's Administrator will be monitoring this corrective action plan.