

**CITY OF SAUK CENTRE, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2011**

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## **INTRODUCTORY SECTION**

**CITY OF SAUK CENTRE, MINNESOTA  
ELECTED OFFICIALS AND ADMINISTRATION  
DECEMBER 31, 2011**

Elected Officials	Position	Term Expires
<b>CITY COUNCIL</b>		
Dennis Rykken	Mayor	December 31, 2012
Michael Olson	Council Member	December 31, 2014
Allan Coenen	Council Member	December 31, 2012
Keith Johnson	Council Member	December 31, 2014
Warren Stone	Council Member	December 31, 2012

<b>CITY OFFICIALS</b>		
Vicki Willer	City Administrator	
Carol Inderrieden	Deputy Treasurer	
Bryon Friedrichs	Chief of Police	
Keith Polipnick	Fire 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	Board Member	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
Mike Olson	Council Representative	

<b>HOSPITAL BOARD</b>		
Dan Borgmann	Chair	December 31, 2013
Joe Uphus	Vice-Chair	December 31, 2011
Marlene Otte	Secretary	December 31, 2014
Dr. Jim Sayovitz	Board Member	December 31, 2014
Dr. Jody M. LaVoi	Board Member	December 31, 2014
Dennis Rykken	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, 2011, 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, 2011, 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.

As discussed in the notes to the financial statements, the City adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended December 31, 2011. This statement results in the City's reporting restricted, assigned, committed, and unassigned fund balances in its governmental fund types.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2012 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

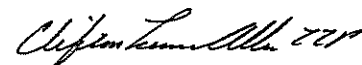
Honorable Mayor and Members of the City Council  
City of Sauk Centre

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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules and schedules of funding progress information on pages 43 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditure 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 not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
April 12, 2012

## **BASIC FINANCIAL STATEMENTS**

**CITY OF SAUK CENTRE, MINNESOTA  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2011**

	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	\$ 5,585,563	\$ 1,155,672	\$ 974,731	\$ 134,276
Noncurrent Cash and Investments	-	2,620,305	-	-
Designated Cash and Investments	-	-	5,467,771	-
Due from Other Governments	21,582	-	-	-
Accounts Receivable	372,228	3,325,884	514,421	-
Taxes Receivable - Delinquent	244,151	-	-	-
Special Assessments Receivable	997,726	-	-	-
Due from Primary Government	-	-	36,000	-
Interest Receivable	13,813	-	32,679	-
Estimated Third-Party Payor Settlements	-	364,000	-	-
Inventories	-	271,226	293,839	-
Prepaid Expenses	-	116,937	43,270	6,748
Land Held for Investment	-	-	60,000	-
Bond Closing Costs	10,402	-	-	-
Deferred Financing Costs - Net	-	437,658	-	-
Investment in Joint Venture	-	675,113	-	-
Capital Assets				
Land	3,312,525	529,595	129,633	95,033
Land Improvements	1,691,816	262,441	-	-
Buildings	6,367,049	18,130,032	1,326,738	1,536,094
Machinery and Equipment	2,696,726	4,368,732	1,430,265	77,440
Infrastructure	9,487,453	-	22,878,223	-
Construction in Process	-	-	-	4,000
Less: Accumulated Depreciation	(8,570,816)	(8,994,938)	(10,265,080)	(800,415)
<b>Total Assets</b>	<b>22,230,218</b>	<b>23,262,657</b>	<b>22,922,490</b>	<b>1,053,176</b>
<b>LIABILITIES</b>				
Salaries/Benefits Payable	23,422	947,494	126,604	5,692
Accounts and Contracts Payable	50,246	313,550	476,666	6,282
Due to Other Governments	-	-	-	7,870
Tenant Security Deposits	-	-	-	5,785
Unearned Revenue	226,535	-	-	-
Accrued Interest	96,318	141,143	57,944	-
Long-Term Obligations				
Due Within One Year	1,109,012	25,000	442,384	-
Due in More than One Year	5,342,563	9,582,030	7,798,402	-
<b>Total Liabilities</b>	<b>6,848,096</b>	<b>11,009,217</b>	<b>8,902,000</b>	<b>25,629</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	8,736,351	4,815,862	7,691,541	912,152
Restricted	4,928,660	494,304	-	-
Unassigned	1,717,111	6,943,274	6,328,949	115,395
<b>Total Net Assets</b>	<b>15,382,122</b>	<b>12,253,440</b>	<b>14,020,490</b>	<b>1,027,547</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 22,230,218</b>	<b>\$ 23,262,657</b>	<b>\$ 22,922,490</b>	<b>\$ 1,053,176</b>

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2011**

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>PRIMARY GOVERNMENT</b>				
<b>GOVERNMENTAL ACTIVITIES</b>				
General Government	\$ 887,231	\$ 88,447	\$ -	\$ -
Public Safety	1,217,508	692,322	9,956	42,301
Public Works	892,706	20,435	43	63,642
Culture and Recreation	395,247	147,068	28,146	-
Economic Development	192,245	28,922	-	-
Airport	73,078	99,876	-	32,000
Debt Service	238,635	-	-	-
Total Governmental Activities	3,896,650	1,077,070	38,145	137,943
<b>COMPONENT UNITS</b>				
Housing Activity	231,828	125,666	75,544	4,000
St. Michael's Hospital and Nursing Home	18,539,287	19,597,370	104,095	61,203
Public Utilities Commission	5,988,722	6,380,836	-	-
Total Component Units	\$ 24,759,837	\$ 26,103,872	\$ 179,639	\$ 65,203

**GENERAL REVENUES**

Property Taxes  
Tax Increments Received  
Intergovernmental Revenues  
Interest and Investments Earnings  
Miscellaneous Revenues  
Transfers  
Total General Revenues

**CHANGE IN NET ASSETS**

Net Assets - Beginning of Year

**NET ASSETS - END OF YEAR**

See accompanying Notes to Financial Statements.

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
\$ (798,784)	\$ -	\$ -	\$ -
(472,929)	-	-	-
(808,586)	-	-	-
(220,033)	-	-	-
(163,323)	-	-	-
58,798	-	-	-
(238,635)	-	-	-
<u>(2,643,492)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	(26,618)
-	1,223,381	-	-
-	-	392,114	-
<u>-</u>	<u>1,223,381</u>	<u>392,114</u>	<u>(26,618)</u>
1,529,085	-	-	-
713,770	-	-	-
1,051,900	-	-	-
35,993	58,725	82,783	873
73,381	-	19,694	-
125,293	-	(125,293)	-
<u>3,529,422</u>	<u>58,725</u>	<u>(22,816)</u>	<u>873</u>
885,930	1,282,106	369,298	(25,745)
14,496,192	10,971,334	13,651,192	1,053,292
<u>\$ 15,382,122</u>	<u>\$ 12,253,440</u>	<u>\$ 14,020,490</u>	<u>\$ 1,027,547</u>

**CITY OF SAUK CENTRE, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	General	Special Revenue		Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
		Arena	TIF				
<b>ASSETS</b>							
Cash and Investments	\$ 949,672	\$ -	\$ 1,182,742	\$ 151,842	\$ 2,279,606	\$ 1,021,701	\$ 5,585,563
Taxes Receivable - Delinquent	170,323	-	73,828	-	-	-	244,151
Special Assessments Receivable	47,435	-	-	-	950,291	-	997,726
Accounts Receivable	31,643	6,649	-	166,587	-	167,349	372,228
Interest Receivable	13,813	-	-	-	-	-	13,813
Due from Other Governments	10,585	308	4,170	-	5,734	785	21,582
Due from Other Funds	95,435	-	-	-	-	-	95,435
Advances to Other Funds	222,564	-	-	-	-	-	222,564
Total Assets	<u>\$ 1,541,470</u>	<u>\$ 6,957</u>	<u>\$ 1,260,740</u>	<u>\$ 318,429</u>	<u>\$ 3,235,631</u>	<u>\$ 1,189,835</u>	<u>\$ 7,553,062</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Salaries/Benefits Payable	\$ 22,914	\$ -	\$ -	\$ -	\$ -	\$ 508	\$ 23,422
Accounts and Contracts Payable	13,717	696	-	28,873	-	6,960	50,246
Due to Other Funds	-	-	4,227	91,208	-	-	95,435
Advances from Other Funds	-	222,564	-	-	-	-	222,564
Deferred Revenue	219,852	-	73,828	136,587	950,291	87,854	1,468,412
Total Liabilities	<u>256,483</u>	<u>223,260</u>	<u>78,055</u>	<u>256,668</u>	<u>950,291</u>	<u>95,322</u>	<u>1,860,079</u>
<b>FUND BALANCES</b>							
Nonspendable	222,564	-	-	-	-	-	222,564
Restricted	-	-	1,186,912	151,842	2,285,340	284,674	3,908,768
Committed	406,757	-	-	-	-	283,379	690,136
Assigned	-	-	-	-	-	526,460	526,460
Unassigned	655,666	(216,303)	(4,227)	(90,081)	-	-	345,055
Total Fund Balances (Deficit)	<u>1,284,987</u>	<u>(216,303)</u>	<u>1,182,685</u>	<u>61,761</u>	<u>2,285,340</u>	<u>1,094,513</u>	<u>5,692,983</u>
Total Liabilities and Fund Balances	<u>\$ 1,541,470</u>	<u>\$ 6,957</u>	<u>\$ 1,260,740</u>	<u>\$ 318,429</u>	<u>\$ 3,235,631</u>	<u>\$ 1,189,835</u>	<u>\$ 7,553,062</u>

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, 2011**

**FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ 5,692,983**

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	23,555,569
Less: Accumulated Depreciation	(8,570,816)

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	(6,451,575)
Bond Closing Costs	10,402
Accrued Interest Payable	(96,318)

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	244,151
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Delinquent receivables are not available to pay for current expenditures and, therefore, are deferred in the funds.

Deferred Special Assessments Receivable	<u>997,726</u>
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<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 15,382,122</u></b>
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**CITY OF SAUK CENTRE, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue		Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
		Arena	TIF				
<b>REVENUES</b>							
Property Taxes	\$ 907,419	\$ 45,123	\$ -	\$ -	\$ 413,189	\$ 98,968	\$ 1,464,699
Tax Increments Received	-	-	713,770	-	-	-	713,770
Special Assessments	1,705	-	-	-	308,061	-	309,766
Licenses and Permits	85,971	-	-	-	-	-	85,971
Intergovernmental Revenues	1,093,985	1,443	12,544	32,000	13,047	22,978	1,175,997
Charges for Services	203,965	67,612	-	-	-	581,762	853,339
Fines and Forfeits	42,127	-	-	-	-	-	42,127
Other Revenues	91,629	(2,504)	10,945	21,713	14,680	93,201	229,664
<b>Total Revenues</b>	<b>2,426,801</b>	<b>111,674</b>	<b>737,259</b>	<b>53,713</b>	<b>748,977</b>	<b>796,909</b>	<b>4,875,333</b>
<b>EXPENDITURES</b>							
General Government	759,065	-	-	-	-	37,810	796,875
Public Safety	764,621	-	-	-	-	362,475	1,127,096
Public Works	554,293	-	-	-	-	-	554,293
Culture and Recreation	242,962	52,842	-	-	-	33,883	329,687
Economic Development	-	-	110,535	10,567	-	71,143	192,245
Airport	-	-	-	-	-	68,350	68,350
Debt Service							
Principal	14,834	-	-	-	1,107,281	-	1,122,115
Interest	-	-	-	-	247,638	-	247,638
Capital Outlay	142,941	7,118	-	38,525	-	190,486	379,070
<b>Total Expenditures</b>	<b>2,478,716</b>	<b>59,960</b>	<b>110,535</b>	<b>49,092</b>	<b>1,354,919</b>	<b>764,147</b>	<b>4,817,369</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(51,915)</b>	<b>51,714</b>	<b>626,724</b>	<b>4,621</b>	<b>(605,942)</b>	<b>32,762</b>	<b>57,964</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	180,652	-	-	17,925	649,896	48,432	896,905
Transfers Out	(7,925)	-	(447,649)	(113,901)	(42,131)	(160,006)	(771,612)
Sale of Assets	-	-	-	-	-	-	-
Proceeds from Bonds and Leases	-	-	-	-	-	130,000	130,000
<b>Total Other Financing Sources (Uses)</b>	<b>172,727</b>	<b>-</b>	<b>(447,649)</b>	<b>(95,976)</b>	<b>607,765</b>	<b>18,426</b>	<b>255,293</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>120,812</b>	<b>51,714</b>	<b>179,075</b>	<b>(91,355)</b>	<b>1,823</b>	<b>51,188</b>	<b>313,257</b>
Fund Balances (Deficit) - Beginning of Year	1,164,175	(268,017)	1,003,610	153,116	2,283,517	1,043,325	5,379,726
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<b>\$ 1,284,987</b>	<b>\$ (216,303)</b>	<b>\$ 1,182,685</b>	<b>\$ 61,761</b>	<b>\$ 2,285,340</b>	<b>\$ 1,094,513</b>	<b>\$ 5,692,983</b>

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, 2011**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ 313,257**

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

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	340,211
Depreciation Expense	(544,449)

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	1,122,115
Amortization of Deferred Bond Issuance Costs	(1,486)
Amortization of Bond Discount	(4,625)
Debt Issuance (net of discount)	(130,000)
Change in Accrued Interest	11,293

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.

3,821

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	(23,913)
Change in Compensated Absences	(18,547)

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 increased by \$64,377 while special assessments decreased by \$246,124.

(181,747)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 885,930**

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

**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, 2011**

**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, 2011.

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, 2011**

**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, 2011**

**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 property taxes and charges for services that are committed to expenditures for the functions of the arena.

**Tax Increment Financing Fund** – The Tax Increment Financing Special Revenue Fund is used to account for the collection of tax increment and payment of related expenditures.

**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 2011 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, 2011**

**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, 2011, the allowance for uncollectible accounts was \$67,756.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

**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. Investments are stated at fair value.

4. Inventories

Inventories are reported at cost using the weighted average method.

5. Fund Balance/Net Assets

At December 31, 2011, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This standard changed fund balance classifications within the fund level statements.

In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Nonspendable fund balance is the portion of fund balance that cannot be spent because it is either in nonspendable form or there is a legal or contractual requirement for the funds to remain intact. Restricted fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties. Committed fund balance represents constraints on spending that the government imposes upon itself by high-level formal action prior to the close of the fiscal period. Assigned fund balance represents resources intended for spending for a purpose set by the governmental body itself or by some person or body delegated to exercise such authority in accordance with the policy established by the Council.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

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

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

5. Fund Balance/Net Assets (Continued)

Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. It is the City's policy that at the end of each fiscal year, the City will maintain unassigned portions of fund balance for cash flow in a range equal to 35 – 65% of the General Fund operating expenditures.

Committed fund balance is required to be established, modified, or rescinded by resolution of the City Council prior to each year end. Based on resolution of the City Council, the City Administrator/Clerk/Treasurer has the authority to establish or modify assigned fund balance. When restricted and unrestricted fund balance is available for expenditure, it is the City's policy to first use restricted fund balance, and then unrestricted resources as they are needed. When committed, assigned, and unassigned fund balance is available for expenditure, it is the City's policy to use committed, assigned, and then unassigned fund balance.

Net assets represent the differences 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 capital assets. Net assets are reported as restricted in government-wide financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

6. 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.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

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

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

6. Property Taxes Calendar (Continued)

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 2010 which was collected during the year ended December 31, 2011, 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.

7. Special Assessments

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

8. 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.

9. 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.

10. 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.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

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

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

10. Capital Assets (Continued)

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.

11. Deferred Revenue

Deferred revenue represents the delinquent taxes and delinquent and deferred assessments receivable. In 2011, deferred revenue also included outstanding loans to area businesses. This revenue is deferred until it is measurable and available as net current assets.

12. 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.

13. 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.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

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

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

14. 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.

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 recognized as soon as they are both measurable and available.

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

**CITY OF SAUK CENTRE, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2011**

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

H. Revenues, Expenditures, and Expenses (Continued)

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.

**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.

**Expenditures in Excess of Appropriations**

In the following funds, expenditures exceeded the appropriations during the year ended December 31, 2011:

	<u>Expenditures</u>	<u>Appropriations</u>	Expenditures Over <u>Appropriations</u>
General Fund	\$ 2,478,716	\$ 2,382,751	\$ 95,965

The above overages were considered by the City's management to be the result of necessary expenditures critical to operations and were approved by the Council.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**Deficit Fund Balances**

The following fund had a deficit fund balance at December 31, 2011:

Arena Fund	\$ 216,303
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The deficit fund balance is the cumulative amount of overspending in the fund. This deficit 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 \$250,000 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. As of December 31, 2011, all City deposits were covered by insurance or collateral.

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.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

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

**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, 2011:

Investment	Credit Risk		Concentration Risk	Interest Rate Risk		Carrying Fair Value
	Rating	Agency	% 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	101,960
Total Investments						<u>\$ 102,431</u>
Deposits					Bank Value	Carrying Value
Checking Accounts					\$ 225,098	\$ 122,627
Savings Accounts					3,833,005	3,833,005
Certificates of Deposit					1,527,500	1,527,500
Total Deposits						<u>\$ 5,483,132</u>
Total Deposits and Investments - Governmental Funds						<u>\$ 5,585,563</u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

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

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	1,155,672	974,131
Designated Assets:		
Operations and Maintenance Deposits	-	400,000
Capital Replacement Deposits	-	4,285,223
Postemployment Benefits Deposits	-	432,548
Debt Retirement Deposits	-	350,000
Under Bond Indenture Agreements:		
Certificates of Deposit	490,570	-
Accrued Interest	3,734	-
By Board for Capital Improvements:		
Certificates of Deposit	2,123,054	-
Accrued Interest	2,947	-
Total Cash and Investments	3,775,977	6,442,502
Less: Noncurrent Designated Cash and Investments and Assets under Bond Indenture Agreements	(2,620,305)	(5,467,771)
Total Cash and Investments	\$ 1,155,672	\$ 974,731

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 1.05 percent to 2.09 percent.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2011 is as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	January 1, 2011 Balance	Additions	Disposals	December 31, 2011 Balance
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 3,312,525	\$ -	\$ -	\$ 3,312,525
Construction in Progress	565,430	-	565,430	-
Total Capital Assets, Not Being Depreciated	<u>3,877,955</u>	<u>-</u>	<u>565,430</u>	<u>3,312,525</u>
<b>Capital Assets, Being Depreciated</b>				
Land Improvements	1,680,089	11,727	-	1,691,816
Buildings and Improvements	5,801,619	565,430	-	6,367,049
Vehicles, Machinery and Equipment	2,450,648	246,078	-	2,696,726
Infrastructure	9,405,040	82,413	-	9,487,453
Total Capital Assets, Being Depreciated	<u>19,337,396</u>	<u>905,648</u>	<u>-</u>	<u>20,243,044</u>
<b>Less: Accumulated Depreciation</b>				
Land Improvements	1,299,329	22,396	-	1,321,725
Buildings and Improvements	1,600,176	157,599	-	1,757,775
Vehicles, Machinery and Equipment	1,381,947	131,581	-	1,513,528
Infrastructure	3,744,915	232,873	-	3,977,788
Total Accumulated Depreciation	<u>8,026,367</u>	<u>544,449</u>	<u>-</u>	<u>8,570,816</u>
Total Capital Assets, Being Depreciated, Net	<u>11,311,029</u>	<u>361,199</u>	<u>-</u>	<u>11,672,228</u>
Governmental Capital Assets, Net	<u>\$ 15,188,984</u>	<u>\$ 361,199</u>	<u>\$ 565,430</u>	<u>\$ 14,984,753</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 104,473
Public Safety	77,401
Public Works	297,192
Culture and Recreation	61,868
Airport	<u>3,515</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 544,449</u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

<b>COMPONENT UNIT</b>	January 1, 2011			December 31, 2011
<b>SAUK CENTRE PUBLIC UTILITIES COMMISSION</b>	Balance	Additions	Disposals	Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 129,633	\$ -	\$ -	\$ 129,633
Construction in Progress	3,455,576	2,972,467	6,428,043	-
Total Capital Assets, Not Being Depreciated	<u>3,585,209</u>	<u>2,972,467</u>	<u>6,428,043</u>	<u>129,633</u>
Capital Assets, Being Depreciated:				
Station Equipment	535,948	784	-	536,732
Distribution System	15,431,888	6,501,923	409,839	21,523,972
General Plant	1,284,594	42,144	-	1,326,738
Load Management	867,366	26,167	-	893,533
Treatment Facility	1,624,128	784	270,661	1,354,251
Total Capital Assets, Being Depreciated	<u>19,743,924</u>	<u>6,571,802</u>	<u>680,500</u>	<u>25,635,226</u>
Total Capital Assets	23,329,133	9,544,269	7,108,543	25,764,859
Less: Accumulated Depreciation	<u>(10,282,099)</u>	<u>(621,030)</u>	<u>(638,049)</u>	<u>(10,265,080)</u>
Capital Assets, Net	<u>\$ 13,047,034</u>	<u>\$ 8,923,239</u>	<u>\$ 6,470,494</u>	<u>\$ 15,499,779</u>
<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	18,064,761	101,181	35,910	18,130,032
Moveable and Fixed Equipment	3,328,683	1,055,438	15,389	4,368,732
Total Capital Assets, Being Depreciated	<u>21,655,885</u>	<u>1,156,619</u>	<u>51,299</u>	<u>22,761,205</u>
Total Capital Assets	22,185,480	1,156,619	51,299	23,290,800
Less: Accumulated Depreciation	<u>(7,987,608)</u>	<u>(1,058,629)</u>	<u>51,299</u>	<u>(8,994,938)</u>
Capital Assets, Net	<u>\$ 14,197,872</u>	<u>\$ 97,990</u>	<u>\$ -</u>	<u>\$ 14,295,862</u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

**NOTE 5 LONG-TERM DEBT**

The following is a summary of debt transactions of the City for the year ended December 31, 2011:

	Balance January 1, 2011	New Issues	Retired	Balance December 31, 2011	Amounts Due in One Year
General Obligation Tax Increment Bonds	\$ 1,460,327	\$ -	\$ 257,281	\$ 1,203,046	\$ 262,329
General Obligation Improvement Bonds	5,550,000	-	825,000	4,725,000	770,000
Discount on Bonds	(41,642)	-	(4,626)	(37,016)	-
Other Long-Term Debt	65,685	130,000	14,834	180,851	42,231
Revenue Bonds	195,000	-	25,000	170,000	30,000
Other Postemployment Benefits Payable	42,703	37,798	13,885	66,616	-
Compensated Absences	118,012	18,548	-	136,560	-
Capital Leases	10,339	-	3,821	6,518	4,452
Total Long-Term Debt	<u>\$ 7,400,424</u>	<u>\$ 186,346</u>	<u>\$ 1,135,195</u>	<u>\$ 6,451,575</u>	<u>\$ 1,109,012</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.	\$ 260,000
\$195,000 Tax Increment Revenue Note, Series 1998C, interest at 6.50%, matures August 1, 2014.	38,046
\$1,720,000 of General Obligation Tax Refunding Bonds, Series 2006A, interest from 3.45% to 4.00%, matures February 1, 2015.	905,000
Total General Obligation Tax Increment Bonds	1,203,046
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.	2,015,000
\$415,000 General Obligation Improvement Bonds, Series 2007B, interest from 3.65% to 4.10%, matures February 1, 2017.	270,000

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

**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.	\$ 1,130,000
\$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>1,310,000</u>
Total General Obligation Improvement Bonds	4,725,000
 Other Long-Term Debt	
\$50,000 Sauk River Watershed District Loan of 2002, interest at 3.5%, matures August 22, 2012.	5,809
\$80,000 City purchase of Public Utilities Property of 2000, Interest at 0.00% matures September 20, 2020.	36,000
\$45,700 Contract for Deed for David Schneider Land Purchase of 2004, interest at 5.0%, matures July 1, 2013.	9,042
\$130,000 Certificate of Indebtedness for Fire Tanker Pumper Purchase of 2011, interest at 2.84%, matures January 15, 2016.	<u>130,000</u>
Total Other Long-Term Debt	180,851
 Revenue Bonds - Expected to be repaid from airport related activities.	
\$330,000 of Taxable Airport Revenue Bonds, Series 2000A, interest at 6.65%, due February 1, 2016.	170,000
 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.	6,518
Less Discount on Bonds	<u>(37,016)</u>
Total Long-Term Debt	<u><u>\$ 6,248,399</u></u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

**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>
2012	\$ 1,104,560	\$ 206,872
2013	955,926	180,741
2014	826,517	152,076
2015	705,181	123,763
2016	370,712	104,335
2017-2021	1,311,000	349,229
2022-2025	1,005,000	82,519
Total	6,278,896	1,199,535
Less: Discount	37,016	-
Total	<u>\$ 6,241,880</u>	<u>\$ 1,199,535</u>

The following is a summary of bond information for the component units for the year ended December 31, 2011.

<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.	\$ 439,364
Drinking Water General Obligation Revenue Bonds - \$2,121,231, 1998 Issue, Interest at 3.54%, due August 2018.	947,000
Wastewater Treatment General Obligation Bonds - \$410,000, 2005 Issue, Interest at 3.82% , due December 2015.	185,000
General Obligation Drinking Water Revenue Note - \$7,058,050, 2010 Issue, Interest 1.911%, due August 2030>	6,236,874
Total	<u>7,808,238</u>
Less: Current Maturities	<u>(442,384)</u>
Total Long-Term Debt	<u>\$ 7,365,854</u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

**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>
2012	\$ 442,384	\$ 176,583	\$ 618,967
2013	457,041	173,817	630,858
2014	472,785	160,589	633,374
2015	484,616	147,000	631,616
2016	446,538	133,402	579,940
2017-2021	2,206,000	502,586	2,708,586
2022-2026	2,103,000	297,027	2,400,027
2027-2030	1,831,000	88,269	1,919,269
Total	* \$ 8,443,364	\$ 1,679,273	\$ 10,122,637

\* This amount includes the \$7,058,050 of debt funding authorized by PFA agreement for the current wastewater treatment project. An amount of \$3,058,439 and \$3,364,485 have been drawn by the Utility during 2010 and 2011. This leaves a balance of \$635,126 yet 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, 2011 consists of the following:

	<u>Balance January 1, 2011</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance December 31, 2011</u>
Changes in Long-Term Liabilities				
G.O. Bonds	\$ 4,867,613	\$ 3,364,485	\$ 423,860	\$ 7,808,238
Other Postemployment Benefits Payable	414,337	18,211	-	432,548
Total Long-Term Liabilities	<u>\$ 5,281,950</u>	<u>\$ 3,382,696</u>	<u>\$ 423,860</u>	<u>\$ 8,240,786</u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

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

<b>Long-Term Debt - St. Michael's Hospital and Nursing Home - Component Unit</b>	<b>Balance Outstanding</b>
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.	\$ 9,480,000
Less: Current Maturities	<u>(25,000)</u>
Total Long-Term Debt	<u><u>\$ 9,455,000</u></u>

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>
2012	\$ 25,000	\$ 423,433	\$ 448,433
2013	75,000	422,183	497,183
2014	305,000	418,433	723,433
2015	320,000	403,183	723,183
2016	340,000	387,183	727,183
2017-2021	1,890,000	1,722,300	3,612,300
2022-2026	2,315,000	1,280,713	3,595,713
2027-2031	2,875,000	711,950	3,586,950
2032-2033	1,335,000	92,920	1,427,920
Total	<u><u>\$ 9,480,000</u></u>	<u><u>\$ 5,862,298</u></u>	<u><u>\$ 15,342,298</u></u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

**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, 2011 consists of the following:

	Balance January 1, 2011	Additions	Payments	Balance December 31, 2011
Long-Term Debt				
2002 General Obligation Bonds	\$ 230,000	\$ -	\$ 230,000	\$ -
2003 General Obligation Bonds	720,000	-	720,000	-
2005B General Obligation Bonds	705,000	-	705,000	-
2005C General Obligation Bonds	9,505,000	-	25,000	9,480,000
Total Long-Term Debt	<u>\$ 11,160,000</u>	<u>\$ -</u>	<u>\$ 1,680,000</u>	9,480,000
Less: Current Maturities				<u>(25,000)</u>
Total Long-Term Debt, Net of Current Maturities				<u>\$ 9,455,000</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, 2011**

**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	\$ 15,215	\$ 65,078	\$ 118,760
Interest on Net OPEB Obligation	1,922	18,645	4,215	24,782
Amortization of Net OPEB Obligation	(2,591)	-	-	(2,591)
Adjustment to Annual Required Contribution	-	-	(5,676)	(5,676)
Annual OPEB Cost (Expense)	37,798	33,860	63,617	135,275
Contributions Made	(13,885)	(15,649)	(30,249)	(59,783)
Increase in Net OPEB Obligation	23,913	18,211	33,368	75,492
Net OPEB Obligation - Beginning of Year	42,703	414,337	93,662	550,702
Net OPEB Obligation - End of Year	<u>\$ 66,616</u>	<u>\$ 432,548</u>	<u>\$ 127,030</u>	<u>\$ 626,194</u>
Net OPEB Designated Assets	<u>\$ -</u>	<u>\$ 432,548</u>	<u>\$ -</u>	<u>\$ 432,548</u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

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

**Annual OPEB Cost and Net OPEB Obligation (Continued)**

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 12/31/11 were as follows:

	Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Governmental Funds	12/31/2011	\$ 37,798	\$ 13,885	36.7 %	\$ 66,616
Sauk Centre Public Utilities Commission	12/31/2011	33,860	15,649	46.2	432,548
St. Michaels Hospital and Nursing Home	12/31/2011	63,617	30,249	47.5	127,030
Governmental Funds	12/31/2010	40,172	22,465	55.9	42,703
Sauk Centre Public Utilities Commission	12/31/2010	35,761	9,129	25.5	414,337
St. Michaels Hospital and Nursing Home	12/31/2010	64,304	22,122	34.4	93,662
Governmental Funds	12/31/2009	38,467	13,471	35.0	24,996
Sauk Centre Public Utilities Commission	12/31/2009	399,047	11,309	2.8	387,705
St. Michaels Hospital and Nursing Home	12/31/2009	65,078	13,598	20.9	51,480

**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	- %	\$ 945,773	33.8 %
Sauk Centre Public Utilities Commission						
1/1/2009	-	362,880	362,880	-	709,360	51.2
St. Michael's Hospital and Nursing Home						
1/1/2009	-	466,685	466,685	-	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.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

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

**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 over a 30 year period. 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, 2011**

**NOTE 7 COMPONENTS OF FUND BALANCE**

The following is a summary of the components of fund balance:

	General Fund	Arena Fund	TIF Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Advances to Other Funds	\$ 222,564	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Restricted:</b>						
Fire Protection Services	-	-	-	-	-	967
Economic Development	-	-	1,186,912	-	-	-
Debt Service	-	-	-	-	2,285,340	-
EDA Improvement Projects	-	-	-	151,842	-	-
Economic Development Loan Payments	-	-	-	-	-	200,118
Park Capital Outlay	-	-	-	-	-	58,552
Siren Capital Outlay	-	-	-	-	-	11,336
Police Forfeiture Operations	-	-	-	-	-	13,701
<b>Committed For:</b>						
Library Operations	-	-	-	-	-	37,453
Fire Protection Capital Outlay	-	-	-	-	-	64,327
Ambulance Services	-	-	-	-	-	89,906
Ambulance Capital Outlay	-	-	-	-	-	34,793
Airport Operations	-	-	-	-	-	21,685
Airport Capital Outlay	-	-	-	-	-	35,215
Park Land	19,000	-	-	-	-	-
Future Projects	182,830	-	-	-	-	-
Public Works Severance	-	-	-	-	-	-
Police Department Severance	17,174	-	-	-	-	-
Street Improvements	109,333	-	-	-	-	-
MnDOT Signs	5,278	-	-	-	-	-
Build A Forest	6,982	-	-	-	-	-
Park Mower	10,266	-	-	-	-	-
Storm Improvements	55,894	-	-	-	-	-
<b>Assigned:</b>						
Library Operations	-	-	-	-	-	11,501
Fire Protection Services	-	-	-	-	-	183,477
Senior Center Operations	-	-	-	-	-	24,778
Fire Department Equipment Purchases	-	-	-	-	-	52,606
Ambulance Services	-	-	-	-	-	155,734
Economic Development	-	-	-	-	-	35,766
Airport Operations	-	-	-	-	-	62,598
<b>Unassigned:</b>	655,666	(216,303)	(4,227)	(90,081)	-	-

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

**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, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

B. Funding Policy

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.6% of their annual covered salary in 2011.

In 2011, the City of Sauk Centre, Minnesota was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERF members, 7.25% for Coordinated Plan GERF members, and 14.4% for PEPFF members. The City's contributions to the General Employees Retirement Fund for the years ending December 31, 2011, 2010, and 2009 were \$46,875, \$46,720, and \$46,911, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2011, 2010, and 2009 were \$48,471, \$46,456, and \$44,907, 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, 2011, 2010, and 2009 were approximately \$534,000 \$486,000, and \$468,000, respectively. The Sauk Centre Public Utilities Commission's contributions to the Public Employees Retirement Fund for the years ending December 31, 2011, 2010, and 2009 were \$50,388, \$47,597, and \$43,020, respectively.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

**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. 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.

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	\$ 17,071
Interest on Net Pension Obligation	-
Adjustment to Annual Required Contribution	-
Annual Pension Cost	<u>17,071</u>
Less Contribution Made	<u>(17,071)</u>
Increase (Decrease) in Net Pension Obligation	-
Net Pension Obligation Beginning of Year	-
Net Pension Obligation End of Year	<u>\$ -</u>

The annual required contribution for the current year was determined as part of December 31, 2010, 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.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

**NOTE 9 RELATED ORGANIZATION (CONTINUED)**

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

The City's net pension obligation for the Fire Relief Association for the years ended December 31, 2011, 2010, and 2009 are as follows:

December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 17,071	100.0 %	N/A
2010	14,590	100.0	N/A
2009	-	100.0	N/A

**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 \$17,071 contribution in excess of fire aid for 2011.

**Funding Progress**

As of December 31, 2010 (the most recent available information), the plan was underfunded by \$92,787. Additional information on the funding progress is included in the required supplementary information section of this report.

**Related-Party Investments**

As of December 31, 2011 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 2011 contribution to the Great River Regional Library of \$5,391 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, 2011**

**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 2011 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 2011 totaled \$24,643. Future minimum lease payments are as follows:

	Copier	Squad Cars	Total
2012	\$ 2,611	\$ 6,285	\$ 8,896

**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 \$14,059. Future minimum lease payments are as follows:

	Principal	Interest	Total
2012	\$ 4,452	\$ 697	\$ 5,149
2013	2,066	80	2,146
Total	\$ 6,518	\$ 777	\$ 7,295

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

**NOTE 14 INTERFUND TRANSACTIONS**

At December 31, 2011, due from/to other funds were as follows:

Due To	Due From		Total
	Capital Projects	Other Governmental Funds	
General Fund	\$ 91,208	\$ 4,227	\$ 95,435

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, 2011 was \$222,564.

The composition of interfund transfers as of December 31, 2011 is as follows:

Transfers Out	Transfers In				Total
	Debt Service Fund	Capital Projects Fund	General Fund	Other Governmental Funds	
General	\$ -	\$ 7,925	\$ -	\$ -	\$ 7,925
Capital Projects	84,024	-	29,877	-	113,901
Debt Service	16,649	-	25,482	-	42,131
Other Governmental Funds	549,223	10,000	-	48,432	607,655
Component Unit	-	-	125,293	-	125,293
Total	\$ 649,896	\$ 17,925	\$ 180,652	\$ 48,432	\$ 896,905

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 September 30, 2011, the bank carrying amount of the Organization's deposits was \$131,993. 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, 2011**

**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 September 30, 2011 is as follows:

<b>COMPONENT UNIT HOUSING AND REDEVELOPMENT AUTHORITY OF SAUK CENTRE</b>	October 1, 2010 Balance	Additions	Disposals	September 30, 2011 Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land and Improvements	\$ 95,033	\$ -	\$ -	\$ 95,033
Construction in Progress	-	4,000	-	4,000
Total Capital Assets not being Depreciated	<u>95,033</u>	<u>4,000</u>	<u>-</u>	<u>99,033</u>
Capital Assets, Being Depreciated				
Buildings	1,941,353	11,547	416,806	1,536,094
Equipment and Other	64,194	19,820	6,574	77,440
Total Capital Assets being Depreciated	<u>2,005,547</u>	<u>31,367</u>	<u>423,380</u>	<u>1,613,534</u>
Total Capital Assets	2,100,580	31,367	423,380	1,712,567
Less: Accumulated Depreciation	<u>(1,147,279)</u>	<u>(76,205)</u>	<u>423,069</u>	<u>(800,415)</u>
Capital Assets, Net	<u>\$ 953,301</u>	<u>\$ (44,838)</u>	<u>\$ 846,449</u>	<u>\$ 912,152</u>

**NOTE 16 COMMITMENTS AND CONTINGENCIES**

**Tax Increment Districts**

The City's tax increment districts are subject to review by the 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SAUK CENTRE, MINNESOTA  
SCHEDULES OF FUNDING PROGRESS  
YEAR ENDED DECEMBER 31, 2011**

**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
12/31/2010	\$ 466,639	\$ 559,426	\$ 92,787	83.4 %	\$ 1,550
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

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

**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	- %	\$ 945,773	33.8 %
Sauk Centre Public Utilities Commission 1/1/2009	-	362,880	362,880	-	709,360	51.2
St. Michael's Hospital and Nursing Home 1/1/2009	-	466,685	466,685	-	8,574,475	5.4

**CITY OF SAUK CENTRE, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2011**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
<b>REVENUES</b>			
General Property Taxes	\$ 905,615	\$ 907,419	\$ 1,804
Special Assessments	2,000	1,705	(295)
Licenses and Permits	80,850	85,971	5,121
Intergovernmental Revenues	980,905	1,093,985	113,080
Charges for Services	176,700	203,965	27,265
Fines and Forfeits	31,250	42,127	10,877
Other Revenues	32,950	91,629	58,679
Total Revenues	<u>2,210,270</u>	<u>2,426,801</u>	<u>216,531</u>
<b>EXPENDITURES</b>			
General Government	684,723	759,065	74,342
Public Safety	746,608	764,621	18,013
Public Works	649,164	636,706	(12,458)
Culture and Recreation	287,422	303,490	16,068
Debt Service	14,834	14,834	-
Total Expenditures	<u>2,382,751</u>	<u>2,478,716</u>	<u>95,965</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(172,481)	(51,915)	120,566
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers Out	(50,000)	(7,925)	42,075
Operating Transfers In	170,000	180,652	10,652
Total Other Financing Sources	<u>120,000</u>	<u>172,727</u>	<u>52,727</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (52,481)</u>	120,812	<u>\$ 173,293</u>
Fund Balances - Beginning of Year		<u>1,164,175</u>	
<b>FUND BALANCES - ENDING END OF YEAR</b>		<u>\$ 1,284,987</u>	

See accompanying Notes to Required Supplementary Information.

**CITY OF SAUK CENTRE, MINNESOTA  
 BUDGETARY COMPARISON SCHEDULE  
 ARENA FUND  
 YEAR ENDED DECEMBER 31, 2011**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
<b>REVENUES</b>			
General Property Taxes	\$ 50,000	\$ 45,123	\$ (4,877)
Intergovernmental Revenues	-	1,443	1,443
Charges for Services	69,350	67,612	(1,738)
Other Revenues	-	(2,504)	(2,504)
Total Revenues	119,350	111,674	(7,676)
<b>EXPENDITURES</b>			
Culture and Recreation	64,436	59,960	(4,476)
<b>NET CHANGE IN FUND BALANCES</b>			
	\$ 54,914	51,714	\$ (3,200)
Fund Balances (Deficit) - Beginning of year		(268,017)	
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>		\$ (216,303)	

See accompanying Notes to Required Supplementary Information.

**CITY OF SAUK CENTRE, MINNESOTA  
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED DECEMBER 31, 2011**

**NOTE 1 LEGAL COMPLIANCE – BUDGETS**

The General and Arena Fund budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

In the following fund, expenditures exceeded the appropriations during the year ended December 31, 2011:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Expenditures Over Appropriations</u>
General Fund	\$ 2,478,716	\$ 2,382,751	\$ 95,965

The above overages were considered by the City's management to be the result of necessary expenditures critical to the operations and were approved by the Council.

**NOTE 2 UNBUDGETED MAJOR SPECIAL REVENUE FUND**

The City has not adopted a budget for the Tax Increment Financing Fund. Thus, there is no budgetary comparison schedule included in the required supplementary information.

## **SUPPLEMENTARY INFORMATION**

**CITY OF SAUK CENTRE, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2011**

	General	Arena	TIF	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
<b>Taxes</b>							
Property Taxes	\$ 907,419	\$ 45,123	\$ -	\$ -	\$ 413,189	\$ 98,968	\$ 1,464,699
Tax Increments	-	-	713,770	-	-	-	713,770
Special Assessments	1,705	-	-	-	308,061	-	309,766
Total Taxes	909,124	45,123	713,770	-	721,250	98,968	2,488,235
<b>Licenses and Permits</b>							
<b>Licenses</b>							
Beer, Liquor and Cigarettes	23,950	-	-	-	-	-	23,950
Cable Franchise Fee	35,848	-	-	-	-	-	35,848
Other	23,123	-	-	-	-	-	23,123
Building Permits	3,050	-	-	-	-	-	3,050
Total Licenses and Permits	85,971	-	-	-	-	-	85,971
<b>Intergovernmental Revenues</b>							
<b>Federal Grants</b>							
Other Grants	-	-	-	32,000	-	-	32,000
<b>State Aids</b>							
Local Governmental Aid	966,004	-	-	-	-	-	966,004
Market Value Credits	25,768	1,443	12,544	-	13,047	3,143	55,945
Fire State Aid	29,827	-	-	-	-	2,000	31,827
Police State Aid	46,285	-	-	-	-	-	46,285
Other Grants	-	-	-	-	-	17,835	17,835
PERA Aid	26,101	-	-	-	-	-	26,101
Total Intergovernmental Revenues	1,093,985	1,443	12,544	32,000	13,047	22,978	1,175,997
<b>Charges for Services</b>							
Special Police Services	548	-	-	-	-	-	548
Fire Contracts	-	-	-	-	-	173,634	173,634
Ambulance Service	-	-	-	-	-	313,807	313,807
Arena Rentals and Charges	-	67,612	-	-	-	-	67,612
Planning and Zoning Charges	47,347	-	-	-	-	-	47,347
County Highway Maintenance	5,409	-	-	-	-	-	5,409
Campground Charges	94,268	-	-	-	-	-	94,268
Rent	10,000	-	-	-	-	30,866	40,866
Other	46,393	-	-	-	-	63,455	109,848
Total Charges for Services	203,965	67,612	-	-	-	581,762	853,339
Fines and Forfeits	42,127	-	-	-	-	-	42,127

**CITY OF SAUK CENTRE, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES (CONTINUED)  
 GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2011**

	General	Arena	TIF	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES (CONTINUED)</b>							
Other Revenues							
Interest	\$ 3,145	\$ (2,504)	\$ 10,945	\$ 314	\$ 14,680	\$ 9,413	\$ 35,993
Donations/Contributions	5,349	-	-	-	-	55,318	60,667
Refunds and Reimbursements	13,949	-	-	-	-	5,199	19,148
Other	69,186	-	-	21,399	-	23,271	113,856
Total Other Revenues	<u>91,629</u>	<u>(2,504)</u>	<u>10,945</u>	<u>21,713</u>	<u>14,680</u>	<u>93,201</u>	<u>229,664</u>
Total Revenues	2,426,801	111,674	737,259	53,713	748,977	796,909	4,875,333
<b>EXPENDITURES</b>							
General Government							
Mayor and Council	182,251	-	-	-	-	-	182,251
Administration	297,220	-	-	-	-	-	297,220
Assessor	21,344	-	-	-	-	-	21,344
Finance	19,376	-	-	-	-	-	19,376
Legal	28,367	-	-	-	-	-	28,367
Planning and Zoning	112,355	-	-	-	-	-	112,355
Buildings and Property	56,971	-	-	-	-	-	56,971
Other General Government	41,181	-	-	-	-	37,810	78,991
Capital Outlay	-	-	-	389	-	-	389
Total General Government	<u>759,065</u>	<u>-</u>	<u>-</u>	<u>389</u>	<u>-</u>	<u>37,810</u>	<u>797,264</u>
Public Safety							
Police	621,095	-	-	-	-	3,945	625,040
Fire Department	128,500	-	-	-	-	122,348	250,848
Ambulance	14,846	-	-	-	-	236,182	251,028
Animal Control	180	-	-	-	-	-	180
Capital Outlay	-	-	-	-	-	178,432	178,432
Total Public Safety	<u>764,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>540,907</u>	<u>1,305,528</u>
Public Works							
Highways, Streets and Alleys	408,689	-	-	-	-	-	408,689
Sidewalk and Curb	11,178	-	-	-	-	-	11,178
Snow and Ice Control	9,613	-	-	-	-	-	9,613
Street Lighting	60,018	-	-	-	-	-	60,018
Campground	37,932	-	-	-	-	-	37,932
Other	26,863	-	-	-	-	-	26,863
Capital Outlay	82,413	-	-	36,923	-	-	119,336
Total Public Works	<u>636,706</u>	<u>-</u>	<u>-</u>	<u>36,923</u>	<u>-</u>	<u>-</u>	<u>673,629</u>

**CITY OF SAUK CENTRE, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES (CONTINUED)  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2011**

	General	Arena	TIF	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>EXPENDITURES (CONTINUED)</b>							
Culture and Recreation							
Arena Activities	\$ -	\$ 52,842	\$ -	\$ -	\$ -	\$ -	\$ 52,842
Parks	237,486	-	-	-	-	-	237,486
Other	5,476	-	-	-	-	33,883	39,359
Capital Outlay	60,528	7,118	-	-	-	12,054	79,700
Total Culture and Recreation	303,490	59,960	-	-	-	45,937	409,387
Economic Development							
Other Charges	-	-	110,535	10,567	-	71,143	192,245
Airport							
Other	-	-	-	-	-	68,350	68,350
Capital Outlay	-	-	-	1,213	-	-	1,213
Total Airport	-	-	-	1,213	-	68,350	69,563
Debt Service							
Principal	14,834	-	-	-	1,107,281	-	1,122,115
Interest and Fiscal Charges	-	-	-	-	247,638	-	247,638
Total Debt Service	14,834	-	-	-	1,354,919	-	1,369,753
Total Expenditures	2,478,716	59,960	110,535	49,092	1,354,919	764,147	4,817,369
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(51,915)	51,714	626,724	4,621	(605,942)	32,762	57,964
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers From:							
Governmental Funds	55,359	-	-	17,925	649,896	48,432	771,612
Component Unit	125,293	-	-	-	-	-	125,293
Transfers To:							
Governmental Funds	(7,925)	-	(447,649)	(113,901)	(42,131)	(160,006)	(771,612)
Proceeds from Bonds and Leases	-	-	-	-	-	130,000	130,000
Total Other Financing Sources/(Uses)	172,727	-	(447,649)	(95,976)	607,765	18,426	255,293
<b>NET CHANGE IN FUND BALANCES</b>	120,812	51,714	179,075	(91,355)	1,823	51,188	313,257
Fund Balances (Deficit) - Beginning of Year	1,164,175	(268,017)	1,003,610	153,116	2,283,517	1,043,325	5,379,726
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<b>\$ 1,284,987</b>	<b>\$ (216,303)</b>	<b>\$ 1,182,685</b>	<b>\$ 61,761</b>	<b>\$ 2,285,340</b>	<b>\$ 1,094,513</b>	<b>\$ 5,692,983</b>

**CITY OF SAUK CENTRE, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	211	224	225	230	240
	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance
<b>ASSETS</b>					
Cash and Investments	\$ 49,549	\$ 52,606	\$ 248,386	\$ 115,908	\$ 210,789
Accounts Receivable	-	-	840	3,850	75,195
Due from Other Governments	219	-	9	244	3
Total Assets	\$ 49,768	\$ 52,606	\$ 249,235	\$ 120,002	\$ 285,987
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Salaries/Benefits Payable	\$ 83	\$ -	\$ -	\$ -	\$ -
Accounts and Contracts Payable	731	-	464	114	5,554
Deferred Revenue	-	-	-	390	-
Total Liabilities	814	-	464	504	5,554
<b>FUND BALANCES</b>					
Restricted	-	-	967	-	-
Committed	37,453	-	64,327	56,900	124,699
Assigned	11,501	52,606	183,477	62,598	155,734
Total Fund Balances	48,954	52,606	248,771	119,498	280,433
Total Liabilities and Fund Balances	\$ 49,768	\$ 52,606	\$ 249,235	\$ 120,002	\$ 285,987

226	227	228	229	260	214	Total Nonmajor Special Revenue
Sauk Centre Economic Development Authority	Economic Development Revolving Loan	Park Dedication	Siren Dedication	Senior Center	Police Forfeiture	
\$ 35,581	\$ 200,118	\$ 58,552	\$ 11,336	\$ 25,175	\$ 13,701	\$ 1,021,701
-	87,464	-	-	-	-	167,349
185	-	-	-	125	-	785
<u>\$ 35,766</u>	<u>\$ 287,582</u>	<u>\$ 58,552</u>	<u>\$ 11,336</u>	<u>\$ 25,300</u>	<u>\$ 13,701</u>	<u>\$ 1,189,835</u>
\$ -	\$ -	\$ -	\$ -	\$ 425	\$ -	\$ 508
-	-	-	-	97	-	6,960
-	87,464	-	-	-	-	87,854
-	87,464	-	-	522	-	95,322
-	200,118	58,552	11,336	-	13,701	284,674
-	-	-	-	-	-	283,379
35,766	-	-	-	24,778	-	526,460
<u>35,766</u>	<u>200,118</u>	<u>58,552</u>	<u>11,336</u>	<u>24,778</u>	<u>13,701</u>	<u>1,094,513</u>
<u>\$ 35,766</u>	<u>\$ 287,582</u>	<u>\$ 58,552</u>	<u>\$ 11,336</u>	<u>\$ 25,300</u>	<u>\$ 13,701</u>	<u>\$ 1,189,835</u>

**CITY OF SAUK CENTRE, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2011**

	211	224	225	230	240
	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance
<b>REVENUES</b>					
Taxes					
Property Taxes	\$ 29,090	\$ -	\$ 48	\$ 31,623	\$ 3
Intergovernmental Revenues					
State Aids					
Market Value Credits	925	-	-	1,003	-
Fire State Aid	-	-	2,000	-	-
Other Grants	-	801	-	17,034	-
Total Intergovernmental Revenues	925	801	2,000	18,037	-
Charges for Services					
Fire Contracts	-	-	173,634	-	-
Ambulance Service	-	-	-	-	313,807
Rent	-	-	-	25,126	-
Other	-	-	-	58,605	4,850
Total Charges for Services	-	-	173,634	83,731	318,657
Other Revenues					
Interest	474	654	2,053	819	1,782
Donations/Contributions	175	41,800	868	-	4,250
Refunds and Reimbursements	-	-	945	2,858	1,396
Other	50	-	6,530	103	-
Total Other Revenues	699	42,454	10,396	3,780	7,428
Total Revenues	30,714	43,255	186,078	137,171	326,088
<b>EXPENDITURES</b>					
General Government					
Other General Government	37,810	-	-	-	-
Public Safety					
Police	-	-	-	-	-
Fire Department	-	13,251	109,097	-	-
Ambulance	-	-	-	-	236,182
Capital Outlay	-	-	178,432	-	-
Total Public Safety	-	13,251	287,529	-	236,182

226	227	228	229	260	214	Total Nonmajor Special Revenue
Sauk Centre Economic Development Authority	Economic Development Revolving Loan	Park Dedication	Siren Dedication	Senior Center	Police Forfeiture	
\$ 18,475	\$ -	\$ -	\$ -	\$ 19,729	\$ -	\$ 98,968
577	-	-	-	638	-	3,143
-	-	-	-	-	-	2,000
-	-	-	-	-	-	17,835
577	-	-	-	638	-	22,978
-	-	-	-	-	-	173,634
-	-	-	-	-	-	313,807
-	-	-	-	5,740	-	30,866
-	-	-	-	-	-	63,455
-	-	-	-	5,740	-	581,762
356	2,205	652	108	203	107	9,413
-	-	-	-	6,425	1,800	55,318
-	-	-	-	-	-	5,199
-	9,213	-	-	225	7,150	23,271
356	11,418	652	108	6,853	9,057	93,201
19,408	11,418	652	108	32,960	9,057	796,909
-	-	-	-	-	-	37,810
-	-	-	-	-	3,945	3,945
-	-	-	-	-	-	122,348
-	-	-	-	-	-	236,182
-	-	-	-	-	-	178,432
-	-	-	-	-	3,945	540,907

**CITY OF SAUK CENTRE, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES (CONTINUED)  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2011**

	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	-	-	-	-	-
Airport					
Other	-	-	-	68,350	-
Total Expenditures	37,810	13,251	287,529	68,350	236,182
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(7,096)	30,004	(101,451)	68,821	89,906
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers From:					
Governmental Funds	-	-	48,432	-	-
Transfers To:					
Governmental Funds	-	(48,432)	(64,438)	(47,136)	-
Proceeds from Bonds and Leases	-	-	130,000	-	-
Total Other Financing Sources (Uses)	-	(48,432)	113,994	(47,136)	-
<b>NET CHANGE IN FUND BALANCES</b>	(7,096)	(18,428)	12,543	21,685	89,906
Fund Balances - Beginning of Year	56,050	71,034	236,228	97,813	190,527
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 48,954</b>	<b>\$ 52,606</b>	<b>\$ 248,771</b>	<b>\$ 119,498</b>	<b>\$ 280,433</b>

226	227	228	229	260	214	Total Nonmajor Special Revenue
Sauk Centre Economic Development Authority	Economic Development Revolving Loan	Park Dedication	Siren Dedication	Senior Center	Police Forfeiture	
\$ -	\$ -	\$ -	\$ -	\$ 33,883	\$ -	\$ 33,883
-	-	12,054	-	-	-	12,054
-	-	12,054	-	33,883	-	45,937
20,635	50,508	-	-	-	-	71,143
-	-	-	-	-	-	68,350
20,635	50,508	12,054	-	33,883	3,945	764,147
(1,227)	(39,090)	(11,402)	108	(923)	5,112	32,762
-	-	-	-	-	-	48,432
-	-	-	-	-	-	(160,006)
-	-	-	-	-	-	130,000
-	-	-	-	-	-	18,426
(1,227)	(39,090)	(11,402)	108	(923)	5,112	51,188
36,993	239,208	69,954	11,228	25,701	8,589	1,043,325
\$ 35,766	\$ 200,118	\$ 58,552	\$ 11,336	\$ 24,778	\$ 13,701	\$ 1,094,513

**CITY OF SAUK CENTRE, MINNESOTA  
COMBINING BALANCE SHEET  
TAX INCREMENT FINANCING FUND  
DECEMBER 31, 2011**

	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	\$ 24,751	\$ 34,929	\$ 714,939	\$ 223,800
Taxes Receivable - Delinquent	-	-	73,828	-
Due from Other Governments	-	100	3,272	798
Total Assets	<u>\$ 24,751</u>	<u>\$ 35,029</u>	<u>\$ 792,039</u>	<u>\$ 224,598</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	-	-	73,828	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>73,828</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>				
Restricted	24,751	35,029	718,211	224,598
Unassigned	-	-	-	-
Total Fund Balances	<u>24,751</u>	<u>35,029</u>	<u>718,211</u>	<u>224,598</u>
Total Liabilities and Fund Balances	<u>\$ 24,751</u>	<u>\$ 35,029</u>	<u>\$ 792,039</u>	<u>\$ 224,598</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
\$ -	\$ -	\$ 29,778	\$ 97,532	\$ 40,892	\$ 16,121	\$ 1,182,742
-	-	-	-	-	-	73,828
-	-	-	-	-	-	4,170
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,778</u>	<u>\$ 97,532</u>	<u>\$ 40,892</u>	<u>\$ 16,121</u>	<u>\$ 1,260,740</u>
\$ 2,123	\$ 2,104	\$ -	\$ -	\$ -	\$ -	\$ 4,227
-	-	-	-	-	-	73,828
<u>2,123</u>	<u>2,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,055</u>
-	-	29,778	97,532	40,892	16,121	1,186,912
(2,123)	(2,104)	-	-	-	-	(4,227)
<u>(2,123)</u>	<u>(2,104)</u>	<u>29,778</u>	<u>97,532</u>	<u>40,892</u>	<u>16,121</u>	<u>1,182,685</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,778</u>	<u>\$ 97,532</u>	<u>\$ 40,892</u>	<u>\$ 16,121</u>	<u>\$ 1,260,740</u>

**CITY OF SAUK CENTRE, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 TAX INCREMENT FINANCING FUND  
 YEAR ENDED DECEMBER 31, 2011**

	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	\$ 13,787	\$ 63,856	\$ 480,601	\$ 29,800
Intergovernmental Revenues				
State Aids				
Market Value Credits	2,565	-	2,450	976
Other Revenues				
Interest	269	125	7,207	1,943
Total Revenues	16,621	63,981	490,258	32,719
<b>EXPENDITURES</b>				
Economic Development				
Other Charges	519	519	44,110	220
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	16,102	63,462	446,148	32,499
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To:				
Governmental Funds	(16,194)	(57,823)	(350,000)	-
<b>NET CHANGE IN FUND BALANCES</b>	(92)	5,639	96,148	32,499
Fund Balances (Deficits) - Beginning of Year	24,843	29,390	622,063	192,099
<b>FUND BALANCES (DEFICITS) - END OF YEAR</b>	<u>\$ 24,751</u>	<u>\$ 35,029</u>	<u>\$ 718,211</u>	<u>\$ 224,598</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
\$ 22,877	\$ -	\$ 21,600	\$ 25,172	\$ 31,541	\$ 24,536	\$ 713,770
-	-	230	4,132	-	2,191	12,544
15	(20)	287	731	204	184	10,945
22,892	(20)	22,117	30,035	31,745	26,911	737,259
21,293	440	16,672	519	25,924	319	110,535
1,599	(460)	5,445	29,516	5,821	26,592	626,724
-	-	-	-	-	(23,632)	(447,649)
1,599	(460)	5,445	29,516	5,821	2,960	179,075
(3,722)	(1,644)	24,333	68,016	35,071	13,161	1,003,610
<u>\$ (2,123)</u>	<u>\$ (2,104)</u>	<u>\$ 29,778</u>	<u>\$ 97,532</u>	<u>\$ 40,892</u>	<u>\$ 16,121</u>	<u>\$ 1,182,685</u>

**CITY OF SAUK CENTRE, MINNESOTA  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUND  
 DECEMBER 31, 2011**

	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	\$ -	\$ 22,384	\$ -	\$ -	\$ 149,501
Special Assessments Receivable	-	-	-	-	37,436
Due from Other Governments	-	-	-	-	281
Total Assets	<u>\$ -</u>	<u>\$ 22,384</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,218</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Deferred Revenue	\$ -	\$ -	\$ -	\$ -	\$ 37,436
<b>FUND BALANCES</b>					
Restricted for Debt Service	-	22,384	-	-	149,782
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 22,384</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,218</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
\$ -	\$ 378,375	\$ 137,033	\$ 134,620	\$ 297,098	\$ 1,160,595	\$ 2,279,606
-	-	157,213	-	262,911	492,731	950,291
-	-	-	943	2,365	2,145	5,734
<u>\$ -</u>	<u>\$ 378,375</u>	<u>\$ 294,246</u>	<u>\$ 135,563</u>	<u>\$ 562,374</u>	<u>\$ 1,655,471</u>	<u>\$ 3,235,631</u>
\$ -	\$ -	\$ 157,213	\$ -	\$ 262,911	\$ 492,731	\$ 950,291
-	378,375	137,033	135,563	299,463	1,162,740	2,285,340
<u>\$ -</u>	<u>\$ 378,375</u>	<u>\$ 294,246</u>	<u>\$ 135,563</u>	<u>\$ 562,374</u>	<u>\$ 1,655,471</u>	<u>\$ 3,235,631</u>

**CITY OF SAUK CENTRE, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUND**  
**YEAR ENDED DECEMBER 31, 2011**

	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	\$ -	\$ -	\$ -	\$ -	\$ 36,544
Special Assessments	-	-	-	8,955	16,798
Total Taxes	-	-	-	8,955	53,342
Intergovernmental Revenues					
State Aids					
Market Value Credits	-	-	-	-	1,154
Other Revenues					
Interest	-	214	-	-	848
Total Revenues	-	214	-	8,955	55,344
<b>EXPENDITURES</b>					
Debt Service					
Principal	-	17,281	-	-	55,000
Interest and Fiscal Charges	-	3,300	-	-	11,511
Total Expenditures	-	20,581	-	-	66,511
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	-	(20,367)	-	8,955	(11,167)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers From:					
Governmental Funds	-	20,581	-	-	37,242
Transfers To:					
Governmental Funds	(2,502)	-	(25,482)	(14,147)	-
Total Other Financing Sources (Uses)	(2,502)	20,581	(25,482)	(14,147)	37,242
<b>NET CHANGE IN FUND BALANCES</b>					
	(2,502)	214	(25,482)	(5,192)	26,075
Fund Balances - Beginning of Year	2,502	22,170	25,482	5,192	123,707
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ -</b>	<b>\$ 22,384</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 149,782</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
\$ -	\$ -	\$ -	\$ 114,282	\$ 64,408	\$ 197,955	\$ 413,189
-	-	38,867	-	35,607	207,834	308,061
-	-	38,867	114,282	100,015	405,789	721,250
-	-	-	3,607	2,034	6,252	13,047
-	774	1,128	727	2,393	8,596	14,680
-	774	39,995	118,616	104,442	420,637	748,977
25,000	185,000	40,000	105,000	70,000	610,000	1,107,281
12,136	39,732	12,040	84,748	50,655	33,516	247,638
37,136	224,732	52,040	189,748	120,655	643,516	1,354,919
(37,136)	(223,958)	(12,045)	(71,132)	(16,213)	(222,879)	(605,942)
37,136	352,502	79,786	64,438	4,238	53,973	649,896
-	-	-	-	-	-	(42,131)
37,136	352,502	79,786	64,438	4,238	53,973	607,765
-	128,544	67,741	(6,694)	(11,975)	(168,906)	1,823
-	249,831	69,292	142,257	311,438	1,331,646	2,283,517
\$ -	\$ 378,375	\$ 137,033	\$ 135,563	\$ 299,463	\$ 1,162,740	\$ 2,285,340

**CITY OF SAUK CENTRE, MINNESOTA  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUND  
 DECEMBER 31, 2011**

	412	408	411
	EDA		
	Improvement Projects	Storm Water Project	Safe Ride to School Grant
<b>ASSETS</b>			
Cash and Investments	\$ 151,842	\$ -	\$ -
Accounts Receivable	136,587	-	-
Total Assets	<u>\$ 288,429</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts and Contracts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-
Deferred Revenue	136,587	-	-
Total Liabilities	<u>136,587</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>			
Restricted for Capital Projects	151,842	-	-
Unassigned	-	-	-
Total Fund Balances	<u>151,842</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 288,429</u>	<u>\$ -</u>	<u>\$ -</u>

407	437	438	439	
Airport Hangar 2007-11	2005/2006 CIP Projects	2008 CIP Projects	4th Street Storm Water CIP Project	Total Capital Projects
\$ -	\$ -	\$ -	\$ -	\$ 151,842
30,000	-	-	-	166,587
<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 318,429</u>

\$ -	\$ -	\$ -	\$ 28,873	\$ 28,873
50,671	-	-	40,537	91,208
-	-	-	-	136,587
<u>50,671</u>	<u>-</u>	<u>-</u>	<u>69,410</u>	<u>256,668</u>

-	-	-	-	151,842
(20,671)	-	-	(69,410)	(90,081)
<u>(20,671)</u>	<u>-</u>	<u>-</u>	<u>(69,410)</u>	<u>61,761</u>

<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 318,429</u>
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**CITY OF SAUK CENTRE, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**CAPITAL PROJECT FUND**  
**YEAR ENDED DECEMBER 31, 2011**

	412	408	411
	EDA Improvement Projects	Storm Water Project	Safe Ride to School Grant
<b>REVENUES</b>			
Intergovernmental Revenues			
Other Grants	\$ -	\$ -	\$ -
Other Revenues			
Interest	1,293	-	-
Other	21,399	-	-
Total Other Revenues	<u>22,692</u>	<u>-</u>	<u>-</u>
Total Revenues	22,692	-	-
<b>EXPENDITURES</b>			
General Government			
Capital Outlay	-	-	389
Public Works			
Capital Outlay	-	-	-
Economic Development			
Other Charges	10,567	-	-
Airport			
Capital Outlay	-	-	-
Total Expenditures	<u>10,567</u>	<u>-</u>	<u>389</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	12,125	-	(389)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers From:			
Governmental Funds	-	-	7,925
Transfers To:			
Governmental Funds	-	(29,877)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(29,877)</u>	<u>7,925</u>
<b>NET CHANGE IN FUND BALANCES</b>	12,125	(29,877)	7,536
Fund Balances (Deficits) - Beginning of Year	<u>139,717</u>	<u>29,877</u>	<u>(7,536)</u>
<b>FUND BALANCES (DEFICITS) - END OF YEAR</b>	<u>\$ 151,842</u>	<u>\$ -</u>	<u>\$ -</u>

407	437	438	439	
Airport Hangar 2007-11	2005/2006 CIP Projects	2008 CIP Projects	4th Street Storm Water CIP Project	Total Capital Projects
\$ 32,000	\$ -	\$ -	\$ -	\$ 32,000
(614)	-	-	(365)	314
-	-	-	-	21,399
(614)	-	-	(365)	21,713
31,386	-	-	(365)	53,713
-	-	-	-	389
-	-	-	36,923	36,923
-	-	-	-	10,567
1,213	-	-	-	1,213
1,213	-	-	36,923	49,092
30,173	-	-	(37,288)	4,621
10,000	-	-	-	17,925
-	(79,786)	(4,238)	-	(113,901)
10,000	(79,786)	(4,238)	-	(95,976)
40,173	(79,786)	(4,238)	(37,288)	(91,355)
(60,844)	79,786	4,238	(32,122)	153,116
\$ (20,671)	\$ -	\$ -	\$ (69,410)	\$ 61,761

**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, 2011, which collectively comprise the City of Sauk Centre, Minnesota's basic financial statements and have issued our report thereon dated April 12, 2012. Our report includes a reference to 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. Other auditors audited the financial statements of the Sauk Centre Housing and Redevelopment Authority (HRA), as described in our report on the City of Sauk Centre, Minnesota's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those 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 *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.

**Internal Control Over Financial Reporting (Continued)**

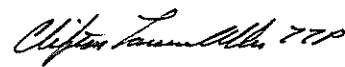
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination 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 2011-1 and 2011-2, as described in the accompanying schedule of findings and questioned costs, to be material weaknesses.

**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.



**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
April 12, 2012



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**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, 2011. 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. 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 Sauk Centre Housing and Redevelopment Authority (HRA), which expended \$79,438 in federal awards which are not included in the accompanying schedule of expenditures of federal awards for the year ended September 30, 2011. Our audit described below did not include the operations of the HRA because the component unit engaged for its own separate audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and 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, 2011.

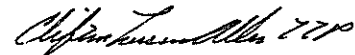
### **Internal Control Over Compliance**

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.

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.

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.



**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
April 12, 2012

**CITY OF SAUK CENTRE, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2011**

FEDERAL AGENCY/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
<b>PRIMARY GOVERNMENT</b>		
<b>Department of Justice</b>		
Bulletproof Vest Partnership Program	16.607	\$ 1,552
<b>Department of Agriculture</b>		
Cooperative Forestry Assistance	10.664	2,164
<b>Department of Homeland Security</b>		
Passed through the Minnesota Department of Public Safety		
State Community Highway Safety	20.600	<u>4,454</u>
Total Primary Government Federal Awards		8,170
<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>2,890,002 *</u>
Total Federal Awards		<u>\$ 2,898,172</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	\$ 2,890,002 *
Plus Expenditures Reimbursed for Prior Year	542,069
Less Expenditures not Reimbursed at Year-End	(67,586)
Cash Basis Note Proceeds (Note Balance)	<u>\$ 3,364,485</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, 2011, and have issued our report thereon dated April 12, 2012. 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, local government 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 Office of the Minnesota State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
April 12, 2012

**CITY OF SAUK CENTRE, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2011**

**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 AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2011**

**MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:**

**2011-1    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 AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2011**

**MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:  
(CONTINUED)**

**2011-2     OVERSIGHT OF THE FINANCIAL REPORTING PROCESS**

**Condition:** As part of the audit, management requested us to prepare a draft of the financial statements, including the related notes to the financial statements.

**Criteria:** The City's management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements in accordance applicable accounting and reporting standards.

**Cause:** The City has a limited number of personnel.

**Effect:** The design of the controls over the financial reporting process would affect the ability of the City to report their financial data consistently with the assertions of management in the financial statements.

**Recommendation:** We recommend that the City's management be aware of the accounting and financial reporting standards applicable to the City. Should the City elect to establish the full oversight of the financial statement preparation at an appropriate level, we suggest management establish effective review policies and procedures including but not limited to the following functions: reconciling general ledger amounts to the draft financial statements; review of all supporting documentation and explanations for journal entries proposed by us and approve the entries; review the adequacy of financial statement disclosures by completing a disclosure checklist; review and approval of schedules and calculations supporting the amounts included in the notes to the financial statements; apply analytic procedures to the draft financial statements; and perform other procedures considered necessary by management.

**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.