

CITY OF SAUK CENTRE, MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

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INTRODUCTORY SECTION

**CITY OF SAUK CENTRE, MINNESOTA
SCHEDULE OF ELECTED OFFICIALS AND ADMINISTRATION
DECEMBER 31, 2024**

Elected Officials	Position	Term Expires
CITY COUNCIL		
Warren Stone	Mayor	December 31, 2026
Heidi Leach	Acting Mayor	December 31, 2026
Joe Fuechtmann	Council Member	December 31, 2026
Shalon Wilber	Council Member	December 31, 2024
Diane Kelly	Council Member	December 31, 2024
CITY OFFICIALS		
Vicki Willer	City Administrator	Indefinite
Jacquelyn Kirckof	Accounting Specialist	Indefinite
Joseph Jensen	Chief of Police	Indefinite
Jeff Bromenshenkel	Fire Chief	Indefinite
PUBLIC UTILITIES COMMISSION - APPOINTED		
Ted Spanier	President	December 31, 2026
Jeff Bromenshenkel	Vice-President	December 31, 2026
Mark Roberg	Commissioner	December 31, 2024
Wayne Senst	Commissioner	December 31, 2025
Warren Stone	Commissioner	December 31, 2025
HOUSING AND REDEVELOPMENT AUTHORITY BOARD - APPOINTED		
Don Leonard	Board President	March 31, 2028
Nancy Anderson	Board Member	March 31, 2029
Mike Felling	Secretary	March 31, 2026
Nickolas Gerten	Board Member	March 31, 2025
Lori Arends	Vice Chair	March 31, 2027
Diane Kelly	Council Representative	Indefinite

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sauk Centre (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Housing and Redevelopment Authority of Sauk Centre, which represent 2 percent, 3 percent, and 3 percent, respectively of assets, net position, and revenues of the discretely presented component units as of December 31, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing and Redevelopment Authority, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 17 to the financial statements, effective January 1, 2024, City of Sauk Centre adopted new accounting guidance for accounting changes. The guidance requires that changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of changes in the total OPEB liability, related ratios and notes, schedule of the proportionate share of the net pension liability, the schedule of pension contributions, the fire relief association schedule of changes in the net pension asset and related ratios, and budgetary comparison schedules, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining balance sheet – nonmajor governmental funds, tax increment financing fund, debt service fund, and capital project fund and combining statement of revenues, expenditures, and changes in fund balances – governmental funds, nonmajor governmental funds, tax increment financing fund, debt service fund, and capital project fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining balance sheet – nonmajor governmental funds, tax increment financing fund, debt service fund, and capital project fund and combining statement of revenues, expenditures, and changes in fund balances – governmental funds, nonmajor governmental funds, tax increment financing fund, debt service fund, and capital project fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

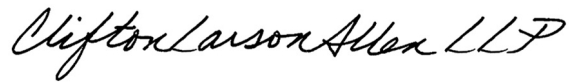
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of elected officials and administration but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Alexandria, Minnesota
May 14, 2025

BASIC FINANCIAL STATEMENTS

**CITY OF SAUK CENTRE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2024**

	Governmental Activities	Component Units	
		Sauk Centre Public Utilities Commission	Sauk Centre HRA
ASSETS			
Cash and Investments	\$ 14,771,280	\$ 957,445	\$ 261,297
Designated Cash and Investments	-	10,397,692	-
Restricted Cash and Investments	-	8,316,343	-
Due from Other Governments	164,654	-	-
Accounts Receivable, Net	832,453	1,527,691	720
Notes Receivable	6,732,992	-	-
Taxes Receivable - Delinquent	48,652	-	-
Special Assessments Receivable	1,867,037	-	-
Lease Receivable	4,921,785	-	-
Due from Component Unit	2,565,029	-	-
Interest Receivable	66,590	213,764	-
Inventories	-	603,336	-
Prepaid Expenses	25,464	97,450	13,451
Land Held for Resale or Investment	670,922	60,000	-
Net Pension Asset	266,463	-	-
Capital Assets Not Being Depreciated:			
Land	3,725,977	295,072	95,745
Construction in Process	406,618	4,332,663	-
Capital Assets Being Depreciated or Amortized:			
Right-to-Use Assets	72,950	-	-
Land Improvements	2,981,681	-	-
Buildings and Improvements	25,723,636	4,120,895	2,120,147
Vehicles, Machinery, and Equipment	10,809,780	767,257	107,324
Infrastructure	33,940,170	31,428,320	-
Less: Accumulated Depreciation	(36,637,899)	(19,629,247)	(1,699,296)
Less: Accumulated Amortization	(27,357)	-	-
Total Assets	<u>73,928,877</u>	<u>43,488,681</u>	<u>899,388</u>
DEFERRED OUTFLOWS OF RESOURCES			
OPEB Related	322,742	35,862	-
Pension Related	1,259,208	158,204	-
Total Deferred Outflows of Resources	<u>1,581,950</u>	<u>194,066</u>	<u>-</u>
LIABILITIES			
Salaries/Benefits Payable	89,355	30,771	6,401
Accounts and Contracts Payable	272,434	616,721	7,973
Due to Primary Government	-	2,565,029	-
Due to Other Governments	-	-	15,214
Tenant Security Deposits	-	-	12,994
Unearned Revenue	226,132	-	59,242
Other Liabilities	-	-	4,298
Accrued Interest	173,414	38,000	-
Net Pension Liability	1,103,463	526,543	-
OPEB Liability:			
Due Within One Year	9,898	10,734	-
Due in More than One Year	233,439	110,461	-
Long-Term Debt:			
Due Within One Year	1,914,847	200,000	-
Due in More than One Year	14,125,739	10,683,696	-
Total Liabilities	<u>18,148,721</u>	<u>14,781,955</u>	<u>106,122</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related	1,689,267	382,396	-
OPEB Related	506,628	18,854	-
Lease Related	4,805,601	-	-
Total Deferred Inflows of Resources	<u>7,001,496</u>	<u>401,250</u>	<u>-</u>
NET POSITION			
Net Investment in Capital Assets	28,567,687	15,776,278	623,920
Restricted For:			
Net Pension Asset	266,463	-	-
Debt Service	4,825,559	-	-
Capital Outlay	126,820	-	-
Highway Reconstruction	3,390,520	-	-
Economic Development	1,127,643	-	-
Fire Service	11,868	-	-
Hospital Operations	2,323,091	-	-
Other Purposes	66,163	-	-
Unrestricted	9,654,796	12,723,264	169,346
Total Net Position	<u>\$ 50,360,610</u>	<u>\$ 28,499,542</u>	<u>\$ 793,266</u>

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Sauk Centre Public Utilities Commission	Sauk Centre HRA
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General Government	\$ 1,189,446	\$ 436,402	\$ 19,533	\$ -	\$ (733,511)	\$ -	\$ -
Public Safety	3,061,125	1,410,658	216,299	-	(1,434,168)	-	-
Public Works	1,386,643	196,804	-	189,386	(1,000,453)	-	-
Culture and Recreation	647,300	356,669	-	-	(290,631)	-	-
Economic Development	303,946	-	-	-	(303,946)	-	-
Airport	277,158	101,543	-	25,941	(149,674)	-	-
Debt Service	450,108	682,773	-	-	232,665	-	-
Total Governmental Activities	<u>7,315,726</u>	<u>3,184,849</u>	<u>235,832</u>	<u>215,327</u>	<u>(3,679,718)</u>	<u>-</u>	<u>-</u>
COMPONENT UNITS							
Housing Activity	388,071	205,122	91,350	-	-	-	(91,599)
Public Utilities Commission	8,210,558	9,270,512	-	45,749	-	1,105,703	-
Total Component Units	<u>\$ 8,598,629</u>	<u>\$ 9,475,634</u>	<u>\$ 91,350</u>	<u>\$ 45,749</u>	<u>-</u>	<u>1,105,703</u>	<u>(91,599)</u>
GENERAL REVENUES							
Property Taxes					2,594,287	-	-
City Sales Tax					666,155	-	-
Tax Increments					209,314	-	-
Grants and Contributions Not Restricted to a Specific Program					1,501,524	-	-
Interest and Investment Earnings					920,422	690,926	1,168
Miscellaneous Revenues					94,961	33,459	5,284
Total General Revenues					<u>5,986,663</u>	<u>724,385</u>	<u>6,452</u>
CHANGES IN NET POSITION					2,306,945	1,830,088	(85,147)
Net Position - Beginning of Year					<u>48,053,665</u>	<u>26,669,454</u>	<u>878,413</u>
NET POSITION - END OF YEAR					<u>\$ 50,360,610</u>	<u>\$ 28,499,542</u>	<u>\$ 793,266</u>

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	Special Revenue			
	General	Arena	Hospital	Tax Increment Financing
ASSETS				
Cash and Investments	\$ 2,209,119	\$ -	\$ 1,942,531	\$ 257,244
Taxes Receivable - Delinquent	38,383	-	-	-
Special Assessments Receivable	44,490	-	-	-
Accounts Receivable, Net	86,377	32,203	201,990	-
Loans Receivable	-	-	-	-
Notes Receivable	-	-	6,732,992	-
Interest Receivable	11,275	-	8,786	1,157
Prepaid Items	25,464	-	-	-
Land Held for Resale	-	-	-	243,922
Due from Other Governments	22,666	411	-	-
Lease Receivable	-	-	-	-
Due from Component Unit	-	-	-	-
Due from Other Funds	272,099	-	-	-
Advances to Other Funds	-	-	1,203,871	-
	<u>\$ 2,709,873</u>	<u>\$ 32,614</u>	<u>\$ 10,090,170</u>	<u>\$ 502,323</u>
LIABILITIES				
Salaries/Benefits Payable	\$ 59,577	\$ 2,169	\$ -	\$ -
Accounts and Contracts Payable	81,361	10,374	-	3
Due to Other Funds	-	8,080	-	-
Advances from Other Funds	-	-	-	-
Unearned Revenue	153,954	-	-	-
Total Liabilities	<u>294,892</u>	<u>20,623</u>	<u>-</u>	<u>3</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Taxes	38,384	-	-	-
Unavailable Loans Receivable	-	-	-	-
Unavailable Notes Receivable	-	-	6,732,992	-
Unavailable Special Assessments Lease Related	44,489	-	-	-
	-	-	-	-
Total Deferred Inflows of Resources	<u>82,873</u>	<u>-</u>	<u>6,732,992</u>	<u>-</u>
FUND BALANCES				
Restricted	126,820	-	2,323,091	502,320
Committed	412,638	11,991	-	-
Assigned	-	-	1,034,087	-
Unassigned	1,792,650	-	-	-
Total Fund Balances	<u>2,332,108</u>	<u>11,991</u>	<u>3,357,178</u>	<u>502,320</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,709,873</u>	<u>\$ 32,614</u>	<u>\$ 10,090,170</u>	<u>\$ 502,323</u>

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2024**

Special Revenue						
2020 CIP Repayment	Author's Addition Repayment	Local Option Sales Tax	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
\$ 173,292	\$ 198,341	\$ 3,257,885	\$ 15,665	\$ 4,387,650	\$ 2,329,553	\$ 14,771,280
8,886	-	-	-	1,383	-	48,652
196,105	265,237	-	-	1,355,796	5,409	1,867,037
-	-	-	-	-	229,452	550,022
-	-	-	-	-	282,431	282,431
-	-	-	-	-	-	6,732,992
777	890	14,613	81	19,704	9,307	66,590
-	-	-	-	-	-	25,464
546	434	118,022	-	7,127	15,448	164,654
-	-	-	-	4,921,785	-	4,921,785
-	-	-	-	2,519,399	45,630	2,565,029
-	-	-	-	-	-	272,099
-	-	-	-	-	-	1,203,871
<u>\$ 379,606</u>	<u>\$ 464,902</u>	<u>\$ 3,390,520</u>	<u>\$ 15,746</u>	<u>\$ 13,212,844</u>	<u>\$ 3,344,230</u>	<u>\$ 34,142,828</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,609	\$ 89,355
-	-	-	138,109	4,869	37,718	272,434
-	-	-	119,463	-	144,556	272,099
522,366	681,505	-	-	-	-	1,203,871
-	-	-	-	66,418	5,760	226,132
<u>522,366</u>	<u>681,505</u>	<u>-</u>	<u>257,572</u>	<u>71,287</u>	<u>215,643</u>	<u>2,063,891</u>
8,886	-	-	-	1,383	-	48,653
-	-	-	-	-	282,431	282,431
-	-	-	-	-	-	6,732,992
196,105	265,237	-	-	1,355,797	5,409	1,867,037
-	-	-	-	4,805,601	-	4,805,601
<u>204,991</u>	<u>265,237</u>	<u>-</u>	<u>-</u>	<u>6,162,781</u>	<u>287,840</u>	<u>13,736,714</u>
-	-	3,390,520	-	6,978,776	414,751	13,736,278
-	-	-	-	-	388,839	813,468
-	-	-	-	-	2,037,157	3,071,244
(347,751)	(481,840)	-	(241,826)	-	-	721,233
<u>(347,751)</u>	<u>(481,840)</u>	<u>3,390,520</u>	<u>(241,826)</u>	<u>6,978,776</u>	<u>2,840,747</u>	<u>18,342,223</u>
<u>\$ 379,606</u>	<u>\$ 464,902</u>	<u>\$ 3,390,520</u>	<u>\$ 15,746</u>	<u>\$ 13,212,844</u>	<u>\$ 3,344,230</u>	<u>\$ 34,142,828</u>

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2024**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 18,342,223

Amounts reported for governmental activities in the statement of net position 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	77,587,862
Less: Accumulated Depreciation	(36,637,899)
Right-of-Use Assets	72,950
Less: Accumulated Amortization	(27,357)

The City's net pension asset and liability and related deferred inflows and outflows of resources are recorded only on the statement of net position. Balances at year-end are:

Net Pension Asset	266,463
Net Pension Liability	(1,103,463)
Deferred Outflows of Resources - Pension Related	1,259,208
Deferred Inflows of Resources - Pension Related	(1,689,267)

The City's OPEB liability and related deferred outflows of resources are recorded only on the statement of net position. Balances at year-end are:

OPEB Liability	(243,337)
Deferred Outflows of Resources - OPEB Related	322,742
Deferred Inflows of Resources - OPEB Related	(506,628)

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	(15,994,993)
Accrued Interest Payable	(173,414)
Lease Liability	(45,593)

Delinquent and special assessment 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 unavailable in the funds.

Delinquent Property Taxes	48,653
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Unavailable notes receivables are not available to pay for current expenditures and, therefore, are deferred in the funds.

Unavailable Special Assessments Receivable	1,867,037
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Loans and notes receivable will be collected subsequent to year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are unavailable in the funds.

7,015,423

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 50,360,610

CITY OF SAUK CENTRE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024

	Special Revenue			
	General	Arena	Hospital	Tax Increment Financing
REVENUES				
Taxes	\$ 1,881,461	\$ 35,065	\$ -	\$ 209,314
Special Assessments	20,545	-	-	-
Licenses and Permits	421,187	-	-	-
Intergovernmental Revenues	1,722,400	-	-	-
Charges for Services	280,671	93,617	300,000	-
Fines and Forfeits	63,885	-	-	-
Other Revenues	207,707	(2,200)	533,578	10,589
Total Revenues	<u>4,597,856</u>	<u>126,482</u>	<u>833,578</u>	<u>219,903</u>
EXPENDITURES				
General Government	1,054,833	-	-	-
Public Safety	1,570,828	-	122,212	-
Public Works	604,315	-	-	-
Culture and Recreation	475,452	131,919	-	-
Economic Development	-	-	-	295,256
Airport	-	-	-	-
Debt Service:				
Principal	28,687	-	-	-
Interest and Fiscal Charges	1,930	-	-	-
Capital Outlay	490,870	-	-	-
Total Expenditures	<u>4,226,915</u>	<u>131,919</u>	<u>122,212</u>	<u>295,256</u>
EXCESS (DEFICIENCY) OF REVENUES	370,941	(5,437)	711,366	(75,353)
OTHER FINANCING SOURCES (USES)				
Transfers In	2,500	120,000	-	11,776
Transfers Out	-	-	(150,000)	(328,894)
Lease Proceeds	72,950	-	-	-
Sale of Assets	3,800	-	-	-
Total Other Financing Sources (Uses)	<u>79,250</u>	<u>120,000</u>	<u>(150,000)</u>	<u>(317,118)</u>
NET CHANGE IN FUND BALANCES	450,191	114,563	561,366	(392,471)
Fund Balances - Beginning, as Originally Reported	1,881,917	(102,572)	2,795,812	894,791
Changes to or Within the Financial Reporting Entity	-	-	-	-
Fund Balance - as Adjusted	<u>1,881,917</u>	<u>(102,572)</u>	<u>2,795,812</u>	<u>894,791</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,332,108</u>	<u>\$ 11,991</u>	<u>\$ 3,357,178</u>	<u>\$ 502,320</u>

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

Special Revenue							
2020 CIP Repayment	Author's Addition Repayment	Local Option Sales Tax	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds	
\$ 26,728	\$ 36,810	\$ 666,155	\$ -	\$ 529,552	\$ 90,683	\$ 3,475,768	
51,279	189,409	-	-	272,394	-	533,627	
-	-	-	-	-	-	421,187	
-	-	-	249,501	-	187,614	2,159,515	
-	-	-	-	-	1,136,758	1,811,046	
-	-	-	-	-	4,702	68,587	
3,149	1,623	74,600	17,272	831,464	136,678	1,814,460	
<u>81,156</u>	<u>227,842</u>	<u>740,755</u>	<u>266,773</u>	<u>1,633,410</u>	<u>1,556,435</u>	<u>10,284,190</u>	
-	-	-	-	-	31,623	1,086,456	
-	-	-	-	-	699,567	2,392,607	
-	-	-	-	-	70,625	674,940	
-	-	-	-	-	49,376	656,747	
-	-	-	-	-	48,662	343,918	
-	-	-	-	-	79,967	79,967	
-	-	-	-	1,820,000	-	1,848,687	
11,860	15,000	-	-	485,558	-	514,348	
-	-	-	370,250	-	481,943	1,343,063	
<u>11,860</u>	<u>15,000</u>	<u>-</u>	<u>370,250</u>	<u>2,305,558</u>	<u>1,461,763</u>	<u>8,940,733</u>	
69,296	212,842	740,755	(103,477)	(672,148)	94,672	1,343,457	
-	-	-	138,044	1,046,068	257,000	1,575,388	
-	-	-	(873,534)	-	(222,960)	(1,575,388)	
-	-	-	-	-	-	72,950	
-	-	-	-	-	-	3,800	
<u>-</u>	<u>-</u>	<u>-</u>	<u>(735,490)</u>	<u>1,046,068</u>	<u>34,040</u>	<u>76,750</u>	
69,296	212,842	740,755	(838,967)	373,920	128,712	1,420,207	
(417,047)	(694,682)	-	597,141	6,604,856	5,361,800	16,922,016	
-	-	2,649,765	-	-	(2,649,765)	-	
<u>(417,047)</u>	<u>(694,682)</u>	<u>2,649,765</u>	<u>597,141</u>	<u>6,604,856</u>	<u>2,712,035</u>	<u>16,922,016</u>	
<u>\$ (347,751)</u>	<u>\$ (481,840)</u>	<u>\$ 3,390,520</u>	<u>\$ (241,826)</u>	<u>\$ 6,978,776</u>	<u>\$ 2,840,747</u>	<u>\$ 18,342,223</u>	

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2024**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,420,207

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 and amortization expense. This is the amount by which capital outlay exceeded depreciation and amortization expense in the current period.

Capital Outlay	1,383,052
Depreciation and Amortization Expense	(1,817,151)
Disposal of Assets - Net Book Value	(53,895)

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Also, governmental funds report the effect of premiums, and discounts when debt is first issued, whereas these amounts are 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	1,820,000
Lease Proceeds	(72,950)
Amortization of Bond Premium	44,087
Change in Accrued Interest	20,118
Reduction in Lease Liability	28,687

Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in net pension liability (asset) and the related deferred inflows and outflows of resources.

144,708

Payments to the City's OPEB liability are recognized as expenditures at the fund level while the change in the OPEB obligation and the related deferred inflows and outflows of resources are recognized in the statement of net position.

5,653

In the statement of activities, compensated absences 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).

(36,886)

Delinquent property taxes, notes receivable, 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 unavailable in the governmental funds.

(578,685)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 2,306,945**

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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 accounting principles generally accepted in the United States of America (U.S. 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 position 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).

The complete financial statements of the Public Utilities Commission are available at the Sauk Centre City Hall.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Reporting Entity (Continued)

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 financial information is presented as of and for the fiscal year ended September 30, 2024.

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, Minnesota 56378

C. Basic Financial Statement Presentation

The government-wide financial statements (i.e., the statement of net position 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 position, 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 position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position.

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.

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.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, including lease liabilities, 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.

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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:

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

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 charges for services that are committed to expenditures for the functions of the arena.

Hospital Special Revenue Fund – The Hospital Special Revenue Fund is used to account for the collection of rent and interest and to pay the state surcharge.

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.

2020 CIP Repayment Special Revenue Fund – The 2020 CIP Repayment Special Revenue Fund is used to account for a transfer from the Hospital Fund for Public Improvement Project 2020-01. The resources shall be repaid to the hospital fund through collections of special assessments and property taxes within this fund.

Author's Addition Repayment Special Revenue Fund – The Author's Addition Repayment Special Revenue Fund is used to account for a transfer from the Hospital Fund for the Author's Addition Project. The resources shall be repaid to the hospital fund through collections of special assessments and property taxes within this fund.

Local Option Sales Tax Fund – The Local Option Sales Tax Fund is used to account for financial resources to be used for city infrastructure improvement projects directly related to the reconstruction of Trunk Highway 71.

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.

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.

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 2024, the City's adopted budget was consistent with U.S. GAAP.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

The City's financial statements are prepared in accordance with U.S. GAAP. GASB is responsible for establishing U.S. GAAP for state and local governments through its pronouncements (statement and interpretations).

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, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results may differ from these estimates.

G. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position 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, Net

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, 2024, the allowance is \$187,413.

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;

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

3. Investments (Continued)

bankers' acceptances of United States' banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualifies as a "depository" by the City entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

4. Land Held for Resale

Assets held for resale represents land purchased with the intent of selling the property for future development. This is recorded at the lower of cost or estimated market value.

5. Fund Balance/Net Position

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.

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.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

5. Fund Balance/Net Position (Continued)

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 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 position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital and right-to-use assets, net of accumulated depreciation and amortization, reduced by the outstanding balance of any debt used to build or acquire capital assets. Net position is 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 any balances remaining by October 15.

Within 30 days after the May settlement, the County Treasurer is required to pay 70% 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 FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position 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% 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 2023, which was collected during the year ended December 31, 2024. 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 inflows of resources 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. During the current year, the County collected taxes levied for the subsequent period. These taxes will be recognized as revenue in the year for which they were levied and are reported as property taxes levied for subsequent year.

7. Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of improvement projects. Assessments are collectible over a term of years at an interest rate established by the City Council upon adoption of each assessment roll. Property owners are allowed to prepay future installments without interest or prepayment penalties. In the governmental fund financial statements, special assessment levies are recorded as a receivable and as deferred inflows of resources at the time of the levy. Deferred inflows of resources are recognized as current revenue as the annual assessment installments become available. Interest on special assessments is also recognized when it becomes measurable and available.

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.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

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 acquisition value. The City maintains a threshold level of \$5,000 to \$100,000, depending on asset type, for capitalizing capital assets.

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 and right-to-use equipment.

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

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

11. Deferred Outflows of Resources/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The category of deferred outflow of resources reported in the statement of net position is related to pensions and other postemployment benefits. Deferred outflows on pension and other postemployment benefits are more fully discussed in Notes 7, 9, and 10.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

11. Deferred Outflows of Resources/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position and the governmental funds balance sheet includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets or fund balance that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide financial statements. The City's deferred inflows of resources reported on the statement of net position relate to pension and other postemployment benefits, which are more fully discussed in Notes 7, 9 and 10. The statement of net position and the governmental funds balance sheet also report a deferred inflow of resources related to leases. The lease related deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus any payments received at or before the start of the lease term that relates to future periods, less any lease incentives paid to, or on behalf of the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

Under the modified accrual basis of accounting, deferred inflows of resources also include revenues not collected within the availability period after the fiscal year-end. The City has reported deferred inflows of resources related to unavailable revenues for property taxes, grants, notes and loans, and special assessments. These amounts are deferred and will be recognized as an inflow of resources in the period that amounts become available.

12. Net Pension Liability (Asset)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA.

For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the liability (asset), deferred outflows of resources and deferred inflows of resources, and expense associated with the City's requirement to contribute to the Sauk Centre Firefighters Relief Association Plan, information about the plan's fiduciary net position and additions to/deductions from the Sauk Centre Firefighters Relief Association Plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

13. Long-Term Obligations

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

In the fund financial statements, governmental funds recognize bond premiums and discounts, 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.

14. Long-Term Interfund Receivables / Payables

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

15. Compensated Absences

The City compensates employees who resign or retire with due notice for unused vacation and compensatory time. Employees may carry over vacation from one vacation year to another vacation year as established by City personnel policy and union contract terms. Compensatory time is accumulated at 1½ times for overtime hours worked by nonexempt 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 accrue two additional hours of vacation per pay period. Upon retirement, or if an employee terminates employment in good standing after ten years of continuous service with the City, the employee will be compensated for the accrued sick leave at 30% of their current wage rate.

The liability for compensated absences reported in the government-wide statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 inflows of resources.

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.

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 position.

3. Expenses

Government wide financial statements recognize expenses when they are incurred.

I. Adoption of New Accounting Standards

In June 2022, the Governmental Accounting Standards Board (GASB) issued GASB statement No. 101, Compensated Absences. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures.

The City adopted the requirements of the guidance effective January 1, 2024, and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard did not result in any material adjustments.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budget

The budget was prepared for the General, Arena, Author's Addition Repayment, Hospital, 2020 CIP Repayment, Local Option Sales Tax and Tax Increment Financing funds 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 accounting principles generally accepted in the United States of America.

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

Expenditures in Excess of Appropriations

Expenditures exceeded the appropriations during the year ended December 31, 2024 in the following funds:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Expenditures Over Appropriations</u>
Tax Increment Fund	\$ 295,256	\$ 133,520	\$ 161,736

The overages were offset with revenues in excess of budget, or available fund balance. 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.

Deficit Fund Balance

The following funds have a deficit fund balance as of December 31, 2024:

<u>Deficit Fund Balance</u>	<u>Amount</u>
2020 CIP Repayment Fund	\$ (347,751)
Author's Repayment Fund	(481,840)
Capital Projects	(241,826)

Deficit fund balances are due to expenditures exceeding revenues and will be recovered through future tax increment collections, property tax collections or special assessments.

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.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

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 Federal Deposit Insurance Corporation 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, 2024, 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.

Investments

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.

Minnesota Statutes §§118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota Statutes §118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- (3) general obligations of the state of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk: Is the risk that changes in the market interest rates will adversely affect the fair value of an investment. It is the City policy to minimize its exposure to interest rate risk by investing in both shorter and longer-term investments (not to exceed two years) and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the City's policy to invest only in securities that meet the ratings requirements set by state statute. At December 31, 2024, the City had no investments required to be rated.

Custodial Credit Risk: Is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. It is the City's policy to limit City investments to those approved in its investment policy and to obtain necessary documentation (e.g., broker certification forms and documentation of perfected security interests in pledged collateral) from the financial institutions, broker/dealers, intermediaries and advisors, as applicable, with which the City will do business. City investments were not subject to custodial credit risk as of December 31, 2024.

Concentration of Credit Risk: Is the risk of loss that may be caused by the City's investment in a single issuer. It is the City's policy that U.S. Treasury securities, U.S. Agency securities, and obligations backed by U.S. Treasury and/or U.S. Agency securities, may be held without limit.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The City had the following investments at December 31, 2024:

Investment	Credit Risk		Concentration	Interest Rate Risk		Carrying Value
	Rating	Agency	Risk Percent of Portfolio	Maturity Date	Interest Rate	
Minnesota Municipal Money						
Market Fund:						
4M Plus Fund	N/R	N/A	N/A	N/A	N/A	\$ 1,107
4M Fund	N/R	N/A	N/A	N/A	N/A	1,079,341
Total Investments						<u>\$ 1,080,448</u>
Deposits					Bank Value	Carrying Value
Cash and Cash Equivalents					\$ 3,859,903	\$ 3,862,029
Savings Accounts					1,669,899	1,669,899
Certificates of Deposit					8,158,904	8,158,904
Total Deposits						<u>\$ 13,690,832</u>
Total Deposits and Investments - Governmental Funds						<u>\$ 14,771,280</u>

Fair Value Measurements

The City uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures.

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

Financial assets and liabilities recorded on the statement of net position are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Investments are measured as follows:

Investments Measured at Amortized Cost:

Money Market Funds	\$ 1,080,448
Total Investments	<u>\$ 1,080,448</u>

The City's investment with the 4M fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M fund is an unrated external investment pool and the fair value of the position in the pool is the same as the value of pool shares. The pool is valued at amortized cost. For this investment pool, there are no restrictions on withdrawals from the 4M Liquid Asset Fund, which may be affected on a same day basis. All investments in the 4M PLUS Fund must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to 7 days interest on the amount withdrawn. The LTD Fund requires a minimum balance of \$50,000 and redemption from the LTD Fund may only be made on the third Wednesday of each month upon at least two weeks advance notice. Term Series investments are designed to be held to maturity. If an investment made in a Term Series is withdrawn prior to the maturity date, seven days' notice of redemption is required, and a penalty will likely be assessed. The penalty, which may be substantial, could include the amount necessary to recoup for the Series any penalty charges, losses and other costs attributable to the early redemption.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and Cash Equivalents – Sauk Centre Public Utilities Commission

Cash and cash equivalents at Sauk Centre Public Utilities Commission component unit are comprised of the following:

	<u>Sauk Centre Public Utility Commission</u>
Cash on Hand	\$ 600
Cash in Checking	956,845
Designated Assets:	
Capital Replacement Deposits	2,996,907
Operations and Maintenance Deposits	400,000
Capital Replacement Deposits	6,529,590
OPEB Deposits	121,195
Debt Retirement Deposits	350,000
Restricted Assets:	
Capital	<u>8,316,343</u>
Total Cash and Investments	<u><u>\$ 19,671,480</u></u>

NOTE 4 NOTES RECEIVABLE

The City has \$6,732,992 of notes receivable. The notes receivable is a working capital loan to CentraCare Health System from the operations of St. Michael's Hospital and Nursing Home. This loan was needed in order for CentraCare Health System to take over full operation of the hospital. The loan is expected to be repaid if and when CentraCare Health System pays off the revenue bonds related to the hospital and takes over the assets of the hospital that are currently part of the City. CentraCare Health System is required to make semi-annual interest payments on this loan amount until it is repaid. This amount is considered unavailable revenue on the fund level.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024 is as follows:

GOVERNMENTAL ACTIVITIES	January 1, 2024 Balance	Additions	Disposals	December 31, 2024 Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 3,765,977	\$ -	\$ 40,000	\$ 3,725,977
Construction in Progress	11,623,435	406,617	11,623,434	406,618
Total Capital Assets, Not Being Depreciated	<u>15,389,412</u>	<u>406,617</u>	<u>11,663,434</u>	<u>4,132,595</u>
Capital Assets, Being Depreciated:				
Land Improvements	2,598,521	383,160	-	2,981,681
Buildings and Improvements	25,788,822	-	65,186	25,723,636
Vehicles, Machinery, and Equipment	10,574,038	337,579	101,837	10,809,780
Infrastructure	22,133,990	11,806,180	-	33,940,170
Total Capital Assets, Being Depreciated	<u>61,095,371</u>	<u>12,526,919</u>	<u>167,023</u>	<u>73,455,267</u>
Less: Accumulated Depreciation				
Land Improvements	(262,442)	-	-	(262,442)
Buildings and Improvements	(18,050,461)	(767,713)	(63,501)	(18,754,673)
Vehicles, Machinery, and Equipment	(7,931,560)	(323,284)	(89,627)	(8,165,217)
Infrastructure	(8,758,100)	(697,467)	-	(9,455,567)
Total Accumulated Depreciation	<u>(35,002,563)</u>	<u>(1,788,464)</u>	<u>(153,128)</u>	<u>(36,637,899)</u>
Total Capital Assets, Being Depreciated	26,092,808	10,738,455	13,895	36,817,368
Right-to-Use Lease Assets:				
Equipment	33,517	72,950	33,517	72,950
Total Right-to-Use Lease Assets	<u>33,517</u>	<u>72,950</u>	<u>33,517</u>	<u>72,950</u>
Less Accumulated Amortization:				
Equipment	(32,187)	(28,687)	(33,517)	(27,357)
Total Accumulated Amortization	<u>(32,187)</u>	<u>(28,687)</u>	<u>(33,517)</u>	<u>(27,357)</u>
Total Right-to-Use Lease Assets, Net	<u>1,330</u>	<u>44,263</u>	<u>-</u>	<u>45,593</u>
Governmental Capital Assets, Net	<u>\$ 41,483,550</u>	<u>\$ 11,189,335</u>	<u>\$ 11,677,329</u>	<u>\$ 40,995,556</u>

Depreciation and amortization expense was charge to functions/programs as follows:

Governmental Activities:	
General Government	\$ 101,809
Public Safety	709,119
Public Works	705,400
Culture and Recreation	111,133
Airport	189,690
Total Depreciation and Amortization Expense, Governmental Activities	<u>\$ 1,817,151</u>

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 CAPITAL ASSETS (CONTINUED)

COMPONENT UNIT SAUK CENTRE PUBLIC UTILITIES COMMISSION	January 1, 2024 Balance	Additions	Disposals	December 31, 2024 Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 146,633	\$ 148,439	\$ -	\$ 295,072
Construction in Progress	1,356,246	3,838,886	862,469	4,332,663
Total Capital Assets, Not Being Depreciated	<u>1,502,879</u>	<u>3,987,325</u>	<u>862,469</u>	<u>4,627,735</u>
Capital Assets, Being Depreciated:				
Station Equipment	532,713	-	-	532,713
Distribution System	28,462,678	647,727	-	29,110,405
General Plant	4,894,738	318,806	178,687	5,034,857
Load Management	234,544	-	-	234,544
Treatment Facility	1,403,953	-	-	1,403,953
Total Capital Assets, Being Depreciated	<u>35,528,626</u>	<u>966,533</u>	<u>178,687</u>	<u>36,316,472</u>
Total Capital Assets	37,031,505	4,953,858	1,041,156	40,944,207
Less: Accumulated Depreciation	<u>(18,685,088)</u>	<u>(974,407)</u>	<u>(30,248)</u>	<u>(19,629,247)</u>
Capital Assets, Net	<u>\$ 18,346,417</u>	<u>\$ 3,979,451</u>	<u>\$ 1,010,908</u>	<u>\$ 21,314,960</u>
COMPONENT UNIT HOUSING AND REDEVELOPMENT AUTHORITY OF SAUK CENTRE	October 1, 2023 Balance	Additions	Adjustments/ Disposals	September 30, 2024 Balance
Capital Assets, Not Being Depreciated:				
Land and Improvements	\$ 95,745	\$ -	\$ -	\$ 95,745
Capital Assets, Being Depreciated:				
Buildings	2,111,247	8,900	-	2,120,147
Equipment and Other	107,324	-	-	107,324
Total Capital Assets Being Depreciated	<u>2,218,571</u>	<u>8,900</u>	<u>-</u>	<u>2,227,471</u>
Less: Accumulated Depreciation	<u>(1,609,590)</u>	<u>(89,706)</u>	<u>-</u>	<u>(1,699,296)</u>
Total Capital Assets Being Depreciated, Net	<u>608,981</u>	<u>(80,806)</u>	<u>-</u>	<u>528,175</u>
Capital Assets, Net	<u>\$ 704,726</u>	<u>\$ (80,806)</u>	<u>\$ -</u>	<u>\$ 623,920</u>

NOTE 6 LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended December 31, 2024:

	Balance January 1, 2024	Increases	Decreases	Balance December 31, 2024	Amounts Due in One Year
General Obligation Improvement Bonds	\$ 8,465,000	\$ -	\$ 855,000	\$ 7,610,000	\$ 850,000
Premium on Bonds	281,345	-	44,087	237,258	-
Revenue Bonds	5,945,000	-	575,000	5,370,000	585,000
Revenue Bonds - Direct Borrowings	2,892,000	-	390,000	2,502,000	397,000
Compensated Absences	238,849	257,883	220,997	275,735	46,372
Lease Liability	1,330	72,950	28,687	45,593	36,475
Total Long-Term Debt	<u>\$ 17,823,524</u>	<u>\$ 330,833</u>	<u>\$ 2,113,771</u>	<u>\$ 16,040,586</u>	<u>\$ 1,914,847</u>

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 LONG-TERM DEBT (CONTINUED)

The outstanding note from direct borrowings of \$2,502,000 contain (1) a provision that if the City is unable to make a payment when due, an interest penalty may be imposed and one or more of the following remedies may be exercised: (a) withhold approval of any disbursement request, (b) reject any pending application by the City for financial assistance, (c) to the extent permitted by law, demand immediate payment of the note in full and upon such demand, the outstanding principal amount will be immediately due and payable with interest accrued thereon to the date of the payment, (d) exercise any other remedy available under law, and (2) a provision that if the City fails to comply with any other provision within the note agreement an immediate increase in the interest rate on the loan by eliminating all interest rate discounts that were originally applied, in addition, the default remedies for failure to make a payment as listed above may be exercised.

General Obligation Bonds

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

	Balance Outstanding
General Obligation Improvement Bonds:	
\$1,245,000 of General Obligation Improvement Bonds, Series 2012A, interest from 2.00% to 2.20%, matures February 1, 2029.	\$ 450,000
\$2,185,000 of General Obligation Refunding Bonds, Series 2015B, interest at 2.00%, matures February 1, 2025.	170,000
\$1,440,000 of General Obligation Bonds, Series 2015A, interest from 1.50% to 3.00%, matures February 1, 2026.	320,000
\$3,350,000 of General Obligation Bonds, Series 2018A, interest from 3.00% to 3.25%, matures February 1, 2034.	2,425,000
\$4,390,000 of General Obligation Bonds, Series 2022A, interest from 3.00% to 5.00%, matures February 1, 2038.	4,245,000
Total General Obligation Improvement Bonds	7,610,000
Revenue Bonds - Expected to be Repaid from Charges for Services:	
\$1,495,000 of General Obligation Revenue Bonds, Series 2012A, interest from 2.00% to 2.20%, matures February 1, 2029.	535,000
\$8,845,000 of General Obligation Hospital Refunding Bonds, Series 2015C, interest from 2.00% to 3.00%, due September 1, 2033.	4,835,000
Total Revenue Bonds	5,370,000
Revenue Notes - Direct Borrowings - Expected to be Repaid from Reimbursements from the Public Utilities Commission:	
\$7,058,050 of General Obligation Sewer Revenue Notes, 2010 issue, interest of 1.911%, matures August 2030.	2,502,000
Plus Premium on Bonds	237,258
Compensated Absences	275,735
Lease Liability	45,593
Total Long-Term Debt	\$ 16,040,586

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Long-term debt maturities are as follows:

Year Ending December 31,	G.O. and Revenue Bonds		Revenue Notes: Direct Borrowings		Lease Liability	
	Total Principal	Total Interest	Total Principal	Total Interest	Total Principal	Total Interest
	Maturities	Maturities	Maturities	Maturities	Maturities	Maturities
2025	\$ 1,435,000	\$ 387,016	\$ 397,000	\$ 47,814	\$ 36,475	\$ 292
2026	1,315,000	347,921	405,000	40,226	9,118	15
2027	1,180,000	310,964	413,000	32,488	-	-
2028	1,215,000	274,790	421,000	24,594	-	-
2029	1,245,000	236,756	866,000	24,902	-	-
2030-2034	5,160,000	633,650	-	-	-	-
2035-2038	1,430,000	97,584	-	-	-	-
Total	12,980,000	2,288,681	2,502,000	170,024	45,593	307
Plus: Premium	237,258	-	-	-	-	-
Total	<u>\$ 13,217,258</u>	<u>\$ 2,288,681</u>	<u>\$ 2,502,000</u>	<u>\$ 170,024</u>	<u>\$ 45,593</u>	<u>\$ 307</u>

The St. Michael's Hospital and Nursing Home bonds are revenue bonds that are repaid from the proceeds of rental payments from CentraCare as part of the sale agreement of the hospital to CentraCare. These rental payments are restricted for the purpose of repaying this debt.

The City issued \$1,245,000 in general obligation improvement bonds and \$1,495,000 in general obligation revenue bonds during 2012 for the 4th Street Storm Water Construction project.

During 2015, the City issued \$1,440,000 in general obligation improvement bonds for street reconstruction, and \$2,185,000 in general obligation refunding bonds and \$8,845,000 in general obligation hospital refunding bonds.

The City issued \$3,350,000 in general obligation improvement during 2018 for the Getty Street Improvement project and 2018 Improvements project.

In 2010, the City issued \$7,058,050 in general obligation notes on behalf of the Sauk Centre Public Utility Commission. The notes financed construction of improvements to the wastewater treatment system.

The City issued \$4,390,000 in general obligation improvement during 2022 for various street and utility improvement projects.

See Note 13 for further information regarding the lease liability.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City makes available to eligible retirees and their spouses a single-employer defined healthcare plan. The plan offers medical coverage. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. Separate stand-alone financial statements are not issued for the plan.

Funding Policy

Employees of the City, after 25 years of employment can stay on the healthcare plan and the City will pay 25% of the single rate. In addition, employees who separate from City employment due to retirement or disability, have 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 and 59, with 20 years of service, shall receive employer-paid single medical insurance at the rate of \$706 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 \$860 per month until the age of 65 or when eligible for Medicare. The employee shall be responsible for any premiums over the \$706 or \$860.

Employees Covered by Benefit Terms

At December 31, 2024, the City had 23 active plan members, two retirees and zero spouse receiving benefit payments. The Sauk Centre Public Utilities Commission had 14 active plan members and 1 inactive employee. There are no inactive employees entitled to benefits but not yet receiving them for either the City or the Sauk Centre Public Utilities Commission.

Actuarial Methods and Assumptions

The OPEB liability was measured as of January 1, 2024, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2024.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5% (City), 2.5% (Utility)
Salary	Service graded table
Health Care Trend Rates	6.5% Decreasing to 5.00% Over Six Years, then 4.00% over next 48 years (City)
	3.25% Decreasing to 2.50% over next 6 years (Utility)

City mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

The assumptions used in the January 1, 2024 valuation are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

The discount rate used to measure the total OPEB liability was 3.7%. The discount rate is equal to the estimated 20-Year Municipal Bond Yield.

Since the most recent OPEB valuation, there have been no plan changes.

Since the most recent OPEB valuation, the following assumption changes have been made:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The inflation rate was changed from 2.0% to 2.5%
- The discount rate was changed from 4.0% to 3.7%.

Changes in the Total OPEB Liability

	Governmental Funds	Sauk Centre Public Utilities Commission	Total
Balance as of January 1, 2024	\$ 660,926	\$ 105,546	\$ 766,472
Changes for the Year:			
Service Cost	5,235	5,468	10,703
Interest	26,139	4,236	30,375
Assumption Changes	11,453	4,893	16,346
Plan Changes	9,892	-	9,892
Differences Between Expected and Actual			
Experience	(444,666)	11,368	(433,298)
Benefit Payments	(25,642)	(10,316)	(35,958)
Net Change in Total OPEB Liability	<u>(417,589)</u>	<u>15,649</u>	<u>(401,940)</u>
Balance as of December 31, 2024	<u>\$ 243,337</u>	<u>\$ 121,195</u>	<u>\$ 364,532</u>

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (2.70%)	Discount Rate (3.70%)	1% Increase (4.70%)
Total OPEB Liability - City	\$ 267,175	\$ 243,337	\$ 222,020
Total OPEB Liability - Utility	133,703	121,195	109,505

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability (Continued)

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

Medical Trend Rate	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability - City	\$ 219,897	\$ 243,337	\$ 270,063
Total OPEB Liability - Utility	106,049	121,195	139,368

For the year ended December 31, 2024, the City and the Utility recognized OPEB expense of \$4,245 and \$11,683, respectively.

At December 31, 2024, the City and Utility reported deferred inflows of resources, and deferred outflows of resources related to OPEB from the following sources:

Description	City of Sauk Centre		Sauk Centre Public Utility Commission	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 24,001	\$ 92,167	\$ 16,575	\$ 18,854
Contributions Subsequent to the Measurement Date	9,898	-	10,734	-
Difference Between Expected and Actual Liability	288,843	414,461	8,553	-
Total	<u>\$ 322,742</u>	<u>\$ 506,628</u>	<u>\$ 35,862</u>	<u>\$ 18,854</u>

The \$9,898 and \$10,734 reported by the City and Utility, respectively as deferred outflows of resources resulting from contributions subsequent to the measurement date, which will be recognized as a reduction of the OPEB liability in the year ending December 31, 2025.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending December 31,	City Pension Expense Amount	Utility Pension Expense Amount
2025	\$ (37,018)	\$ 2,753
2026	(35,249)	2,747
2027	(14,640)	435
2028	(16,599)	(662)
2029	(90,278)	(668)
Thereafter	-	1,669

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 8 COMPONENTS OF FUND BALANCE

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

	General Fund	Arena Fund	Hospital Fund	TIF Fund	2020 CIP Repayment Fund	Author's Repayment Fund	Local Option Sales Tax	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds
Fund Balances:										
Restricted:										
Fire Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,868
Economic Development	-	-	-	503,083	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	6,978,776	-
Economic Development Loan	-	-	-	-	-	-	-	-	-	342,129
Park Capital Outlay	-	-	-	-	-	-	-	-	-	2,016
Sales Tax	-	-	-	-	-	-	3,390,520	-	-	-
Police Forfeiture Operations	-	-	-	-	-	-	-	-	-	58,738
Hospital Operations	-	-	2,323,091	-	-	-	-	-	-	-
Capital Improvement Projects	-	-	-	-	-	-	-	-	-	-
Street Improvements	126,820	-	-	-	-	-	-	-	-	-
Small City Development	-	-	-	-	-	-	-	-	-	-
Committed For:										
Library Operations	-	-	-	-	-	-	-	-	-	11,290
Fire Protection Capital Outlay	-	-	-	-	-	-	-	-	-	49,770
Ambulance Operations	-	-	-	-	-	-	-	-	-	34,793
Airport Capital Outlay	-	-	-	-	-	-	-	-	-	35,215
Storm Water Utility	-	-	-	-	-	-	-	-	-	257,771
Arena Operations	-	11,991	-	-	-	-	-	-	-	-
Park Land	19,000	-	-	-	-	-	-	-	-	-
Police Department Severance	167,917	-	-	-	-	-	-	-	-	-
Street Improvements	67,951	-	-	-	-	-	-	-	-	-
Campground	8,849	-	-	-	-	-	-	-	-	-
MnDOT Signs	6,107	-	-	-	-	-	-	-	-	-
Build A Forest	8,115	-	-	-	-	-	-	-	-	-
Parks	117,618	-	-	-	-	-	-	-	-	-
Splash Pad	17,081	-	-	-	-	-	-	-	-	-
Assigned:										
Hospital Operations	-	-	1,034,087	-	-	-	-	-	-	-
Senior Center Operations	-	-	-	-	-	-	-	-	-	20,188
Fire Department Equipment	-	-	-	-	-	-	-	-	-	253,415
Ambulance Services	-	-	-	-	-	-	-	-	-	925,188
Economic Development	-	-	-	-	-	-	-	-	-	105,966
EDA Improvement Projects	-	-	-	-	-	-	-	-	-	281,796
Airport Operations	-	-	-	-	-	-	-	-	-	347,197
Small City Development	-	-	-	-	-	-	-	-	-	103,407
Capital Projects	-	-	-	-	-	-	-	-	-	-
Unassigned:										
Total Fund Balances	\$ 1,792,650	\$ -	\$ -	(763)	(347,751)	(481,840)	-	(241,826)	-	-
Total Fund Balances	\$ 2,332,108	\$ 11,991	\$ 3,357,178	\$ 502,320	\$ (347,751)	\$ (481,840)	\$ 3,390,520	\$ (241,826)	\$ 6,978,776	\$ 2,840,747

NOTE 9 PENSION PLANS

Plan Description

The City and Sauk Centre Public Utilities Commission participate in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 9 PENSION PLANS (CONTINUED)

Plan Description (Continued)

Public Employees Police and Fire Plan

Membership in the Police & Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police & Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employee Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 9 PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

General Employee Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after ten years. After five years, vesting increase by 10% each full year of service until members are 100% vested after ten years. Police and Fire Plan members receive 3 percent of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417% each month members are younger than age 55.

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

Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employee Plan Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the City and the Sauk Centre Public Utility Commission were required to contribute 7.50% for Coordinated Plan members. The City's and the Sauk Centre Public Utility Commission's contributions to the General Employees Fund for the year ended December 31, 2024, were \$72,074 and \$96,328, respectively. The City's and the Sauk Centre Public Utility Commission's contributions were equal to the required contributions as set by state statute.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 9 PENSION PLANS (CONTINUED)

Contributions (Continued)

Police and Fire Plan Contributions

Police and Fire plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2024 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2024, were \$130,998. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

General Employees Plan Pension Costs

At December 31, 2024, the City reported a liability of \$403,164 for its proportionate share of the General Employees Fund's net pension liability. The City net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$10,425. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0109% at the end of the measurement period and 0.0116% for the beginning of the period.

At December 31, 2024, the Sauk Centre Public Utilities Commission reported a liability of \$526,543 for its proportionate share of the General Employee's Plan net pension liability. The Utility's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2024. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the Utility totaled \$13,615. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utility's proportion of the net pension liability was based on the Utility's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The Utility's proportionate share was 0.0142% at the end of the measurement period and 0.0132% for the beginning of the period.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 9 PENSION PLANS (CONTINUED)

Pension Costs (Continued)

General Employees Plan Pension Costs (Continued)

City of Sauk Centre

City's Proportionate Share of the Net Pension Liability	\$ 403,164
State of Minnesota's Proportionate Share of the Net Pension Liability with the City	10,425
Total	<u>\$ 413,589</u>

Sauk Centre Public Utility Commission

Utility's Proportionate Share of the Net Pension Liability	\$ 526,543
State of Minnesota's Proportionate Share of the Net Pension Liability with the Utility	13,615
Total	<u>\$ 540,158</u>

For the year ended December 31, 2024, the City recognized pension expense of \$17,655 for its proportionate share of the General Employee Pension Plan's pension expense. The Sauk Centre Public Utility Commission recognized pension expense of \$62,188 for its proportionate share of the General Employee Pension Plan's pension expense. In addition, the City and Sauk Centre Public Utility Commission recognized an additional \$1,745 and (\$261), respectively, as pension expense (and grant revenue) for their proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City and Sauk Centre Public Utility Commission recognized \$18,549 and \$24,226, respectively, for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 9 PENSION PLANS (CONTINUED)

Pension Costs (Continued)

General Employees Plan Pension Costs (Continued)

At December 31, 2024, the proportionate share of the General Employee Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources is as follows:

<u>Description</u>	<u>City of Sauk Centre</u>		<u>Sauk Centre Public Utility Commission</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 37,908	\$ -	\$ 49,509	\$ -
Changes in Actuarial Assumptions	1,967	152,591	2,571	199,288
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	117,076	-	152,904
Changes in Proportion	-	53,395	57,478	30,204
Contributions Subsequent to the Measurement Date	35,926	-	48,646	-
Total	<u>\$ 75,801</u>	<u>\$ 323,062</u>	<u>\$ 158,204</u>	<u>\$ 382,396</u>

The \$35,926 and \$48,646 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date for the City and for the Sauk Centre Public Utility Commission, respectively, will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>City Pension Expense Amount</u>	<u>Utility Pension Expense Amount</u>
2025	\$ (151,587)	\$ (156,984)
2026	(40,392)	(27,364)
2027	(60,308)	(48,134)
2028	(30,900)	(40,356)

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 9 PENSION PLANS (CONTINUED)

Pension Costs (Continued)

Police and Fire Pension Costs

At December 31, 2024, the City reported a liability of \$700,299 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0532% percent at the end of the measurement period and 0.0502% percent for the beginning of the period.

The State of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City's totaled \$26,695.

City of Sauk Centre

City's Proportionate Share of the Net Pension Liability	\$ 700,299
State of Minnesota's Proportionate Share of the Net Pension Liability with the City	26,695
Total	\$ 726,994

For the year ended December 31, 2024, the City recognized pension expense of \$151,034 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$4,791 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund special funding situation.

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$28.4 million in fire state aid. The City also recognized \$10,495 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the Police and Fire Fund.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 9 PENSION PLANS (CONTINUED)

Pension Costs (Continued)

Police and Fire Pension Costs (Continued)

At December 31, 2024, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 272,913	\$ -
Changes in Actuarial Assumptions	769,810	1,031,208
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	227,703
Changes in Proportion	68,304	7,648
City Contributions Subsequent to the Measurement Date	62,880	-
Total	<u>\$ 1,173,907</u>	<u>\$ 1,266,559</u>

The \$62,880 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2025	\$ (24,457)
2026	194,372
2027	(89,243)
2028	(261,218)
2029	25,014

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2024 was \$175,225.

The total pension expense for all plans recognized by the Sauk Centre Public Utility for the year ended December 31, 2024 was \$61,927.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 9 PENSION PLANS (CONTINUED)

Long-Term Expected Return on Investment

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	33.5 %	5.10 %
International Stocks	16.5	5.30
Bonds (Fixed Income)	25.0	0.75
Alternative Assets (Private Markets)	25.0	5.90
Total	<u>100 %</u>	

Actuarial Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

Inflation is assumed to be 2.25 percent for the General Employees Plan and Police and Fire Plan.

Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 1% for the Police & Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 9 PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan and Correctional Plan were reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

Police and Fire Fund

Changes in Actuarial Assumptions:

- None in 2024.

Changes in Plan Provisions:

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 9 PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

<u>Description</u>	<u>1% Decrease in Discount Rate (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase in Discount Rate (8.0%)</u>
City's Proportionate Share of the General Employee Plan Net Pension Liability	\$ 880,575	\$ 403,164	\$ 10,450
Utility's Proportionate Share of the General Employee Plan Net Pension Liability	\$ 1,150,054	\$ 526,543	\$ 13,648

<u>Description</u>	<u>1% Decrease in Discount Rate (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase in Discount Rate (8.0%)</u>
City's Proportionate Share of the Police and Fire Plan Net Pension Liability	\$ 1,654,942	\$ 700,299	\$ (83,664)

Pension Plan Fiduciary Net Position

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 9 PENSION PLANS (CONTINUED)

Summary

The aggregate amount of net pension liability, net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense for the City's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employees' costs are associated.

Description	General Employees Plan	Police and Fire Plan	Fire Relief Association	Total
Net Pension Asset	\$ -	\$ -	\$ 266,463	\$ 266,463
Net Pension Liability	403,164	700,299	-	1,103,463
Deferred Outflows of Resources Related to Pensions	75,801	1,173,907	9,500	1,259,208
Deferred Inflows of Resources Related to Pensions	323,062	1,266,559	99,646	1,689,267
Pension Expense	17,655	151,034	26,695	195,384

NOTE 10 PENSION PLANS – FIRE RELIEF ASSOCIATION

Plan Description

Firefighters of the City of Sauk Centre are members of the Sauk Centre Firefighters Relief Association (the Association). The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2024, membership includes 30 active participants and one deferred member entitled to benefit but not yet receiving them. The plan issues a stand-alone financial statement.

Benefits Provided

Authority for payment of pension benefits is established in Minnesota Statutes §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 10 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of \$3,300 for each year of active Fire Department service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Pursuant to Minnesota Statutes §424A.02, Subds. 2 and 4, members who retire with 10 years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in Minnesota Statutes §424A.02, Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 10 PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Benefits Provided (Continued)

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$3,300 for each year the member was an active member of the Sauk Centre Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

Minnesota Statutes Section 424A.10 provides for the payment of a supplemental benefit equal to 10% of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if state tax law is modified to exclude lump sum distributions from state income tax. The Association qualifies for these benefits.

Contributions

Minnesota Statutes Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The association is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations). The minimum contribution from the City of Sauk Centre and state aid is determined as follows:

	Normal Cost	
+	Amortization Payment on Unfunded Accrued Liability Prior to Any Change	
+	Amortization Contribution on Unfunded Accrued Liability Attributed to Any Change	
+	Administrative Expenses	
-	Anticipated State Aid	
-	Projected Investment Earnings	
=	Total Contribution Required	

The plan is funded in part by fire state aid and, if necessary, City contributions. The state of Minnesota distributed to the City \$66,238 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2024. Required employer contributions are calculated annually based on statutory provisions. For the year ended December 31, 2024, there was no statutorily-required City contribution to the plan.

Pension Costs

At December 31, 2024, the City reported a net pension asset of \$266,463 for the Association's net pension asset. The net pension asset/liability was measured as of January 1, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 10 PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Pension Costs (Continued)

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$67,010 for the year ended December 31, 2024. At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ -	\$ 61,815
Changes in Actuarial Assumptions	-	15,458
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	22,373
City Contributions Subsequent to the Measurement Date	9,500	-
Total	<u>\$ 9,500</u>	<u>\$ 99,646</u>

The City contributions to the Association subsequent to the measurement date, \$9,500 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to the Association's pension will be recognized in pension expense as follows:

<u>Year Ending December 31.</u>	<u>Pension Expense Amount</u>
2025	\$ (29,936)
2026	(25,853)
2027	3,660
2028	(25,517)
2029	(8,237)
Thereafter	(13,763)

Actuarial Assumptions

The actuarial total pension liability was determined as of January 1, 2023, using the following actuarial assumption, applied to all period included in the measurement:

Valuation Date	1/1/23
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Actuarial Assumptions:	
Discount Rate	5.75%
Investment Rate of Return	5.75%
20-Year Municipal Bond Yield	N/A
Age of Service Retirement	50

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 10 PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the pension plan’s asset allocation as of December 31, 2024 are summarized in the following table:

Asset Class	Allocation at December 31, 2024	Long-Term Expected Real Rate of Return
Cash	33.00 %	2.00 %
Fixed Income	10.00	3.90
Equities	57.00	8.10
Total Portfolio	100.00 %	5.75 %

Discount Rate

The discount rate used to measure the total pension liability was 5.75%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Pension Liability Sensitivity

The following presents the City of Sauk Centre’s proportionate share of the net pension liability (asset) of the Association, calculated using the discount rate of 5.75%, as well as what the Association’s net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (4.75%) or one percentage point higher (6.75%) than the current rate:

	1% Decrease in Discount Rate (4.75%)	Current Discount Rate (5.75%)	1% Increase in Discount Rate (6.75%)
Net Pension Liability (Asset)	\$ (248,314)	\$ (266,463)	\$ (284,015)

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 10 PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Plan’s Fiduciary Net Position

Information about changes in the Plan’s net pension asset is as follows:

	Measurement Date
<u>Total Pension Liability</u>	December 31, 2023
Service Cost	\$ 36,965
Interest	51,251
NET CHANGE IN TOTAL PENSION LIABILITY	88,216
Total Pension Liability - Beginning of Year	854,355
TOTAL PENSION LIABILITY - END OF YEAR (a)	942,571
<u>Plan Fiduciary Net Position</u>	
Municipal Contributions	9,000
State Contributions	66,238
Projected Investment Return	59,713
Net Investment Income	81,616
Administrative Expenses	(16,816)
NET CHANGE IN FIDUCIARY NET POSITION	199,751
Fiduciary Net Position - Beginning of Year	1,009,283
FIDUCIARY NET POSITION - END OF YEAR (b)	1,209,034
ASSOCIATION'S NET PENSION LIABILITY/ (ASSET) - END OF YEAR (a) - (b)	\$ (266,463)

Detailed information about the pension plan’s fiduciary net position is available in a separately-issued financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Sauk Centre City Hall at 320 Oak Street South, Sauk Centre, Minnesota, 56378; or by calling (320) 352-2203.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 11 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 did not make any contributions to the Great River Regional Library for 2024.

NOTE 12 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 2024 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

NOTE 13 LEASES

Lessee

The City leases vehicles for various terms under long-term, noncancelable lease agreements. The leases are for a period of two to three years and expire at various terms through 2026.

Total future minimum lease payments under lease agreements are as follows:

<u>Year</u>	Governmental Activities	
	Principal	Interest
2025	\$ 36,475	\$ 292
2026	9,118	15
Total Minimum Lease Payments	\$ 45,593	\$ 307

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 13 LEASES (CONTINUED)

Lessor

The City, acting as lessor, leases a building under a long-term, noncancelable lease agreement. The lease expires in 2033. During the year ended December 31, 2024, the City recognized \$478,829 and \$138,743 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Total future minimum lease payments to be received under lease agreements are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 491,775	\$ 126,060
2026	504,121	113,044
2027	515,819	99,713
2028	532,113	86,047
2029	547,940	71,960
2029-2033	2,330,017	139,584
Total	<u>\$ 4,921,785</u>	<u>\$ 636,408</u>

NOTE 14 INTERFUND TRANSACTIONS

Interfund Advances

At December 31, 2024, advances from and to other funds were as follows:

<u>Advances To</u>	<u>Advances From Hospital Fund</u>	<u>Purpose</u>
2020 CIP Repayment Fund	\$ 522,366	Loan for Street Construction Project
Author's Repayment Fund	681,505	Loan for Construction Project
Total	<u>\$ 1,203,871</u>	

These balances are not expected to be repaid within one year.

Interfund Transfers

Interfund transfers for the year ended December 31, 2024 included the following:

<u>Transfer Out</u>	<u>Transfer In</u>						<u>Total</u>	<u>Purpose</u>
	<u>General Fund</u>	<u>Arena</u>	<u>Tax Increment Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>		
Other Governmental Funds	\$ -	\$ -	\$ 11,776	\$ 172,534	\$ 38,650	\$ -	\$ 222,960	To Cover Principal and Interest and Fund Projects
Tax Increment Financing Fund	2,500	-	-	-	99,394	227,000	328,894	To Fund Project
Capital Project Fund	-	-	-	873,534	-	-	873,534	To Fund Project
Hospital Fund	-	120,000	-	-	-	30,000	150,000	To Fund Project
Total	<u>\$ 2,500</u>	<u>\$ 120,000</u>	<u>\$ 11,776</u>	<u>\$ 1,046,068</u>	<u>\$ 138,044</u>	<u>\$ 257,000</u>	<u>\$ 1,575,388</u>	

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 14 INTERFUND TRANSACTIONS (CONTINUED)

Interfund Receivable and Payable

The composition of interfund payables and receivables as of December 31, 2024 is as follows:

Due To	Due From			Total	Purpose
	Arena Fund	Capital Projects	Other Governmental Funds		
General Fund	\$ 8,080	\$ 119,463	\$ 144,556	\$ 272,099	To Eliminate Deficit Cash Balances

NOTE 15 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.

Contingencies

The City is in the middle of settlement negotiations regarding a parcel acquisition. The City estimates that the matter will be resolved by the City paying the other party approximately \$824,000 in exchange for the release of all of their claims and transferring ownership of the property to the City. The City's portion of this settlement is anticipated to be 2.5% of the final negotiated amount. FAA Airport Entitlements and MnDoT Aeronautics have agreed to pay the remainder.

NOTE 16 TAX ABATEMENTS

The City has three pay-as-you-go tax increment financing districts with a local business to promote economic development within the City as authorized under Minnesota Statutes §469.174. The City is currently collecting tax increments that are paid through the property tax collection process. The districts stop collection in 2029, 2031, and 2033. The requirements for the businesses to receive the excess tax increments from the City are to perform improvements on the owned property, purchase property to increase tax base, and create jobs. The increment taxes are based on the increase of the property value after the improvements are made. The agreements call for 90%-95% of the property tax increments collected to be returned to the developers. For the year ended December 31, 2024, the City paid excess tax increment in the amount of \$132,354. No other commitments were made by the City as a part of these agreements.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 16 TAX ABATEMENTS (CONTINUED)

The City has a property tax abatement agreement with a developer to develop a market rate residential housing rental facility and increase the tax base as authorized under Minnesota Statutes Section 469.1812 to 469.1815. The agreement calls for the City to provide a subsidy consisting of land, administrative costs, and assessments totaling \$149,415. The goals of the subsidy are to secure development and to maintain improvements for a period of 10 years. The City will be reimbursed for the cost of the subsidy through tax collections on the real property improvements over a period of ten years, commencing August 1, 2019. Total abated taxes under this agreement in 2024 were \$21,781. No other commitments were made by the City as part of that agreement.

NOTE 17 ACCOUNTING CHANGES AND ERROR CORRECTIONS

A. Changes to or Within Financial Reporting Entity

Change in Fund Presentation from Nonmajor to Major

Local Option Sales Tax Fund previously met the criteria to be reported as a nonmajor governmental fund. However, effective January 1, 2024, the fund no longer met the criteria to be reported as a nonmajor fund and is reported as a major governmental fund for the fiscal year ended December 31, 2024. The effect of that change to or within the financial reporting entity is shown in column A of the table below.

B. Adjustments to Beginning Balances

During 2024, changes to or within the financial reporting entity resulted in adjustments to beginning fund balance, as follows:

	Balance as Previously Reported at December 31, 2023	Change to or Within the Financial Reporting Entity (A)	Balance As Adjusted January 1, 2024
Governmental Funds:			
Local Option Sales Tax	\$ -	\$ 2,649,765	\$ 2,649,765
Nonmajor Governmental Funds	5,361,800	(2,649,765)	2,712,035
Total Governmental Funds	<u>\$ 5,361,800</u>	<u>\$ -</u>	<u>\$ 5,361,800</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SAUK CENTRE, MINNESOTA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY, RELATED RATIOS,
AND NOTES
LAST TEN MEASUREMENT PERIODS**

	<u>Measurement Date</u> <u>January 1, 2024</u>	<u>Measurement Date</u> <u>January 1, 2023</u>
Total OPEB Liability		
<u>City</u>		
Service Cost	\$ 5,235	\$ 13,045
Interest	26,139	15,667
Assumption Changes	11,453	(126,561)
Plan Changes	9,892	-
Differences Between Expected and Actual Experience	(444,666)	-
Benefit Payments	<u>(25,642)</u>	<u>(22,950)</u>
Net Change in Total OPEB Liability	(417,589)	(120,799)
Total OPEB Liability - Beginning	<u>660,926</u>	<u>781,725</u>
Total OPEB Liability - Ending	<u><u>\$ 243,337</u></u>	<u><u>\$ 660,926</u></u>
 Covered Employee Payroll	 \$ 1,693,266	 \$ 1,462,145
 City's OPEB Liability as a Percentage of Covered Employee Payroll	 14%	 45%
 <u>Sauk Centre Public Utility Commission</u>		
Service Cost	\$ 5,468	\$ 4,338
Interest	4,236	2,555
Assumption Changes	4,893	(19,159)
Differences Between Expected and Actual Experience	11,368	-
Benefit Payments	<u>(10,316)</u>	<u>(11,116)</u>
Net Change in Total OPEB Liability	15,649	(23,382)
Total OPEB Liability - Beginning	<u>105,546</u>	<u>128,928</u>
Total OPEB Liability - Ending	<u><u>\$ 121,195</u></u>	<u><u>\$ 105,546</u></u>
 Covered Employee Payroll	 \$ 1,234,230	 \$ 1,031,266
 Utility's OPEB Liability as a Percentage of Covered Employee Payroll	 10%	 10%

Note 1: The above table will be expanded to 10 years of information as the information becomes available.

Note 2: No assets are accumulated in a trust.

CITY OF SAUK CENTRE, MINNESOTA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY, RELATED RATIOS,
AND NOTES (CONTINUED)
LAST TEN MEASUREMENT PERIODS

Measurement Date January 1, 2022	Measurement Date January 1, 2021	Measurement Date January 1, 2020	Measurement Date January 1, 2019	Measurement Date January 1, 2018
\$ 18,269	\$ 15,315	\$ 12,630	\$ 14,539	\$ 15,575
5,339	6,924	13,926	12,199	11,943
10,354	13,670	9,400	(12,394)	-
-	-	-	-	-
505,476	-	(153,676)	-	-
(12,751)	(8,550)	(16,746)	(14,531)	(22,882)
526,687	27,359	(134,466)	(187)	4,636
255,038	227,679	362,145	362,332	357,696
<u>\$ 781,725</u>	<u>\$ 255,038</u>	<u>\$ 227,679</u>	<u>\$ 362,145</u>	<u>\$ 362,332</u>
\$ 1,419,558	\$ 1,288,739	\$ 1,251,203	\$ 1,224,351	\$ 1,188,690
55%	20%	18%	30%	30%
\$ 6,360	\$ 6,401	\$ 5,210	\$ 4,533	\$ 4,911
2,783	4,412	6,373	6,885	8,177
(7,176)	7,691	3,422	(4,654)	-
4,770	-	12,784	-	-
(21,118)	(41,557)	(47,400)	(49,384)	(54,307)
(14,381)	(23,053)	(19,611)	(42,620)	(41,219)
143,309	166,362	185,973	228,593	269,812
<u>\$ 128,928</u>	<u>\$ 143,309</u>	<u>\$ 166,362</u>	<u>\$ 185,973</u>	<u>\$ 228,593</u>
\$ 1,001,229	\$ 965,837	\$ 937,706	\$ 921,747	\$ 894,900
13%	15%	18%	20%	26%

See accompanying Notes to Required Supplementary Information.

CITY OF SAUK CENTRE, MINNESOTA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN MEASUREMENT PERIODS

	Measurement Date - June 30,		
	2024	2023	2022
City - General Employee Plan			
City's Proportion of the Net Pension Liability	0.0109%	0.0116%	0.0121%
City's Proportionate Share of the Net Pension Liability	\$ 403,164	\$ 648,659	\$ 958,324
State's Proportionate Share of the Net Pension Liability Associated with the City	10,425	18,002	28,197
Total Proportionate Share of the Net Pension Liability Associated with the City	\$ 413,589	\$ 666,661	\$ 986,521
City's Covered Payroll	\$ 922,983	\$ 924,809	\$ 909,899
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	44.81%	72.09%	108.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.08%	83.10%	87.00%
Sauk Centre Public Utilities Commission - General Employee Plan			
Utility's Proportion of the Net Pension Liability	0.0142%	0.0132%	0.0142%
Utility's Proportionate Share of the Net Pension Liability	\$ 526,543	\$ 738,129	\$ 1,124,645
State's Proportionate Share of the Net Pension Liability Associated with the Utility	13,615	20,402	32,934
Total Proportionate Share of the Net Pension Liability Associated with the Utility	\$ 540,158	\$ 758,531	\$ 1,157,579
Utility's Covered Payroll	\$ 1,225,745	\$ 1,071,032	\$ 1,060,661
Utility's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	42.96%	70.82%	109.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.08%	83.10%	76.70%
Police and Fire Plan			
City's Proportion of the Net Pension Liability	0.0532%	0.0502%	0.0494%
City's Proportionate Share of the Net Pension Liability	\$ 700,299	\$ 866,889	\$ 2,149,693
State's Proportionate Share of the Net Pension Liability Associated with the City	26,695	34,904	93,987
Total Proportionate Share of the Net Pension Liability Associated with the City	\$ 726,994	\$ 901,793	\$ 2,243,680
City's Covered Payroll	\$ 737,096	\$ 659,484	\$ 600,327
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	95.01%	131.45%	358.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.17%	86.47%	93.70%
Fire Relief Association			
Measurement Date - December 31,			
	2023	2022	2021
City's Proportion of the Net Pension Liability (Asset)	100%	100%	100%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 266,463	\$ 154,928	\$ (286,693)
City's Covered Payroll	N/A	N/A	N/A
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	N/A	N/A	N/A

CITY OF SAUK CENTRE, MINNESOTA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)
LAST TEN MEASUREMENT PERIODS

Measurement Date - June 30,						
2021	2020	2019	2018	2017	2016	2015
0.0125%	0.0119%	0.0119%	0.0128%	0.0128%	0.0129%	0.0135%
\$ 533,806	\$ 725,450	\$ 657,924	\$ 710,092	\$ 827,107	\$ 1,047,416	\$ 448,486
16,324	22,419	20,332	23,257	10,306	13,713	-
\$ 550,130	\$ 747,869	\$ 678,256	\$ 733,349	\$ 837,413	\$ 1,061,129	\$ 448,486
\$ 900,043	\$ 857,312	\$ 840,176	\$ 858,708	\$ 811,693	\$ 795,985	\$ 795,189
61.12%	87.23%	80.73%	85.40%	103.17%	133.31%	56.40%
87.00%	79.10%	80.20%	79.50%	75.90%	68.91%	78.20%
0.0136%	0.0132%	0.0120%	0.0137%	0.0135%	0.0138%	0.0144%
\$ 580,780	\$ 791,400	\$ 663,453	\$ 737,829	\$ 861,831	\$ 1,120,492	\$ 746,283
17,716	24,391	20,499	24,138	10,875	14,655	-
\$ 598,496	\$ 815,791	\$ 683,952	\$ 761,967	\$ 872,706	\$ 1,135,147	\$ 746,283
\$ 980,913	\$ 941,134	\$ 908,919	\$ 889,219	\$ 872,681	\$ 858,049	\$ 864,745
61.01%	86.68%	75.25%	85.69%	100.00%	132.29%	86.30%
87.00%	79.10%	80.20%	79.50%	75.90%	68.91%	78.20%
0.0471%	0.0475%	0.0494%	0.0420%	0.0420%	0.0420%	0.0430%
\$ 363,562	\$ 626,101	\$ 525,913	\$ 1,012,410	\$ 567,050	\$ 1,685,533	\$ 153,554
16,339	14,774	-	-	-	-	-
\$ 379,901	\$ 640,875	\$ 525,913	\$ 1,012,410	\$ 567,050	\$ 1,685,533	\$ 153,554
\$ 556,897	\$ 536,491	\$ 520,838	\$ 466,471	\$ 432,708	\$ 407,160	\$ 392,976
65.28%	116.70%	100.97%	217.04%	131.05%	413.97%	39.07%
93.70%	87.19%	89.30%	88.80%	85.43%	63.88%	86.60%

Measurement Date - December 31,						
2020	2019	2018	2017	2016	2015	2014
100%	100%	100%	100%	100%	100%	100%
\$ (233,794)	\$ (183,153)	\$ (102,712)	\$ (155,629)	\$ (114,076)	\$ (20,809)	\$ (18,815)
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A

**CITY OF SAUK CENTRE, MINNESOTA
SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN YEARS**

	2024	2023	2022
City - General Employee Plan			
Statutorily Required Contribution	\$ 72,074	\$ 67,337	\$ 66,411
Contributions in Relation to the Statutorily Required Contribution	(72,074)	(67,337)	(66,411)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 960,987	\$ 897,827	\$ 885,480
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%
Sauk Centre Public Utilities Commission - General Employee Plan			
Statutorily Required Contribution	\$ 96,328	\$ 82,057	\$ 77,557
Contributions in Relation to the Statutorily Required Contribution	(96,328)	(82,057)	(77,557)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's Covered Payroll	\$ 1,284,375	\$ 1,094,093	\$ 1,034,091
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%
Police and Fire Plan			
Statutorily Required Contribution	\$ 130,998	\$ 120,736	\$ 108,517
Contributions in Relation to the Statutorily Required Contribution	(130,998)	(120,736)	(108,517)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 740,102	\$ 682,124	\$ 613,090
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	17.70%
Fire Relief Association			
Statutorily Required Contribution	\$ -	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contribution	9,500	9,000	10,500
Contribution Deficiency (Excess)	<u>\$ (9,500)</u>	<u>\$ (9,000)</u>	<u>\$ (10,500)</u>
City's Covered Payroll	N/A	N/A	N/A
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A

See accompanying Notes to Required Supplementary Information.

**CITY OF SAUK CENTRE, MINNESOTA
SCHEDULE OF PENSION CONTRIBUTIONS (CONTINUED)
LAST TEN YEARS**

2021	2020	2019	2018	2017	2016	2015
\$ 71,034	\$ 66,806	\$ 66,169	\$ 62,788	\$ 63,267	\$ 60,877	\$ 60,515
<u>(71,034)</u>	<u>(66,806)</u>	<u>(66,169)</u>	<u>(62,788)</u>	<u>(63,267)</u>	<u>(60,877)</u>	<u>(60,515)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 947,119	\$ 890,747	\$ 882,253	\$ 837,173	\$ 843,560	\$ 811,693	\$ 806,867
7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
\$ 75,262	\$ 74,445	\$ 68,169	\$ 64,435	\$ 66,691	\$ 64,123	\$ 64,855
<u>(75,262)</u>	<u>(74,445)</u>	<u>(68,169)</u>	<u>(64,435)</u>	<u>(66,691)</u>	<u>(64,123)</u>	<u>(64,855)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,003,499	\$ 992,596	\$ 908,919	\$ 859,144	\$ 889,219	\$ 854,983	\$ 864,733
7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
\$ 106,163	\$ 99,778	\$ 89,741	\$ 81,741	\$ 71,436	\$ 67,974	\$ 64,949
<u>(106,163)</u>	<u>(99,778)</u>	<u>(89,741)</u>	<u>(81,741)</u>	<u>(71,436)</u>	<u>(67,974)</u>	<u>(64,949)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 599,793	\$ 563,718	\$ 553,957	\$ 504,574	\$ 440,963	\$ 419,593	\$ 400,920
17.70%	17.70%	16.20%	16.20%	16.20%	16.20%	16.20%
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>8,000</u>	<u>10,500</u>	<u>7,000</u>	<u>7,500</u>	<u>6,000</u>	<u>5,000</u>	<u>4,500</u>
<u>\$ (8,000)</u>	<u>\$ (10,500)</u>	<u>\$ (7,000)</u>	<u>\$ (7,500)</u>	<u>\$ (6,000)</u>	<u>\$ (5,000)</u>	<u>\$ (4,500)</u>
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A

See accompanying Notes to Required Supplementary Information.

**CITY OF SAUK CENTRE, MINNESOTA
FIRE RELIEF ASSOCIATION
SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS
LAST TEN MEASUREMENT PERIODS**

	December 31, 2023 Measurement Date	December 31, 2022 Measurement Date	December 31, 2021 Measurement Date	December 31, 2020 Measurement Date
Total Pension Liability				
Service Cost	\$ 36,965	\$ 34,336	\$ 30,215	\$ 27,130
Interest	51,251	41,363	36,420	36,015
Differences Between Expected and Actual Experience	-	-	-	-
Changes of Assumptions	-	(9,714)	-	-
Changes of Benefit Terms	-	-	-	-
Net Investment Loss	-	(40,177)	-	(26,915)
Benefit Payments, Including Member Contribution Refunds	-	-	(126,392)	-
Plan Changes	-	75,015	86,592	31,596
Net Change in Total Pension Liability	<u>88,216</u>	<u>100,823</u>	<u>26,835</u>	<u>67,826</u>
Total Pension Liability - Beginning	<u>854,355</u>	<u>753,532</u>	<u>726,697</u>	<u>658,871</u>
Total Pension Liability - Ending (a)	<u>942,571</u>	<u>854,355</u>	<u>753,532</u>	<u>726,697</u>
Plan Fiduciary Net Position				
Municipal Contributions	9,000	8,500	8,000	7,500
State Contributions	66,238	60,535	58,907	55,062
Projected Investment Return	59,713	56,156	48,582	45,584
Net Investment Income	81,616	(145,910)	101,375	20,393
Benefit Payments	-	-	(126,392)	-
Administrative Expenses	(16,816)	(10,223)	(10,738)	(10,072)
Net Change in Fiduciary Net Position	<u>199,751</u>	<u>(30,942)</u>	<u>79,734</u>	<u>118,467</u>
Fiduciary Net Position - Beginning	<u>1,009,283</u>	<u>1,040,225</u>	<u>960,491</u>	<u>842,024</u>
Fiduciary Net Position - Ending (b)	<u>1,209,034</u>	<u>1,009,283</u>	<u>1,040,225</u>	<u>960,491</u>
Association's Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ (266,463)</u>	<u>\$ (154,928)</u>	<u>\$ (286,693)</u>	<u>\$ (233,794)</u>
Fiduciary Net Position as a Percentage of the Total Pension Liability	128.27%	118.13%	138.05%	132.17%
Covered Payroll	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

See accompanying Notes to Required Supplementary Information.

**CITY OF SAUK CENTRE, MINNESOTA
FIRE RELIEF ASSOCIATION
SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS (CONTINUED)
LAST TEN MEASUREMENT PERIODS**

December 31, 2019 Measurement Date	December 31, 2018 Measurement Date	December 31, 2017 Measurement Date	December 31, 2016 Measurement Date	December 31, 2015 Measurement Date	December 31, 2014 Measurement Date
\$ 25,265	\$ 27,436	\$ 25,429	\$ 18,613	\$ 19,203	\$ 18,735
34,918	34,595	30,866	34,556	34,168	40,479
-	(9,609)	-	(52,906)	-	-
-	-	-	(39,528)	-	-
-	-	-	40,988	-	-
-	-	-	-	-	-
(152,608)	-	(42,008)	(1,183)	(129,292)	(126,539)
35,158	32,202	33,730	-	-	-
(57,267)	84,624	48,017	540	(75,921)	(67,325)
716,138	631,514	583,497	582,957	658,878	726,203
658,871	716,138	631,514	583,497	582,957	658,878
7,000	6,500	6,000	5,500	4,500	4,500
54,764	50,633	50,631	50,596	53,333	48,845
40,416	42,642	36,798	-	-	-
80,781	(61,112)	46,094	45,332	2,528	48,859
(152,608)	-	(42,008)	(1,183)	(129,292)	(126,539)
(7,179)	(6,956)	(7,945)	(6,438)	(4,996)	(5,029)
23,174	31,707	89,570	93,807	(73,927)	(29,364)
818,850	787,143	697,573	603,766	677,693	707,057
842,024	818,850	787,143	697,573	603,766	677,693
<u>\$ (183,153)</u>	<u>\$ (102,712)</u>	<u>\$ (155,629)</u>	<u>\$ (114,076)</u>	<u>\$ (20,809)</u>	<u>\$ (18,815)</u>
127.80%	114.34%	124.64%	119.55%	103.57%	102.86%
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

See accompanying Notes to Required Supplementary Information.
(66)

**CITY OF SAUK CENTRE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2024**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
REVENUES			
Taxes	\$ 1,802,128	\$ 1,814,733	\$ 12,605
Special Assessments	23,500	20,545	(2,955)
Other Taxes	70,000	66,728	(3,272)
Licenses and Permits	510,700	421,187	(89,513)
Intergovernmental Revenues	1,729,396	1,722,400	(6,996)
Charges for Services	253,800	280,671	26,871
Fines and Forfeits	41,800	63,885	22,085
Other Revenues	50,150	207,707	157,557
Total Revenues	4,481,474	4,597,856	116,382
EXPENDITURES			
General Government	1,255,939	1,074,366	(181,573)
Public Safety	1,604,954	1,705,002	100,048
Public Works	993,657	869,134	(124,523)
Culture and Recreation	600,814	547,796	(53,018)
Debt Service	20,000	30,617	10,617
Total Expenditures	4,475,364	4,226,915	(248,449)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	6,110	370,941	364,831
OTHER FINANCING SOURCES (USES)			
Transfers In	250,000	2,500	(247,500)
Transfers Out	(250,000)	-	250,000
Sale of Assets	-	3,800	3,800
Lease Proceeds	-	72,950	72,950
Total Other Financing Sources (Uses)	-	79,250	79,250
NET CHANGE IN FUND BALANCE			
	\$ 6,110	450,191	\$ 444,081
Fund Balance - Beginning of Year		1,881,917	
FUND BALANCE - END OF YEAR		\$ 2,332,108	

**CITY OF SAUK CENTRE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ARENA FUND
YEAR ENDED DECEMBER 31, 2024**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
REVENUES			
Taxes	\$ 35,000	\$ 35,065	\$ 65
Charges for Services	81,000	93,617	12,617
Other Revenues	-	(2,200)	(2,200)
Total Revenues	116,000	126,482	10,482
EXPENDITURES			
Culture and Recreation	134,970	131,919	(3,051)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(18,970)	(5,437)	13,533
OTHER FINANCING SOURCES			
Transfer In	-	120,000	120,000
NET CHANGE IN FUND BALANCE	\$ (18,970)	114,563	\$ 133,533
Fund Balance (Deficit) - Beginning of Year		(102,572)	
FUND BALANCE - END OF YEAR		\$ 11,991	

**CITY OF SAUK CENTRE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
HOSPITAL FUND
YEAR ENDED DECEMBER 31, 2024**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
REVENUES			
Charges for Services	\$ 300,000	\$ 300,000	\$ -
Other Revenues	415,000	533,578	118,578
Total Revenues	715,000	833,578	118,578
EXPENDITURES			
Public Safety	282,495	122,212	(160,283)
EXCESS OF REVENUES OVER EXPENDITURES	432,505	711,366	278,861
OTHER FINANCING USES			
Transfer Out	-	(150,000)	(150,000)
NET CHANGE IN FUND BALANCE	\$ 432,505	561,366	\$ 128,861
Fund Balance - Beginning of Year		2,795,812	
FUND BALANCE - END OF YEAR		\$ 3,357,178	

**CITY OF SAUK CENTRE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
TAX INCREMENT FINANCING FUND
YEAR ENDED DECEMBER 31, 2024**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variances with Budget Over (Under)</u>
REVENUES			
Tax Increments	\$ 206,000	\$ 209,314	\$ 3,314
Other Revenues	3,100	10,589	7,489
Total Revenues	<u>209,100</u>	<u>219,903</u>	<u>10,803</u>
 EXPENDITURES			
Economic Development	<u>133,520</u>	<u>295,256</u>	<u>161,736</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	75,580	(75,353)	(150,933)
 OTHER FINANCING USES			
Transfers In	-	11,776	11,776
Transfers Out	<u>(252,500)</u>	<u>(328,894)</u>	<u>(76,394)</u>
Total Other Financing Sources (Uses)	<u>(252,500)</u>	<u>(317,118)</u>	<u>(64,618)</u>
 NET CHANGE IN FUND BALANCE	<u>\$ (176,920)</u>	(392,471)	<u>\$ (215,551)</u>
 Fund Balance - Beginning of Year		<u>894,791</u>	
 FUND BALANCE - END OF YEAR		<u>\$ 502,320</u>	

**CITY OF SAUK CENTRE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
2020 CIP REPAYMENT FUND
YEAR ENDED DECEMBER 31, 2024**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
REVENUES			
Taxes	\$ 26,500	\$ 26,728	\$ 228
Special Assessments	37,000	51,279	14,279
Other Revenues	1,500	3,149	1,649
Total Revenues	65,000	81,156	16,156
 EXPENDITURES			
Debt Service	11,875	11,860	(15)
Total Expenditures	11,875	11,860	(15)
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	53,125	69,296	16,171
 NET CHANGE IN FUND BALANCE	\$ 53,125	69,296	\$ 16,171
 Fund Balance (Deficit) - Beginning of Year		(417,047)	
 FUND BALANCE (DEFICIT) - END OF YEAR		\$ (347,751)	

**CITY OF SAUK CENTRE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
AUTHOR'S ADDITION REPAYMENT FUND
YEAR ENDED DECEMBER 31, 2024**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
REVENUES			
Taxes	\$ 37,000	\$ 36,810	\$ (190)
Special Assessments	81,500	189,409	107,909
Other Revenues	-	1,623	1,623
Total Revenues	118,500	227,842	109,342
 EXPENDITURES			
Debt Service	15,000	15,000	-
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	103,500	212,842	109,342
 NET CHANGE IN FUND BALANCE	\$ 103,500	212,842	\$ 109,342
 Fund Balance (Deficit) - Beginning of Year		(694,682)	
 FUND BALANCE (DEFICIT) - END OF YEAR		\$ (481,840)	

**CITY OF SAUK CENTRE, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 LOCAL OPTION SALES TAX FUND
 YEAR ENDED DECEMBER 31, 2024**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
REVENUES			
Taxes	\$ 750,000	\$ 666,155	\$ (83,845)
Other Revenues	15,000	74,600	59,600
Total Revenues	765,000	740,755	(24,245)
 NET CHANGE IN FUND BALANCE	 \$ 765,000	 740,755	 \$ (24,245)
 Fund Balance - Beginning of Year		 2,649,765	
 FUND BALANCE - END OF YEAR		 \$ 3,390,520	

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

NOTE 1 LEGAL COMPLIANCE – BUDGETS

The General, Arena, Hospital, Tax Increment Financing, 2020 CIP Repayment, Author’s Addition Repayment, and Local Option Sales Tax fund budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Expenditures exceeded the appropriations during the year ended December 31, 2024 in the following funds:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Expenditures Over Appropriations</u>
Tax Increment Fund	\$ 295,256	\$ 133,520	\$ 161,736

The above overages were offset with revenues in excess of budget, or available fund balance. 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 DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

General Employees Fund

2024 Changes

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers’ compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

NOTE 2 DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

General Employees Fund (Continued)

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

NOTE 2 DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

General Employees Fund (Continued)

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

NOTE 2 DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

General Employees Fund (Continued)

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

NOTE 2 DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

General Employees Fund (Continued)

2017 Changes (Continued)

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

Police and Fire Fund

2024 Changes

Changes in Actuarial Assumptions:

- There were no changes in Actuarial Assumptions since the previous valuation.

Changes in Plan Provisions:

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

NOTE 2 DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

Police and Fire Fund (Continued)

2023 Changes

Changes in Actuarial Assumptions

- The single investment return assumption changed from 6.50% to 7.00%.
- The single discount rate changed from 5.4% to 7.00%.

Changes in Plan Provisions

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

NOTE 2 DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

Police and Fire Fund (Continued)

2021 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

NOTE 2 DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

Police and Fire Fund (Continued)

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

NOTE 3 OTHER POSTEMPLOYMENT BENEFITS

2024

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The inflation rate was changed from 2.00% to 2.50%.
- The discount rate was changed from 4.00% to 3.70%.

2023

Since the most recent OPEB valuation the discount rate was changed from 2.00% to 4.00%.

2022

Since the most recent OPEB valuation, there have been no plan changes.

Since the most recent OPEB valuation, the following assumption changes have been made:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.
- The salary increase rates were updated to reflect the latest experience study.
- The retirement and withdrawal rates were updated to reflect the latest experience study.
- The discount rate was changed from 2.50% to 2.00%.

2021

Since the most recent OPEB valuation, there have been no plan changes.

Since the most recent OPEB valuation, the following assumption changes have been made:

- The discount rate was changed from 2.90% to 2.0%.

2020

Since the most recent OPEB valuation, there have been no plan changes.

Since the most recent OPEB valuation, the following assumption changes have been made:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2021 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2023 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and employee classification.
- The discount rate was changed from 3.80% to 2.90%.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

NOTE 3 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

2019

Since the most recent OPEB valuation, the following plan changes have been made:

- Nonunion employees must now stay on the City's medical plan postemployment in order to receive a GASB 75 subsidy. Therefore, it was assumed more employees will stay on the City's medical plan.

Since the most recent OPEB valuation, the following assumption changes have been made:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2018 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2018 White Collar Mortality Tables with MP-2021 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).
- The discount rate was changed from 3.3% to 3.80%.
- The withdrawal and retirement tables for all employees were updated.
- The percentage of future retirees and spouses of retirees eligible for a subsidy who are assumed to continue on one of the City's medical plans postemployment was decreased from 100% to 90%.

SUPPLEMENTARY INFORMATION

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024**

	General	Arena	Hospital	TIF	2020 CIP Repayment	Author's Addition Repayment	Local Option Sales Tax	Capital Projects	Debt Service	Non-major Governmental Funds	Total Governmental Funds
REVENUES											
Taxes:											
Property Taxes	\$ 1,814,733	\$ 35,065	\$ -	\$ -	\$ 26,728	\$ 36,810	\$ -	\$ -	\$ 529,552	\$ 90,683	\$ 2,533,571
Tax Increments	-	-	-	209,314	-	-	-	-	-	-	209,314
City Sales Tax	-	-	-	-	-	-	666,155	-	-	-	666,155
Other Taxes	66,728	-	-	-	-	-	-	-	-	-	66,728
Total Taxes	1,881,461	35,065	-	209,314	26,728	36,810	666,155	-	529,552	90,683	3,475,768
Special Assessments	20,545	-	-	-	51,279	189,409	-	-	272,394	-	533,627
Licenses and Permits:											
Licenses:											
Beer, Liquor and Cigarettes	19,900	-	-	-	-	-	-	-	-	-	19,900
Electricity Franchise Fee	164,607	-	-	-	-	-	-	-	-	-	164,607
Cable Franchise Fee	49,104	-	-	-	-	-	-	-	-	-	49,104
Gas Franchise Fee	71,624	-	-	-	-	-	-	-	-	-	71,624
Other	25,960	-	-	-	-	-	-	-	-	-	25,960
Building Permits	89,992	-	-	-	-	-	-	-	-	-	89,992
Total Licenses and Permits	421,187	-	-	-	-	-	-	-	-	-	421,187
Intergovernmental Revenues:											
Federal Grants	29,052	-	-	-	-	-	-	-	-	-	29,052
State Aids:											
Local Governmental Aid	1,432,612	-	-	-	-	-	-	-	-	-	1,432,612
Fire State Aid	76,551	-	-	-	-	-	-	-	-	-	76,551
Police State Aid	115,273	-	-	-	-	-	-	-	-	-	115,273
Other Grants	68,912	-	-	-	-	-	-	249,501	-	187,614	506,027
Total Intergovernmental Revenues	1,722,400	-	-	-	-	-	-	249,501	-	187,614	2,159,515
Charges for Services:											
Fire Contracts	-	-	-	-	-	-	-	-	-	211,018	211,018
Ambulance Service	-	-	-	-	-	-	-	-	-	635,253	635,253
Arena Rentals and Charges	-	93,617	-	-	-	-	-	-	-	-	93,617
Planning and Zoning Charges	5,703	-	-	-	-	-	-	-	-	-	5,703
Storm Water Utility Charges	-	-	-	-	-	-	-	-	-	183,490	183,490
County Highway Maintenance	13,886	-	-	-	-	-	-	-	-	-	13,886
Campground Charges	258,052	-	-	-	-	-	-	-	-	-	258,052
Rent	3,030	-	300,000	-	-	-	-	-	-	106,997	410,027
Total Charges for Services	280,671	93,617	300,000	-	-	-	-	-	-	1,136,758	1,811,046
Fines and Forfeits	63,885	-	-	-	-	-	-	-	-	4,702	68,587
Other Revenues:											
Interest Income (Loss)	128,208	(2,200)	533,578	10,589	3,149	1,623	74,600	17,272	234,987	57,359	1,059,165
Donations/Contributions	6,700	-	-	-	-	-	-	-	-	66,542	73,242
Refunds and Reimbursements	46,856	-	-	-	-	-	-	-	-	9,795	56,651
Other	25,943	-	-	-	-	-	-	-	596,477	2,982	625,402
Total Other Revenues	207,707	(2,200)	533,578	10,589	3,149	1,623	74,600	17,272	831,464	136,678	1,814,460
Total Revenues	4,597,856	126,482	833,578	219,903	81,156	227,842	740,755	266,773	1,633,410	1,556,435	10,284,190

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

	General	Arena	Hospital	TIF	2020 CIP Repayment	Author's Addition Repayment	Local Option Sales Tax	Capital Projects	Debt Service	Non-major Governmental Funds	Total Governmental Funds
EXPENDITURES											
General Government:											
Mayor and Council	\$ 88,390	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,390
Administration	492,292	-	-	-	-	-	-	-	-	-	492,292
Assessor	23,701	-	-	-	-	-	-	-	-	-	23,701
Finance	48,731	-	-	-	-	-	-	-	-	-	48,731
Legal	37,868	-	-	-	-	-	-	-	-	-	37,868
Planning and Zoning	203,116	-	-	-	-	-	-	-	-	-	203,116
Buildings and Property	84,189	-	-	-	-	-	-	-	-	-	84,189
Other General Government	76,546	-	-	-	-	-	-	-	-	31,623	108,169
Capital Outlay	19,533	-	-	-	-	-	-	-	-	-	19,533
Total General Government	1,074,366	-	-	-	-	-	-	-	-	31,623	1,105,989
Public Safety:											
Police	1,380,806	-	-	-	-	-	-	-	-	4,953	1,385,759
Fire Department	186,282	-	-	-	-	-	-	-	-	205,094	391,376
Ambulance	3,663	-	122,212	-	-	-	-	-	-	489,520	615,395
Animal Control	77	-	-	-	-	-	-	-	-	-	77
Capital Outlay	134,174	-	-	-	-	-	-	-	-	128,586	262,760
Total Public Safety	1,705,002	-	122,212	-	-	-	-	-	-	828,153	2,655,367
Public Works:											
Highways, Streets and Alleys	538,809	-	-	-	-	-	-	-	-	70,625	609,434
Sidewalk and Curb	947	-	-	-	-	-	-	-	-	-	947
Snow and Ice Control	8,509	-	-	-	-	-	-	-	-	-	8,509
Street Lighting	33,887	-	-	-	-	-	-	-	-	-	33,887
Other	22,163	-	-	-	-	-	-	-	-	-	22,163
Capital Outlay	264,819	-	-	-	-	-	370,250	-	-	324,367	959,436
Total Public Works	869,134	-	-	-	-	-	370,250	-	-	394,992	1,634,376
Culture and Recreation:											
Arena Activities	-	131,919	-	-	-	-	-	-	-	-	131,919
Parks	391,467	-	-	-	-	-	-	-	-	-	391,467
Campground	79,428	-	-	-	-	-	-	-	-	-	79,428
Other	4,557	-	-	-	-	-	-	-	-	49,376	53,933
Capital Outlay	72,344	-	-	-	-	-	-	-	-	-	72,344
Total Culture and Recreation	547,796	131,919	-	-	-	-	-	-	-	49,376	729,091
Economic Development:											
Other	-	-	-	295,256	-	-	-	-	-	48,662	343,918
Capital Outlay	-	-	-	-	-	-	-	-	-	146	146
Total Economic Development	-	-	-	295,256	-	-	-	-	-	48,808	344,064
Airport:											
Other	-	-	-	-	-	-	-	-	-	79,967	79,967
Capital Outlay	-	-	-	-	-	-	-	-	-	28,844	28,844
Total Airport	-	-	-	-	-	-	-	-	-	108,811	108,811
Debt Service:											
Principal	28,687	-	-	-	-	-	-	-	1,820,000	-	1,848,687
Interest and Fiscal Charges	1,930	-	-	-	11,860	15,000	-	-	485,558	-	514,348
Total Debt Service	30,617	-	-	-	11,860	15,000	-	-	2,305,558	-	2,363,035
Total Expenditures	4,226,915	131,919	122,212	295,256	11,860	15,000	-	370,250	2,305,558	1,461,763	8,940,733

**CITY OF SAUK CENTRE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2024**

	General	Arena	Hospital	TIF	2020 CIP Repayment	Author's Addition Repayment	Local Option Sales Tax	Capital Projects	Debt Service	Non-major Governmental Funds	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 370,941	\$ (5,437)	\$ 711,366	\$ (75,353)	\$ 69,296	\$ 212,842	\$ 740,755	\$ (103,477)	\$ (672,148)	\$ 94,672	\$ 1,343,457
OTHER FINANCING SOURCES (USES)											
Transfer In	2,500	120,000	-	11,776	-	-	-	138,044	1,046,068	257,000	1,575,388
Transfer Out	-	-	(150,000)	(328,894)	-	-	-	(873,534)	-	(222,960)	(1,575,388)
Lease Proceeds	72,950	-	-	-	-	-	-	-	-	-	72,950
Sale of Assets	3,800	-	-	-	-	-	-	-	-	-	3,800
Total Other Financing Sources (Uses)	79,250	120,000	(150,000)	(317,118)	-	-	-	(735,490)	1,046,068	34,040	76,750
NET CHANGE IN FUND BALANCES	450,191	114,563	561,366	(392,471)	69,296	212,842	740,755	(838,967)	373,920	128,712	1,420,207
Fund Balances - Beginning, as Originally Reported	1,881,917	(102,572)	2,795,812	894,791	(417,047)	(694,682)	-	597,141	6,604,856	5,361,800	16,922,016
Adjustment	-	-	-	-	-	-	2,649,765	-	-	(2,649,765)	-
Fund Balance - as Adjusted	1,881,917	(102,572)	2,795,812	894,791	(417,047)	(694,682)	2,649,765	597,141	6,604,856	2,712,035	16,922,016
FUND BALANCES - END OF YEAR	\$ 2,332,108	\$ 11,991	\$ 3,357,178	\$ 502,320	\$ (347,751)	\$ (481,840)	\$ 3,390,520	\$ (241,826)	\$ 6,978,776	\$ 2,840,747	\$ 18,342,223

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	202	211	224	225	230	240	226
	Small Cities	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance	Sauk Centre Economic Development Authority
ASSETS							
Cash and Investments	\$ 102,945	\$ 13,036	\$ 252,467	\$ 72,020	\$ 373,934	\$ 775,331	\$ 105,422
Special Assessments Receivable	-	-	-	-	-	-	-
Accounts Receivable, Net	-	-	-	5,102	-	224,350	-
Loans Receivable	282,431	-	-	-	-	-	-
Interest Receivable	462	58	1,132	323	526	3,478	473
Due from Other Governments	-	362	-	-	14,363	-	302
Land Held for Resale	-	-	-	-	-	-	-
Due from Component Unit	-	-	-	-	-	-	-
Total Assets	\$ 385,838	\$ 13,456	\$ 253,599	\$ 77,445	\$ 388,823	\$ 1,003,159	\$ 106,197
LIABILITIES							
Salaries/Benefits Payable	\$ -	\$ 129	\$ -	\$ 256	\$ 18	\$ 27,152	\$ -
Accounts and Contracts Payable	-	2,037	184	15,551	633	16,026	231
Due to Other Funds	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	5,760	-	-
Total Liabilities	-	2,166	184	15,807	6,411	43,178	231
DEFERRED INFLOWS OF RESOURCES							
Unavailable Loans Receivable	282,431	-	-	-	-	-	-
Unavailable Special Assessments	-	-	-	-	-	-	-
Total Inflows of Resources	282,431	-	-	-	-	-	-
FUND BALANCES							
Restricted	-	-	-	11,868	-	-	-
Committed	-	11,290	-	49,770	35,215	34,793	-
Assigned	103,407	-	253,415	-	347,197	925,188	105,966
Total Fund Balances	103,407	11,290	253,415	61,638	382,412	959,981	105,966
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 385,838	\$ 13,456	\$ 253,599	\$ 77,445	\$ 388,823	\$ 1,003,159	\$ 106,197

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2024**

227	223	228	260	214	280		Total
Economic Development Revolving Loan	EDA Projects	Park Dedication	Senior Center	Police Forfeiture	Storm Water Utility	Internal Eliminations	Nonmajor Special Revenue
\$ 340,591	\$ -	\$ 2,007	\$ 21,227	\$ 58,476	\$ 212,097	\$ -	\$ 2,329,553
-	5,409	-	-	-	-	-	5,409
-	-	-	-	-	-	-	229,452
-	-	-	-	-	-	-	282,431
1,538	-	9	95	262	951	-	9,307
-	-	-	421	-	-	-	15,448
-	427,000	-	-	-	-	-	427,000
-	-	-	-	-	45,630	-	45,630
<u>\$ 342,129</u>	<u>\$ 432,409</u>	<u>\$ 2,016</u>	<u>\$ 21,743</u>	<u>\$ 58,738</u>	<u>\$ 258,678</u>	<u>\$ -</u>	<u>\$ 3,344,230</u>
\$ -	\$ -	\$ -	\$ 54	\$ -	\$ -	\$ -	\$ 27,609
-	648	-	1,501	-	907	-	37,718
-	144,556	-	-	-	-	-	144,556
-	-	-	-	-	-	-	5,760
-	145,204	-	1,555	-	907	-	215,643
-	-	-	-	-	-	-	282,431
-	5,409	-	-	-	-	-	5,409
-	5,409	-	-	-	-	-	287,840
342,129	-	2,016	-	58,738	-	-	414,751
-	-	-	-	-	257,771	-	388,839
-	281,796	-	20,188	-	-	-	2,037,157
<u>342,129</u>	<u>281,796</u>	<u>2,016</u>	<u>20,188</u>	<u>58,738</u>	<u>257,771</u>	<u>-</u>	<u>2,840,747</u>
<u>\$ 342,129</u>	<u>\$ 432,409</u>	<u>\$ 2,016</u>	<u>\$ 21,743</u>	<u>\$ 58,738</u>	<u>\$ 258,678</u>	<u>\$ -</u>	<u>\$ 3,344,230</u>

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024**

	202	211	224	225	230	240	226
	Small Cities	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance	Sauk Centre Economic Development Authority
REVENUES							
Taxes							
Property Taxes	\$ -	\$ 30,156	\$ -	\$ -	\$ 233	\$ -	\$ 25,159
Total Taxes	-	30,156	-	-	233	-	25,159
Intergovernmental Revenues							
State Aids:							
Other Grants	-	-	-	-	43,010	144,604	-
Total Intergovernmental Revenues	-	-	-	-	43,010	144,604	-
Charges for Services							
Fire Contracts	-	-	-	211,018	-	-	-
Ambulance Service	-	-	-	-	-	635,253	-
Storm Water Utility	-	-	-	-	-	-	-
Rent	-	25	-	-	101,252	-	-
Total Charges for Services	-	25	-	211,018	101,252	635,253	-
Fines and Forfeits							
	-	-	-	-	-	-	-
Other Revenues							
Interest Income (Loss)	2,726	(267)	6,171	2,871	9,343	16,196	2,904
Donations/Contributions	-	-	41,965	-	-	18,511	-
Refunds and Reimbursements	-	-	-	5,905	291	1,619	-
Other	-	-	-	679	-	303	-
Total Other Revenues	2,726	(267)	48,136	9,455	9,634	36,629	2,904
Total Revenues	2,726	29,914	48,136	220,473	154,129	816,486	28,063
EXPENDITURES							
General Government							
Other General Government	-	31,623	-	-	-	-	-
Total General Government	-	31,623	-	-	-	-	-
Public Safety							
Police	-	-	-	-	-	-	-
Fire Department	-	-	13,445	191,649	-	-	-
Ambulance	-	-	-	-	-	489,520	-
Capital Outlay	-	-	43,499	32,806	-	52,281	-
Total Public Safety	-	-	56,944	224,455	-	541,801	-
Public Works							
Highways, Streets and Alleys	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
Total Public Works	-	-	-	-	-	-	-

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

227	223	228	260	214	280	285		Total Nonmajor Special Revenue
Economic Development Revolving Loan	EDA Projects	Park Dedication	Senior Center	Police Forfeiture	Storm Water Utility	Local Option Sales Tax	Internal Eliminations	
\$ -	\$ -	\$ -	\$ 35,135	\$ -	\$ -	\$ -	\$ -	\$ 90,683
-	-	-	35,135	-	-	-	-	90,683
-	-	-	-	-	-	-	-	187,614
-	-	-	-	-	-	-	-	187,614
-	-	-	-	-	-	-	-	211,018
-	-	-	-	-	-	-	-	635,253
-	-	-	-	-	183,490	-	-	183,490
-	-	-	5,720	-	-	-	-	106,997
-	-	-	5,720	-	183,490	-	-	1,136,758
-	-	-	-	4,702	-	-	-	4,702
15,417	(6,302)	48	133	1,439	6,680	-	-	57,359
-	-	-	6,066	-	-	-	-	66,542
-	1,980	-	-	-	-	-	-	9,795
-	2,000	-	-	-	-	-	-	2,982
15,417	(2,322)	48	6,199	1,439	6,680	-	-	136,678
15,417	(2,322)	48	47,054	6,141	190,170	-	-	1,556,435
-	-	-	-	-	-	-	-	31,623
-	-	-	-	-	-	-	-	31,623
-	-	-	-	4,953	-	-	-	4,953
-	-	-	-	-	-	-	-	205,094
-	-	-	-	-	-	-	-	489,520
-	-	-	-	-	-	-	-	128,586
-	-	-	-	4,953	-	-	-	828,153
-	-	-	-	-	70,625	-	-	70,625
-	-	-	-	-	324,367	-	-	324,367
-	-	-	-	-	394,992	-	-	394,992

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

	202	211	224	225	230	240	226
	Small Cities	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance	Sauk Centre Economic Development Authority
EXPENDITURES (CONTINUED)							
Culture and Recreation							
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Economic Development							
Other	40,119	-	-	-	-	-	3,643
Capital Outlay	-	-	-	-	-	-	-
Total Economic Development	40,119	-	-	-	-	-	3,643
Airport							
Other	-	-	-	-	79,967	-	-
Capital Outlay	-	-	-	-	28,844	-	-
Total Airport	-	-	-	-	108,811	-	-
Total Expenditures	40,119	31,623	56,944	224,455	108,811	541,801	3,643
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(37,393)	(1,709)	(8,808)	(3,982)	45,318	274,685	24,420
OTHER FINANCING SOURCES (USES)							
Transfers From:							
Transfer In	-	15,000	-	-	-	-	-
Transfer Out	-	-	-	(59,534)	(15,000)	-	(33,557)
Total Other Financing Sources (Uses)	-	15,000	-	(59,534)	(15,000)	-	(33,557)
NET CHANGE IN FUND BALANCES	(37,393)	13,291	(8,808)	(63,516)	30,318	274,685	(9,137)
Fund Balances - Beginning, as Originally Reported	140,800	(2,001)	262,223	125,154	352,094	685,296	115,103
Changes to or Within the Financial Reporting Entity	-	-	-	-	-	-	-
Fund Balance - as Adjusted	140,800	(2,001)	262,223	125,154	352,094	685,296	115,103
FUND BALANCES - END OF YEAR	<u>\$ 103,407</u>	<u>\$ 11,290</u>	<u>\$ 253,415</u>	<u>\$ 61,638</u>	<u>\$ 382,412</u>	<u>\$ 959,981</u>	<u>\$ 105,966</u>

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

227	223	228	260	214	280	285		Total Nonmajor Special Revenue
Economic Development Revolving Loan	EDA Projects	Park Dedication	Senior Center	Police Forfeiture	Storm Water Utility	Local Option Sales Tax	Internal Eliminations	
\$ -	\$ -	\$ -	\$ 49,376	\$ -	\$ -	\$ -	\$ -	\$ 49,376
500	4,400	-	-	-	-	-	-	48,662
-	146	-	-	-	-	-	-	146
500	4,546	-	-	-	-	-	-	48,808
-	-	-	-	-	-	-	-	79,967
-	-	-	-	-	-	-	-	28,844
-	-	-	-	-	-	-	-	108,811
500	4,546	-	49,376	4,953	394,992	-	-	1,461,763
14,917	(6,868)	48	(2,322)	1,188	(204,822)	-	-	94,672
-	21,781	-	15,000	-	227,000	-	(21,781)	257,000
-	(23,650)	-	-	-	(113,000)	-	21,781	(222,960)
-	(1,869)	-	15,000	-	114,000	-	-	34,040
14,917	(8,737)	48	12,678	1,188	(90,822)	-	-	128,712
327,212	290,533	1,968	7,510	57,550	348,593	2,649,765	-	5,361,800
-	-	-	-	-	-	(2,649,765)	-	(2,649,765)
327,212	290,533	1,968	7,510	57,550	348,593	-	-	2,712,035
<u>\$ 342,129</u>	<u>\$ 281,796</u>	<u>\$ 2,016</u>	<u>\$ 20,188</u>	<u>\$ 58,738</u>	<u>\$ 257,771</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,840,747</u>

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING BALANCE SHEET
TAX INCREMENT FINANCING FUND
DECEMBER 31, 2024**

	250	253	255	256
	Tax Increment Financing District No. 1	Tax Increment Financing District No. 1-12	Tax Increment Financing District No. 1-13	Tax Increment Financing District No. 1-14
ASSETS				
Cash and Investments	\$ 137,856	\$ 50,105	\$ 70,043	\$ (760)
Interest Receivable	618	225	314	-
Land Held for Resale	243,922	-	-	-
	<u>382,396</u>	<u>50,330</u>	<u>70,357</u>	<u>(760)</u>
Total Assets	<u>\$ 382,396</u>	<u>\$ 50,330</u>	<u>\$ 70,357</u>	<u>\$ (760)</u>
LIABILITIES				
Accounts and Contracts Payable	\$ -	\$ -	\$ -	\$ 3
FUND BALANCES (DEFICIT)				
Restricted	382,396	50,330	70,357	-
Unassigned	-	-	-	(763)
	<u>382,396</u>	<u>50,330</u>	<u>70,357</u>	<u>(763)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	<u>\$ 382,396</u>	<u>\$ 50,330</u>	<u>\$ 70,357</u>	<u>\$ (760)</u>

**CITY OF SAUK CENTRE, MINNESOTA
 COMBINING BALANCE SHEET
 TAX INCREMENT FINANCING FUND (CONTINUED)
 DECEMBER 31, 2024**

257					
Tax				Total	
Increment				TIF Fund	
Financing					
District					
No. 1-15	-				
\$	-	\$	257,244		
	-		1,157		
	-		243,922		
	-		502,323		
\$	-	\$	502,323		
\$	-	\$	3		
	-		503,083		
	-		(763)		
	-		502,320		
\$	-	\$	502,323		

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
TAX INCREMENT FINANCING FUND
YEAR ENDED DECEMBER 31, 2024**

	250	253	255	256
	Tax Increment Financing District No. 1	Tax Increment Financing District No. 1-12	Tax Increment Financing District No. 1-13	Tax Increment Financing District No. 1-14
REVENUES				
Tax Increments	\$ -	\$ 63,311	\$ 140,145	\$ 5,858
Other Revenues				
Interest Income (Loss)	9,873	644	424	(138)
Total Revenues	9,873	63,955	140,569	5,720
EXPENDITURES				
Economic Development				
Other Charges	160,983	56,349	71,911	6,013
Total Expenditures	160,983	56,349	71,911	6,013
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(151,110)	7,606	68,658	(293)
OTHER FINANCING SOURCES (USES)				
Transfer In	-	-	-	-
Transfer Out	(328,894)	-	-	-
Total Other Financing Sources (Uses)	(328,894)	-	-	-
NET CHANGE IN FUND BALANCES	(480,004)	7,606	68,658	(293)
Fund Balances (Deficit) - Beginning of Year	862,400	42,724	1,699	(470)
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 382,396</u>	<u>\$ 50,330</u>	<u>\$ 70,357</u>	<u>\$ (763)</u>

**CITY OF SAUK CENTRE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 TAX INCREMENT FINANCING FUND (CONTINUED)
 YEAR ENDED DECEMBER 31, 2024**

257					
Tax Increment Financing District No. 1-15	Total TIF Funds				
\$ -	\$ 209,314				
(214)	10,589				
(214)	219,903				
-	295,256				
-	295,256				
(214)	(75,353)				
11,776	11,776				
-	(328,894)				
11,776	(317,118)				
11,562	(392,471)				
(11,562)	894,791				
\$ -	\$ 502,320				

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUND
DECEMBER 31, 2024**

	331	333	334	335	336
	G.O. Improvement Bonds of 2012A	2015A G.O. Improvement Street Reconstruction	2015B G.O. Refunding 07A & 08A	2015 G.O. Hospital Refunding Bonds	2018A G.O. Improvement Bond
ASSETS					
Cash and Investments	\$ 448,265	\$ 180,801	\$ 35,669	\$ 774,929	\$ 1,133,419
Taxes Receivable - Delinquent	547	-	37	-	-
Special Assessments Receivable	44,962	9,837	769	-	587,431
Interest Receivable	2,018	814	173	3,476	5,084
Due from Other Governments	320	907	1,086	-	1,724
Lease Receivable	-	-	-	4,921,785	-
Due from Component Unit	-	-	-	-	-
Total Assets	\$ 496,112	\$ 192,359	\$ 37,734	\$ 5,700,190	\$ 1,727,658
LIABILITIES					
Accounts and Contracts Payable	\$ -	\$ -	\$ -	4,869	\$ -
Unearned Revenue	-	-	-	66,418	-
Total Liabilities	-	-	-	71,287	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable Taxes	547	-	37	-	-
Unavailable Special Assessments Lease Related	44,962	9,837	770	-	587,431
	-	-	-	4,805,601	-
Total Inflows of Resources	45,509	9,837	807	4,805,601	587,431
FUND BALANCES					
Restricted for Debt Service	450,603	182,522	36,927	823,302	1,140,227
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 496,112	\$ 192,359	\$ 37,734	\$ 5,700,190	\$ 1,727,658

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUND (CONTINUED)
DECEMBER 31, 2024**

337	338	
2010 G.O. Revenue Note	2022A G.O. 2nd Street Improvement Bond	Total Debt Service
\$ -	\$ 1,814,567	\$ 4,387,650
-	799	1,383
-	712,797	1,355,796
-	8,139	19,704
(24)	3,114	7,127
-	-	4,921,785
2,519,399	-	2,519,399
<u>\$ 2,519,375</u>	<u>\$ 2,539,416</u>	<u>\$ 13,212,844</u>
\$ -	\$ -	\$ 4,869
-	-	66,418
-	-	71,287
-	799	1,383
-	712,797	1,355,797
-	-	4,805,601
-	713,596	6,162,781
<u>2,519,375</u>	<u>1,825,820</u>	<u>6,978,776</u>
<u>\$ 2,519,375</u>	<u>\$ 2,539,416</u>	<u>\$ 13,212,844</u>

**CITY OF SAUK CENTRE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 DEBT SERVICE FUND
 YEAR ENDED DECEMBER 31, 2024**

	331	333	334	335	336
	G.O. Improvement Bonds of 2012A	2015A G.O. Improvement Street Reconstruction	2015B G.O. Refunding 07A & 08A	2015 G.O. Hospital Refunding Bonds	2018A G.O. Improvement Bond
REVENUES					
Taxes:					
Property Taxes	\$ 415	\$ 73,780	\$ 86,986	\$ -	\$ 112,621
Special Assessments	18,301	10,231	1,614	-	125,320
Other Revenues:					
Interest Income (Loss)	16,186	4,835	7,179	157,175	25,041
Other	-	-	-	544,030	-
Total Other Revenues	<u>16,186</u>	<u>4,835</u>	<u>7,179</u>	<u>701,205</u>	<u>25,041</u>
Total Revenues	34,902	88,846	95,779	701,205	262,982
EXPENDITURES					
Debt Service:					
Principal	180,000	155,000	270,000	475,000	205,000
Interest and Fiscal Charges	23,105	12,696	7,064	143,039	78,222
Total Debt Service	<u>203,105</u>	<u>167,696</u>	<u>277,064</u>	<u>618,039</u>	<u>283,222</u>
Total Expenditures	<u>203,105</u>	<u>167,696</u>	<u>277,064</u>	<u>618,039</u>	<u>283,222</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(168,203)	(78,850)	(181,285)	83,166	(20,240)
OTHER FINANCING SOURCES (USES)					
Transfer In	113,000	-	59,534	-	-
Total Other Financing Sources	<u>113,000</u>	<u>-</u>	<u>59,534</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(55,203)	(78,850)	(121,751)	83,166	(20,240)
Fund Balances - Beginning of Year	505,806	261,372	158,678	740,136	1,160,467
FUND BALANCES - END OF YEAR	<u>\$ 450,603</u>	<u>\$ 182,522</u>	<u>\$ 36,927</u>	<u>\$ 823,302</u>	<u>\$ 1,140,227</u>

**CITY OF SAUK CENTRE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 DEBT SERVICE FUND (CONTINUED)
 YEAR ENDED DECEMBER 31, 2024**

337	338	
2010 G.O. Revenue Note	2022A G.O. 2nd Street Improvement Bond	Total Debt Service
\$ -	\$ 255,750	\$ 529,552
-	116,928	272,394
-	24,571	234,987
52,447	-	596,477
<u>52,447</u>	<u>24,571</u>	<u>831,464</u>
52,447	397,249	1,633,410
390,000	145,000	1,820,000
55,266	166,166	485,558
<u>445,266</u>	<u>311,166</u>	<u>2,305,558</u>
445,266	311,166	2,305,558
(392,819)	86,083	(672,148)
-	873,534	1,046,068
-	<u>873,534</u>	<u>1,046,068</u>
(392,819)	959,617	373,920
2,912,194	866,203	6,604,856
<u>\$ 2,519,375</u>	<u>\$ 1,825,820</u>	<u>\$ 6,978,776</u>

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING BALANCE SHEET
CAPITAL PROJECT FUND
DECEMBER 31, 2024**

	448	449	450	451	452	453	454	
	2022 2nd St South Project	South Industrial Park	Airport Land Acquisition	Author's Addition Infrastructure	Birch & Pine Project	2025 Building Improvement Additions	Airport Hangar Project	Total Capital Projects
ASSETS								
Cash and Investments	\$ -	\$ -	\$ 15,665	\$ -	\$ -	\$ -	\$ -	\$ 15,665
Interest Receivable	-	-	81	-	-	-	-	81
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,746</u>
LIABILITIES								
Accounts and Contracts Payable	\$ -	\$ -	\$ 2,379	\$ -	\$ 128,229	1	\$ 7,500	\$ 138,109
Due to Other Funds	-	-	-	-	119,295	168	-	119,463
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,379</u>	<u>-</u>	<u>247,524</u>	<u>169</u>	<u>7,500</u>	<u>257,572</u>
FUND BALANCES (DEFICIT)								
Unassigned	-	-	13,367	-	(247,524)	(169)	(7,500)	(241,826)
Total Fund Balances (Deficit)	<u>-</u>	<u>-</u>	<u>13,367</u>	<u>-</u>	<u>(247,524)</u>	<u>(169)</u>	<u>(7,500)</u>	<u>(241,826)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,746</u>

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
CAPITAL PROJECT FUND
YEAR ENDED DECEMBER 31, 2024**

	448	449	450	451	452	453	454	
	2022 2nd St South Project	South Industrial Park	Airport Land Acquisition	Author's Addition Infrastructure	Birch & Pine Project	2025 Building Improvement Additions	Airport Hangar Project	Total Capital Projects
REVENUES								
Intergovernmental Revenues:								
State Aids	\$ -	\$ 249,501	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249,501
Other Revenues:								
Interest Income (Loss)	15,689	(2,824)	5,343	832	(1,767)	(1)	-	17,272
Total Other Revenues	15,689	(2,824)	5,343	832	(1,767)	(1)	-	17,272
Total Revenues	15,689	246,677	5,343	832	(1,767)	(1)	-	266,773
EXPENDITURES								
Public Works:								
Capital Outlay	13,485	11,311	8,675	83,354	245,757	168	7,500	370,250
Total Expenditures	13,485	11,311	8,675	83,354	245,757	168	7,500	370,250
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,204	235,366	(3,332)	(82,522)	(247,524)	(169)	(7,500)	(103,477)
OTHER FINANCING SOURCES (USES)								
Transfer In	-	99,394	15,000	23,650	-	-	-	138,044
Transfer Out	(873,534)	-	-	-	-	-	-	(873,534)
Total Other Financing Sources (Uses)	(873,534)	99,394	15,000	23,650	-	-	-	(735,490)
NET CHANGE IN FUND BALANCES	(871,330)	334,760	11,668	(58,872)	(247,524)	(169)	(7,500)	(838,967)
Fund Balances (Deficit) - Beginning of Year	871,330	(334,760)	1,699	58,872	-	-	-	597,141
FUND BALANCES (DEFICIT) - END OF YEAR	\$ -	\$ -	\$ 13,367	\$ -	\$ (247,524)	\$ (169)	\$ (7,500)	\$ (241,826)

**REPORTS RELATING TO
*GOVERNMENT AUDITING STANDARDS***



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate 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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 14, 2025. Our report includes a reference to other auditors who audited the financial statements of the Sauk Centre Housing and Redevelopment Authority (HRA), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and compliance or other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



CliftonLarsonAllen LLP

Alexandria, Minnesota
May 14, 2025



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated May 14, 2025. Our report includes a reference to other auditors who audited the financial statements of the Sauk Centre Housing and Redevelopment Authority (HRA), as described in our report on the City's financial statements.

The City's basic financial statements include the operations of the Sauk Centre Public Utilities Commission (Utility) and Sauk Centre Housing and Redevelopment Authority (HRA). Our audit described below did not include the operations of the Utility 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 Other Political Subdivisions*.

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

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Alexandria, Minnesota
May 14, 2025

**CITY OF SAUK CENTRE, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2024**

FINANCIAL STATEMENT FINDINGS

2024-001 LACK OF SEGREGATION OF DUTIES

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

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. The City is making an effort to perform more electronic processing.

Criteria or Specific Requirement: Effective internal control provides an adequate segregation of duties and evidence of independent review so that no one individual handles a transaction from its inception to its completion.

Cause: Because of the size of the city and its staffing limits the internal control that management can design and implement into the organization.

Effect: The design of the internal controls over segregation of duties may result in the City's inability to prevent/detect misappropriation of assets.

Repeat Finding: Yes

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.

Views of Responsible Officials and Planned Corrective Action: The City will continue to look for areas to improve segregation of duties.

**CITY OF SAUK CENTRE, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

FINANCIAL STATEMENT FINDINGS (CONTINUED)

2024-002 OVERSIGHT OF THE FINANCIAL REPORTING PROCESS

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Criteria or Specific Requirement: The City's management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. GAAP.

Condition: The City does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures that are complete and presented in accordance with U.S. GAAP.

Cause: The City relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and the related footnote disclosures.

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the City's internal controls.

Repeat Finding: Yes

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Views of Responsible Officials and Planned Corrective Action: The City will continue to rely upon 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.



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