

CITY OF SAUK CENTRE, MINNESOTA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008

**CITY OF SAUK CENTRE, MINNESOTA
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INTRODUCTORY SECTION

**CITY OF SAUK CENTRE, MINNESOTA
ELECTED OFFICIALS AND ADMINISTRATION
DECEMBER 31, 2008**

Elected Officials	Position	Term Expires
CITY COUNCIL		
Brad A. Kirckof	Mayor	December 31, 2010
Dave Thomas	Acting Mayor	December 31, 2010
Allan Coenen	Council Member	December 31, 2008
Keith Johnson	Council Member	December 31, 2010
Warren Stone	Council Member	December 31, 2008
CITY OFFICIALS		
Vicki Willer	City Administrator	
Carol M. Inderrieden	Deputy Treasurer	
James Metcalf	Chief of Police	
Butch Wessel	Public Works Director	
Keith Polipnick	Fire Marshall and Chief	
PUBLIC UTILITIES COMMISSION - APPOINTED		
Dennis Rykken	Chairperson	December 31, 2010
David Thomas	Vice Chairperson	December 31, 2008
Rick Bullard	Commissioner	December 31, 2010
Roy Walz	Commissioner	December 31, 2009
Ted Spanier	Commissioner	December 31, 2008
HOUSING AND REDEVELOPMENT AUTHORITY BOARD - APPOINTED		
Victor Traut	President	March 31, 2012
Gwen Kranz	Vice President	March 31, 2011
Mary Lou Schaefer	Board Member	March 31, 2010
Robert Polipnick	Board Member	March 31, 2009
Don Leonard	Board Member	March 31, 2013
David Thomas	Council Representative	
HOSPITAL BOARD		
Dale Emmel	Chair	December 31, 2010
Dan Borgmann	Vice Chair	December 31, 2008
Marlene Otte	Secretary	December 31, 2010
Brad Kirckof	Council Representative	
Rose Walker	Board Member	December 31, 2008
Dr. Keith Olson	Board Member	December 31, 2009
Bill Kranz	Board Member	December 31, 2009

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sauk Centre, Minnesota as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Sauk Centre, Minnesota's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Housing and Redevelopment Authority of Sauk Centre which represents 100% of the assets, net assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing and Redevelopment Authority of Sauk Centre, is based on the report of the other auditors.

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

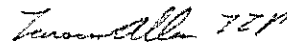
In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sauk Centre, Minnesota, as of December 31, 2008, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2009 on our consideration of the City of Sauk Centre, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sauk Centre, Minnesota's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information as listed in the table of contents has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



LarsonAllen LLP

Alexandria, Minnesota
April 28, 2009

BASIC FINANCIAL STATEMENTS

**CITY OF SAUK CENTRE, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit Sauk Centre HRA
ASSETS				
Cash and Investments	\$ 4,492,996	\$ 13,512,830	\$ 18,005,826	\$ 118,979
Interest Receivable	437	76,680	77,117	-
Inventories	-	584,679	584,679	-
Taxes Receivable - Delinquent	149,946	-	149,946	-
Special Assessments Receivable	2,022,271	-	2,022,271	-
Accounts Receivable	297,124	3,428,743	3,725,867	-
Due from Other Governments	42,494	-	42,494	-
Internal Balances	(48,000)	48,000	-	-
Designated Assets	-	4,277,782	4,277,782	-
Land Held for Investment	-	60,000	60,000	-
Prepaid Expenses	-	113,398	113,398	5,470
Deferred Financing Costs - Net	-	512,925	512,925	-
Investment in Joint Venture	-	539,025	539,025	-
Postemployment Benefits Deposits	-	670,000	670,000	-
Capital Assets				
Land	3,300,141	560,609	3,860,750	95,033
Land Improvements	1,647,262	262,441	1,909,703	-
Buildings	5,801,619	17,754,761	23,556,380	1,720,670
Machinery and Equipment	2,253,098	22,214,291	24,467,389	98,446
Infrastructure	8,183,052	-	8,183,052	-
Construction in Process	1,222,886	-	1,222,886	-
Less: Accumulated Depreciation	(7,045,036)	(15,783,213)	(22,828,249)	(1,055,804)
Total Assets	<u>22,320,290</u>	<u>48,832,951</u>	<u>71,153,241</u>	<u>982,794</u>
LIABILITIES				
Salaries/Benefits Payable	16,137	1,095,613	1,111,750	295
Accounts and Contracts Payable	136,295	718,691	854,986	5,338
Compensated Absences	143,992	805,776	949,768	-
Due to Other Governments	-	-	-	4,652
Tenant Security Deposits	-	-	-	6,330
Deferred Revenue	147,423	-	147,423	7
Accrued Interest	168,033	219,727	387,760	-
Estimated Third-Party Payor Settlement	-	100,500	100,500	-
Long-Term Obligations				
Due Within One Year	1,152,843	649,900	1,802,743	-
Due in More than One Year	8,338,754	22,835,489	31,174,243	-
Total Liabilities	<u>10,103,477</u>	<u>26,425,696</u>	<u>36,529,173</u>	<u>16,622</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	5,871,425	11,893,500	17,764,925	858,345
Restricted	2,682,828	10,288,263	12,971,091	-
Unrestricted	3,662,560	225,492	3,888,052	107,827
Total Net Assets	<u>\$ 12,216,813</u>	<u>\$ 22,407,255</u>	<u>\$ 34,624,068</u>	<u>\$ 966,172</u>

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business Type Activities	Total	Sauk Centre HRA
PRIMARY GOVERNMENT								
GOVERNMENTAL ACTIVITIES								
General Government	\$ 840,677	\$ 174,824	\$ -	\$ -	\$ (665,853)	\$ -	\$ (665,853)	\$ -
Public Safety	1,135,556	647,901	28,342	25,440	(433,873)	-	(433,873)	-
Public Works	997,416	16,613	-	669,570	(311,233)	-	(311,233)	-
Culture and Recreation	397,017	135,059	48,830	-	(213,128)	-	(213,128)	-
Economic Development	123,544	16,332	-	-	(107,212)	-	(107,212)	-
Airport	62,640	99,217	-	197,974	234,551	-	234,551	-
Debt Service	417,314	-	-	-	(417,314)	-	(417,314)	-
Total Governmental Activities	<u>3,974,164</u>	<u>1,089,946</u>	<u>77,172</u>	<u>892,984</u>	<u>(1,914,062)</u>	<u>-</u>	<u>(1,914,062)</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES								
Low Rent Public Housing	198,476	184,863	-	-	-	-	-	(13,613)
Public Housing Capital Fund	3,588	-	-	81,394	-	-	-	77,806
St. Michael's Hospital and Nursing Home	16,503,224	16,434,701	30,871	31,250	-	(6,402)	(6,402)	-
Public Utilities Commission	5,286,835	5,440,052	-	-	-	153,217	153,217	-
Total Business-Type Activities	<u>21,992,123</u>	<u>22,059,616</u>	<u>30,871</u>	<u>112,644</u>	<u>-</u>	<u>146,815</u>	<u>146,815</u>	<u>64,193</u>
Total Primary Government	<u>\$ 25,966,287</u>	<u>\$ 23,149,562</u>	<u>\$ 108,043</u>	<u>\$ 1,005,628</u>	<u>(1,914,062)</u>	<u>146,815</u>	<u>(1,767,247)</u>	<u>64,193</u>
GENERAL REVENUES								
Property Taxes					1,418,593	-	1,418,593	-
Tax Increments Received					701,957	-	701,957	-
Intergovernmental Revenues					1,208,170	-	1,208,170	-
Interest and Investments Earnings					81,641	750,997	832,638	2,480
Loss on Disposal of Assets					(15,800)	-	(15,800)	-
Miscellaneous Revenues					28,732	9,784	38,516	-
Total General Revenues					<u>3,423,293</u>	<u>760,781</u>	<u>4,184,074</u>	<u>2,480</u>
CHANGE IN NET ASSETS					1,509,231	907,596	2,416,827	66,673
Net Assets - Beginning of Year					<u>10,707,582</u>	<u>21,499,659</u>	<u>32,207,241</u>	<u>899,499</u>
NET ASSETS - END OF YEAR					<u>\$ 12,216,813</u>	<u>\$ 22,407,255</u>	<u>\$ 34,624,068</u>	<u>\$ 966,172</u>

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	General	Special Revenue Arena	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 517,304	\$ -	\$ 336,113	\$ 1,976,517	\$ 1,663,062	\$ 4,492,996
Taxes Receivable - Delinquent	149,946	-	-	-	-	149,946
Special Assessments Receivable	44,789	-	-	1,977,482	-	2,022,271
Accounts Receivable	51,117	3,980	152,995	-	89,468	297,560
Due from Other Governments	14,329	688	-	16,174	11,303	42,494
Due from Other Funds	143,487	-	-	-	-	143,487
Advances to Other Funds	785,100	-	-	-	-	785,100
Total Assets	<u>\$ 1,706,072</u>	<u>\$ 4,668</u>	<u>\$ 489,108</u>	<u>\$ 3,970,173</u>	<u>\$ 1,763,833</u>	<u>\$ 7,933,854</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Salaries/Benefits Payable	\$ 15,766	\$ 57	\$ -	\$ -	\$ 314	\$ 16,137
Accounts and Contracts Payable	13,919	1,874	104,328	-	16,174	136,295
Due to Other Funds	-	-	43,736	94,963	4,788	143,487
Advances from Other Funds	-	398,748	386,352	-	-	785,100
Compensated Absences	4,083	83	-	-	-	4,166
Deferred Revenue	194,735	-	147,423	1,977,482	-	2,319,640
Total Liabilities	<u>228,503</u>	<u>400,762</u>	<u>681,839</u>	<u>2,072,445</u>	<u>21,276</u>	<u>3,404,825</u>
FUND BALANCES						
Reserved for Debt Service	-	-	-	1,897,728	-	1,897,728
Reserved in General Fund	785,100	-	-	-	-	785,100
Unreserved, Reported in:						
General Fund						
Designated	260,609	-	-	-	-	260,609
Undesignated	431,860	-	-	-	-	431,860
Special Revenue Fund						
Designated	-	-	-	-	200,287	200,287
Undesignated	-	(396,094)	-	-	1,542,270	1,146,176
Capital Projects Fund						
Undesignated	-	-	(192,731)	-	-	(192,731)
Total Fund Balances	<u>1,477,569</u>	<u>(396,094)</u>	<u>(192,731)</u>	<u>1,897,728</u>	<u>1,742,557</u>	<u>4,529,029</u>
Total Liabilities and Fund Balances	<u>\$ 1,706,072</u>	<u>\$ 4,668</u>	<u>\$ 489,108</u>	<u>\$ 3,970,173</u>	<u>\$ 1,763,833</u>	<u>\$ 7,933,854</u>

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	2008
FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 4,529,029
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.</p>	
Cost of Capital Assets	22,408,058
Less: Accumulated depreciation	(7,045,036)
<p>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:</p>	
Long-Term Debt	(9,539,597)
Compensated Absences Payable	(139,826)
<p>Delinquent receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p>	
Delinquent Property Taxes	149,946
<p>Delinquent receivables are not available to pay for current expenditures and therefore are deferred in the funds.</p>	
Deferred Special Assessments Receivable	2,022,271
Governmental funds do not report a liability for accrued interest until due and payable.	(168,033)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 12,216,813

See accompanying Notes to Financial Statements.

CITY OF SAUK CENTRE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008

	General	Special Revenue Arena	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	\$ 603,557	\$ -	\$ -	\$ 578,294	\$ 99,964	\$ 1,281,815
Tax Increments Received	-	-	-	-	701,957	701,957
Special Assessments	5,057	-	-	613,179	-	618,236
Licenses and Permits	180,905	-	-	-	-	180,905
Intergovernmental Revenues	1,190,327	-	197,974	60,544	61,038	1,509,883
Charges for Services	169,618	84,544	-	-	503,131	757,293
Fines and Forfeits	30,249	-	-	-	-	30,249
Other Revenues	91,400	24,531	25,005	20,080	137,921	298,937
Total Revenues	<u>2,271,113</u>	<u>109,075</u>	<u>222,979</u>	<u>1,272,097</u>	<u>1,504,011</u>	<u>5,379,275</u>
EXPENDITURES						
General Government	678,865	-	168,997	-	31,398	879,260
Public Safety	717,900	-	-	-	569,223	1,287,123
Public Works	863,861	-	1,099,258	-	-	1,963,119
Culture and Recreation	186,001	107,358	-	-	94,230	387,589
Economic Development	-	-	-	-	123,544	123,544
Airport	-	-	-	-	85,889	85,889
Debt Service	23,724	35,893	21,190	1,497,873	11,871	1,590,551
Total Expenditures	<u>2,470,351</u>	<u>143,251</u>	<u>1,289,445</u>	<u>1,497,873</u>	<u>916,155</u>	<u>6,317,075</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	(199,238)	(34,176)	(1,066,466)	(225,776)	587,856	(937,800)
OTHER FINANCING SOURCES (USES)						
Transfers In	-	35,892	261,023	534,196	-	831,111
Transfers Out	(23,871)	-	-	(225,352)	(581,888)	(831,111)
Bond and Capital Lease Principal	17,573	-	1,235,421	29,579	-	1,282,573
Discount on Bonds	-	-	(13,915)	-	-	(13,915)
Total Other Financing Sources (Uses)	<u>(6,298)</u>	<u>35,892</u>	<u>1,482,529</u>	<u>338,423</u>	<u>(581,888)</u>	<u>1,268,658</u>
NET CHANGE IN FUND BALANCES						
	(205,536)	1,716	416,063	112,647	5,968	330,858
Fund Balances - Beginning of Year	<u>1,683,105</u>	<u>(397,810)</u>	<u>(608,794)</u>	<u>1,785,081</u>	<u>1,736,589</u>	<u>4,198,171</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 1,477,569</u></u>	<u><u>\$ (396,094)</u></u>	<u><u>\$ (192,731)</u></u>	<u><u>\$ 1,897,728</u></u>	<u><u>\$ 1,742,557</u></u>	<u><u>\$ 4,529,029</u></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
YEAR ENDED DECEMBER 31, 2008**

	2008
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 330,858
<p>Amounts reported for governmental activities in the statement of activities are different</p> <p>Capital outlays are reported as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
Capital Outlay	1,691,340
Depreciation Expense	(515,618)
Loss on Capital Asset Disposals	(15,800)
<p>Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the statement of activities.</p>	
	(5,711)
<p>Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in net assets on the statements of activities. Principal payments were:</p>	
	1,198,335
<p>Principal of Capital Leases is recognized as an other financing source in the governmental funds but as a decrease in net assets on the statement of activities.</p>	
	(17,573)
<p>Principal of long-term debt, net of discount of \$13,915, is recognized as an other financing source in the governmental funds but as a decrease in net assets on the statement of activities.</p>	
	(1,251,085)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as interest accrues, regardless of when it is due.</p>	
	(11,184)
<p>Property taxes and special assessments receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. Property taxes receivable increased by \$54,335 while special assessments increased by \$51,334.</p>	
	105,669
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 1,509,231

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2008**

	St. Michael's Hospital and Nursing Home	Sauk Centre Public Utilities Commission	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 1,109,637	\$ 3,871	\$ 1,113,508
Accounts Receivable, Net	2,967,208	461,535	3,428,743
Interest Receivable	-	76,680	76,680
Inventories	251,816	332,863	584,679
Due from City - Land	-	48,000	48,000
Designated Assets - Deposits	-	4,277,782	4,277,782
Land Held for Investment	-	60,000	60,000
Prepaid Expenses	66,692	46,706	113,398
Total Current Assets	4,395,353	5,307,437	9,702,790
PROPERTY, PLANT AND EQUIPMENT			
Land	430,976	129,633	560,609
Building	17,754,761	-	17,754,761
Station Equipment	-	539,761	539,761
Distribution System	-	15,206,950	15,206,950
General Plant	-	1,330,960	1,330,960
Load Management	-	827,006	827,006
Treatment Facility	-	1,624,128	1,624,128
Furniture and Equipment	2,685,486	-	2,685,486
Other Improvements	262,441	-	262,441
Less: Accumulated Depreciation	(6,353,213)	(9,430,000)	(15,783,213)
Total Property, Plant and Equipment	14,780,451	10,228,438	25,008,889
OTHER ASSETS			
Restricted Cash and Investments	12,399,322	-	12,399,322
Deferred Financing Costs, Net	512,925	-	512,925
Investment in Joint Ventures	539,025	-	539,025
Postemployment Benefits Deposits	-	670,000	670,000
Total Other Assets	13,451,272	670,000	14,121,272
Total Assets	32,627,076	16,205,875	48,832,951

See accompanying Notes to Financial Statements.

	St. Michael's Hospital and Nursing Home	Sauk Centre Public Utilities Commission	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 361,694	\$ 356,997	\$ 718,691
Salaries/Benefits Payable	1,089,242	6,371	1,095,613
Interest Payable	193,801	25,926	219,727
Compensated Absences	-	135,776	135,776
Estimated Third-Party Payor Settlement	100,500	-	100,500
Total Current Liabilities	<u>1,745,237</u>	<u>525,070</u>	<u>2,270,307</u>
LONG-TERM LIABILITIES			
Due Within One Year	425,000	224,900	649,900
Accrued Post Employment Benefits	-	670,000	670,000
Due in More than One Year	<u>20,795,000</u>	<u>2,040,489</u>	<u>22,835,489</u>
Total Long-Term Liabilities	<u>21,220,000</u>	<u>2,935,389</u>	<u>24,155,389</u>
 Total Liabilities	 <u>22,965,237</u>	 <u>3,460,459</u>	 <u>26,425,696</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,930,451	7,963,049	11,893,500
Restricted	10,288,263	-	10,288,263
Unrestricted	<u>(4,556,875)</u>	<u>4,782,367</u>	<u>225,492</u>
Total Net Assets	<u>\$ 9,661,839</u>	<u>\$ 12,745,416</u>	<u>\$ 22,407,255</u>

CITY OF SAUK CENTRE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2008

	St. Michael's Hospital and Nursing Home	Sauk Centre Public Utilities Commission	Total
OPERATING REVENUES			
Income from Services	\$ 15,960,668	\$ 5,097,230	\$ 21,057,898
Rental Income	-	6,510	6,510
Finance Charges	-	29,265	29,265
Sale of Merchandise	-	554	554
Conservation Income	-	91,832	91,832
Miscellaneous	218,223	18,225	236,448
Equity Earnings from Corporate Joint Ventures	255,810	-	255,810
Franchise Fees	-	126,786	126,786
Total Operating Revenues	<u>16,434,701</u>	<u>5,370,402</u>	<u>21,805,103</u>
OPERATING EXPENSES			
Salaries and Wages	6,708,301	-	6,708,301
Depreciation and Amortization	913,857	534,881	1,448,738
Supplies and Other	7,851,568	-	7,851,568
Distribution and Maintenance	-	740,420	740,420
Purchased Power	-	2,820,380	2,820,380
Customer Accounts	-	157,353	157,353
Administration and General Expenses	-	692,302	692,302
Other Interest	604,816	1,703	606,519
Total Operating Expenses	<u>16,078,542</u>	<u>4,947,039</u>	<u>21,025,581</u>
OPERATING INCOME	356,159	423,363	779,522
NONOPERATING REVENUES (EXPENSES)			
Interest Income	424,682	202,688	627,370
Noncapital Grants and Contributions	30,871	-	30,871
Investment Income	123,627	-	123,627
Miscellaneous	-	9,784	9,784
Franchise Fees	-	(126,786)	(126,786)
Labor Donated to the City	-	(102,707)	(102,707)
Interest Expense	(424,682)	(110,303)	(534,985)
Total Nonoperating Revenues (Expenses)	<u>154,498</u>	<u>(127,324)</u>	<u>27,174</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	510,657	296,039	806,696
Access Charges	-	69,650	69,650
Capital Grants and Contributions`	31,250	-	31,250
Total Capital Contribution	<u>31,250</u>	<u>69,650</u>	<u>100,900</u>
INCREASE IN NET ASSETS	541,907	365,689	907,596
Net Assets - Beginning of Year	<u>9,119,932</u>	<u>12,379,727</u>	<u>21,499,659</u>
NET ASSETS - END OF YEAR	<u>\$ 9,661,839</u>	<u>\$ 12,745,416</u>	<u>\$ 22,407,255</u>

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA
STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2008**

	St. Michael's Hospital and Nursing Home	Sauk Centre Public Utilities Commission	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ -	\$ 5,335,085	\$ 5,335,085
Cash Paid to Suppliers	(8,051,189)	(3,829,286)	(11,880,475)
Cash Paid to Employees	(6,622,502)	(695,446)	(7,317,948)
Receipts from and on Behalf of Patients	16,303,265	-	16,303,265
Other Receipts and Payments, Net	218,223	-	218,223
Net Cash Provided by Operating Activities	<u>1,847,797</u>	<u>810,353</u>	<u>2,658,150</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Payments from City	-	4,000	4,000
Contributions	30,871	-	30,871
Equity Distributions from Joint Ventures	273,820	-	273,820
Net Cash Provided by Noncapital Financing Activities	<u>304,691</u>	<u>4,000</u>	<u>308,691</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Material and Supplies	-	(671,372)	(671,372)
Principal Payments on Long-Term Debt	(410,000)	(218,559)	(628,559)
Capital Grants and Contributions	31,250	-	31,250
Interest Paid	(608,563)	(84,377)	(692,940)
Access Charges	-	69,650	69,650
Capital Expenditures	(442,849)	-	(442,849)
Net Cash Used by Capital and Related Financing Activities	<u>(1,430,162)</u>	<u>(904,658)</u>	<u>(2,334,820)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale of Investments and Investment Securities	(755,297)	2,907,952	2,152,655
Purchase of Investments and Investment Securities	-	(3,323,941)	(3,323,941)
Interest Received	-	133,690	133,690
Investment Income	123,627	-	123,627
Net Cash Used by Investing Activities	<u>(631,670)</u>	<u>(282,299)</u>	<u>(913,969)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	90,656	(372,604)	(281,948)
Cash and Cash Equivalents - Beginning of Year	<u>1,018,981</u>	<u>649,583</u>	<u>1,668,564</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,109,637</u></u>	<u><u>\$ 276,979</u></u>	<u><u>\$ 1,386,616</u></u>

See accompanying Notes to Financial Statements.

CITY OF SAUK CENTRE, MINNESOTA
STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2008

	St. Michael's Hospital and Nursing Home	Sauk Centre Public Utilities Commission	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income	\$ 356,159	\$ 423,363	\$ 779,522
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation and Amortization	913,857	534,881	1,448,738
Non-Operating Expenses	-	(219,709)	(219,709)
Bad Debts	-	5,134	5,134
Loss on Disposal of Capital Assets	-	675	675
Equity Increase in Joint Ventures	(255,810)	-	(255,810)
Interest Expense Considered Capital Financing Activity	604,816	-	604,816
(Increase) Decrease in:			
Customer Accounts Receivable	342,597	(25,362)	317,235
Other Accounts Receivable	(397)	(1,508)	(1,905)
Inventories	(3,978)	-	(3,978)
Prepaid Expenses	(7,284)	(4,822)	(12,106)
Increase (Decrease) in:			
Accrued Postemployment Benefits	-	157,000	157,000
Accounts Payable	(45,325)	(35,114)	(80,439)
Sales Tax Payable	-	2,239	2,239
Customer Advances	-	(15,820)	(15,820)
Accrued Expenses	85,799	(10,604)	75,195
Third-Party Payor Settlements	(142,637)	-	(142,637)
Net Cash Provided by Operating Activities	<u>\$ 1,847,797</u>	<u>\$ 810,353</u>	<u>\$ 2,658,150</u>

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Financial Reporting Entity

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

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

Component units are legally separate entities for which the City (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading.

Certain organizations warrant inclusion as part of the City because of the nature and significance of their relationship with the City, including their ongoing financial support of the primary government or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of a City if *all* of the following criteria are met:

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

Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each component unit has a December 31 year end. The City has two blended component units.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Reporting Entity (Continued)

Sauk Centre Public Utilities Commission and St Michael's Hospital and Nursing Home are included because the City appoints their boards, has the ability to make changes to their policies, and meets all three criteria listed above.

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 St. Michael's Hospital and Nursing Home operates as a local government unit for the purpose of providing medical and long-term care services to residents of Sauk Centre and others. The 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 and St. Michael's Hospital are available at the Sauk Centre City Hall.

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

The component unit column in the combined financial statements includes the financial data of the City's component unit as of and for the fiscal year ended September 30, 2008. It is reported in a separate column to emphasize that they are legally separate from the City.

The Housing and Redevelopment Authority of Sauk Centre (HRA) operates as a local government unit for the purpose of providing housing and redevelopment services to the Sauk Centre area. The HRA cannot issue bonds pledging as security the full faith and credit of the City. The HRA's property tax levy must be approved by the City Council.

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

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds are used to report business-type activities carried on by the City.

D. Measurement Focus and Basis of Accounting

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

Other revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. Measurable means the amount of the transaction can be determined, and available means collectible within the current period or soon enough therefore to be used to pay liabilities of the current period which is not greater than 60 days.

E. Fund Accounting

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

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.

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

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

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

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for those operations that provide services to the public and are financed primarily by user charges. The measurement of financial activity focuses on net income similar to the private sector.

Sauk Centre Public Utilities Commission Fund – The Sauk Centre Public Utility Commission Fund is used to account for the actions of the City's water, sewer, and electric utilities.

St. Michael's Hospital and Nursing Home Fund – The St. Michael's Hospital and Nursing Home Fund is used to account for the activities of the City hospital and nursing home.

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 non-major funds can be reported in total.

GASB No. 34 also requires that budget vs. actual information be presented for the general fund and all budgeted major special revenue funds. For 2008 the City's adopted budget was consistent with U.S. generally accepted accounting principles.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

F. Use of Estimates

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

G. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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

2. Accounts Receivable

Sauk Centre Ambulance provides an allowance for uncollectible self-pay and miscellaneous commercial insurance accounts based on the allowance method. Patients are not required to provide collateral for services rendered. Payment for services is required upon receipt of an invoice, after payment by insurance, if any. Self-pay accounts are analyzed for collectibility 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, 2008, the allowance for uncollectible accounts was approximately \$58,000.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Investments

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

4. Inventories

Inventories are reported at cost using the weighted average method.

5. Designated Assets

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

6. Restricted Assets

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

7. Taxes Receivable – Delinquent

Taxes receivable - delinquent represents taxes levied prior to 2008 which are not collected as of December 31, 2008.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. 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. Pope County is the collecting agency for the levy and then remits the collections to the City. All taxes not collected as of December 31 are shown as delinquent taxes receivable.

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

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

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

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

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

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

Current year property tax revenues represent the tax levy certified to the County Auditor in December of 2007 which was collected during the year ended December 31, 2008, respectively. Any adjustments or abatements to either the current, or any prior year, levy are adjusted through the current year general property tax revenues. Property taxes not collected by the County and remitted to the City within 60 days of year end are classified as delinquent and not considered measurable and available and are fully offset by deferred revenue in the governmental fund financial statements. Delinquent taxes receivable represent the past years of uncollected tax years. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Special Assessments

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

10. 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.

11. 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.

12. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$5,000 to \$100,000, depending on asset type, for capitalizing capital assets.

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

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

13. Deferred Revenue

Deferred revenue represents the delinquent taxes and delinquent and deferred assessments receivable. In 2008, deferred revenue also included outstanding loans to area businesses. This revenue is deferred until it is measurable and available as net current assets.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

14. Long-Term Obligations

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

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

15. 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.

16. Compensated Absences

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

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

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

17. Fund Equity

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

18. Net Assets

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

H. Revenues, Expenditures, and Expenses

1. Revenues

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

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

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

2. Expenditures

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

3. Expenses

Proprietary funds recognize expenses when they are incurred.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget

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

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

Excess of Expenditures Over Appropriations

The general fund expenditures exceeded budget by \$58,273. This overage was determined necessary by the City Council.

Deficit Fund Balances

The following funds have a deficit fund balance at December 31, 2008:

Arena Fund	\$	396,094
Tax Increment Bonds of 1999B		18,582
G.O. Improvement Bonds of 2002A		71,689
Tax Increment Financing District # 1-10		4,788
City Center Project		386,352
Airport Hangar 2007-11		55,737
Safe Ride To School Grant		7,377
Total	\$	<u>940,619</u>

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

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

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

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

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

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

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

Investment Policies

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

The City had the following investments at December 31, 2008:

Investment	Credit Risk		Concentration	Interest Rate Risk		Carrying Fair Value
	Rating	Agency	Risk % of Portfolio	Maturity Date	Interest Rate	
Minnesota Municipal Money Market Fund						
4M Fund	N/R	N/A	N/A	N/A	N/A	\$ 173
4M Plus Fund	N/R	N/A	N/A	N/A	N/A	1,153,698
Smith Barney						
Money Market Fund	N/R	N/A	N/A	N/A	N/A	18,681
FirstBank Puerto Rico						
Transferable Certificate of Deposit	N/R	N/A	N/A	11/14/2011	4.6%	96,658
Total Investments						<u>\$ 1,269,210</u>
Deposits					Bank Value	Carrying Value
Checking Accounts					\$ 149,353	\$ 36,228
Savings Accounts					3,187,558	3,187,558
Total Deposits						<u>\$ 3,223,786</u>
Total Deposits and Investments - Governmental Funds						<u>\$ 4,492,996</u>

For purposes of financial statement reporting, management considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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

	Sauk Centre Public Utility Commission	St Michael's Hospital and Nursing Home
Cash on Hand	\$ 600	\$ -
Cash in Checking	3,271	-
Designated Assets:		
Operations and Maintenance Deposits	400,000	-
Rate Stabilization Deposits	140,000	-
Capital Replacement Deposits	3,387,782	-
Postemployment Benefits Deposits	670,000	-
Debt Retirement Deposits	350,000	-
Under Bond Indenture Agreements:		
United States Treasury Note	-	9,230,009
Certificates of Deposit	-	1,045,037
Accrued Interest	-	13,217
By Board for Capital Improvements:		
Certificates of Deposit	-	2,090,505
Accrued Interest	-	20,554
Total Cash and Investments	4,951,653	12,399,322
Less: Noncash Equivalents	(4,674,674)	425,000
Total Cash and Cash Equivalents	\$ 276,979	\$ 12,824,322

All of the Hospital's deposits are insured or registered in the Hospital's name and held in safekeeping by the treasurer or in a financial institution other than that furnishing collateral. The Organization also has a United States Treasury Note. The \$9,230,009 Treasury Note contract has a maturity date of 2010 and earns interest at a rate of 4.50%.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 is as follows:

GOVERNMENTAL ACTIVITIES	January 1, 2008 Balance	Additions	Disposals	December 31, 2008 Balance
Capital Assets, Not Being Depreciated				
Land	\$ 3,300,141	\$ -	\$ -	\$ 3,300,141
Construction in Progress	168,609	1,222,886	168,609	1,222,886
Total Capital Assets, Not Being Depreciated	3,468,750	1,222,886	168,609	4,523,027
Capital Assets, Being Depreciated				
Land Improvements	1,647,262	-	-	1,647,262
Buildings and Improvements	5,707,272	118,047	23,700	5,801,619
Vehicles, Machinery and Equipment	1,919,464	357,084	23,450	2,253,098
Infrastructure	8,021,120	161,932	-	8,183,052
Total Capital Assets, Being Depreciated	17,295,118	637,063	47,150	17,885,031
Less: Accumulated Depreciation				
Land Improvements	1,215,745	28,996	-	1,244,741
Buildings and Improvements	1,152,333	150,406	-	1,302,739
Vehicles, Machinery and Equipment	1,068,093	125,448	-	1,193,541
Infrastructure	3,124,597	210,768	31,350	3,304,015
Total Accumulated Depreciation	6,560,768	515,618	31,350	7,045,036
Total Capital Assets, Being Depreciated, Net	10,734,350	121,445	15,800	10,839,995
Governmental Capital Assets, Net	<u>\$ 14,203,100</u>	<u>\$ 1,344,331</u>	<u>\$ 184,409</u>	<u>\$ 15,363,022</u>

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 114,212
Public Safety	59,662
Public Works	253,368
Culture and Recreation	73,788
Other	14,588
	<u>14,588</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 515,618</u>

BUSINESS - TYPE ENTITY SAUK CENTRE PUBLIC UTILITIES COMMISSION	January 1, 2008 Balance	Additions	Disposals	December 31, 2008 Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 129,633	\$ -	\$ -	\$ 129,633
Construction in Progress	53,524	-	53,524	-
Total Capital Assets, Not Being Depreciated	183,157	-	53,524	129,633
Capital Assets, Being Depreciated:				
Station Equipment	539,761	-	-	539,761
Distribution System	14,572,364	634,586	-	15,206,950
General Plant	1,278,448	80,466	27,954	1,330,960
Load Management	818,308	8,698	-	827,006
Treatment Facility	1,624,128	-	-	1,624,128
Total Capital Assets, Being Depreciated	18,833,009	723,750	27,954	19,528,805
Total Capital Assets	19,016,166	723,750	81,478	19,658,438
Less: Accumulated Depreciation	(8,917,492)	(539,787)	(27,279)	(9,430,000)
Capital Assets, Net	\$ 10,098,674	\$ 183,963	\$ 54,199	\$ 10,228,438

BUSINESS - TYPE ENTITY ST. MICHAEL'S HOSPITAL AND NURSING HOME	January 1, 2008	Additions	Disposals	December 31, 2008
Capital Assets, Not Being Depreciated				
Land	\$ 430,976	\$ -	\$ -	\$ 430,976
Capital Assets, Being Depreciated				
Land Improvements	260,197	2,244	-	262,441
Buildings	18,015,077	154,537	414,853	17,754,761
Moveable and Fixed Equipment	2,598,017	286,068	198,599	2,685,486
Total Capital Assets, Being Depreciated	20,873,291	442,849	613,452	20,702,688
Total Capital Assets	21,304,267	442,849	613,452	21,133,664
Less: Accumulated Depreciation	(6,079,641)	(887,024)	613,452	(6,353,213)
Capital Assets, Net	\$ 15,224,626	\$ (444,175)	\$ -	\$ 14,780,451

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 5 LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended December 31, 2008:

	Balance January 1, 2008	New Issues	Retired	Balance December 31, 2008
General Obligation Tax Increment Bonds	\$ 2,366,040	\$ -	\$ 349,008	\$ 2,017,032
General Obligation Improvement Bonds	6,705,000	1,265,000	790,000	7,180,000
Discount on Bonds	-	(13,915)	-	(13,915)
General Obligation Certificates of Indebtedness	35,634	-	24,634	11,000
Other Long-Term Debt	107,600	-	13,558	94,042
Revenue Bonds	255,000	-	20,000	235,000
Capital Leases	-	17,573	1,135	16,438
Total Long-Term Debt	<u>\$ 9,469,274</u>	<u>\$ 1,268,658</u>	<u>\$ 1,198,335</u>	<u>\$ 9,539,597</u>

General Obligation Bonds

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

General Obligation Tax Increment Bonds

\$585,000 General Obligation Tax Increment Refunding Bonds, Series 2004B, interest from 2.00% to 4.00%, matures February 1, 2015.	\$ 425,000
\$475,000 of General Obligation Tax Increment Refunding Bonds, Series 1998A, interest from 4.75% to 5.25%, matures February 1, 2009.	60,000
\$195,000 Tax Increment Revenue Note, Series 1998C, interest at 6.50%, matures August 1, 2009.	87,032
\$1,720,000 of General Obligation Tax Refunding Bonds, Series 2006A, interest from 3.45% to 4.00%, matures February 1, 2015.	<u>1,445,000</u>
Total General Obligation Tax Increment Bonds	2,017,032

General Obligation Improvement Bonds

\$2,430,000 General Obligation Capital Improvement Plan Refunding Bonds, Series 2007A, interest from 3.75% to 4.20% matures February 1, 2025.	2,320,000
\$415,000 General Obligation Improvement Bonds, Series 2007B, interest from 3.65% to 4.10%, matures February 1, 2017.	385,000
\$385,000 General Obligation Refunding Bonds (refunds 1999A & 1999B), Series 2004B, interest from 2.00% to 4.00%, matures February 1, 2015.	150,000
\$615,000 of General Obligation Permanent Improvement Revolving Bonds, Series 1997A, interest from 5.35% to 5.50%, matures February 1, 2018.	445,000

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 5 LONG-TERM DEBT (CONTINUED)

General Obligation Improvement Bonds (continued)

\$405,000 of General Obligation Improvement Bonds, Series 1998D, interest from 4.50% to 4.75%, matures February 1, 2009.	\$ 45,000
\$550,000 of General Obligation Permanent Improvement Revolving Fund Bonds, Series 2000B, interest from 4.75% to 5.20%, matures February 1, 2011.	180,000
\$1,295,000 of General Obligation Permanent Improvement Revolving Fund Bonds, Series 2001A, interest from 3.75% to 4.85%, matures February 1, 2012.	635,000
\$2,995,000 of General Obligation Permanent Improvement Revolving Fund Bonds, Series 2002A, interest from 3.0% to 4.0%, matures February 1, 2013.	1,005,000
\$670,000 of General Obligation Permanent Improvement Revolving Fund Bonds, Series 2003B, interest from 2.00% to 4.25%, matures February 1, 2014.	435,000
\$425,000 of General Obligation Permanent Improvement Revolving Fund Bonds, Series 2004A, interest from 2.00% to 3.88%, matures February 1, 2015.	315,000
\$1,265,000 of General Obligation Improvement Bonds, Series 2008A, interest from 3.50% to 4.75%, matures February 1, 2024. Includes a discount of \$13,915.	<u>1,251,085</u>
Total General Obligation Improvement Bonds	7,166,085
General Obligation Certificates of Indebtedness	
\$55,000 of General Obligation Equipment Certificates of Indebtedness, Series 2004, interest at 3.95%, matures October 15, 2009.	11,000
Other Long-Term Debt	
\$80,000 City Purchase of Public Utilities Commission Property of 2000, interest at 0.00% matures September 20, 2020.	48,000
\$50,000 Sauk River Watershed District Loan of 2002, interest at 3.5%, matures August 22, 2012.	22,083
\$45,700 Contract for Deed for David Schneider Land Purchase of 2004, interest at 5.0%, matures July 1, 2013.	<u>23,959</u>
Total Other Long-Term Debt	94,042
Revenue Bonds - Expected to be repaid from airport related activities.	
\$330,000 of Taxable Airport Revenue Bonds, Series 2000A, interest at 7.9%, due February 1, 2016.	235,000
Capital Leases	
\$17,573 of Capital leases for two copier machines, Interest at 16.3% on \$12,574 and 13.3% on \$4,999, due May 31, 2013	<u>16,438</u>
Total Long-Term Debt	<u><u>\$ 9,539,597</u></u>

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 5 LONG-TERM DEBT (CONTINUED)

Long-term debt maturities are as follows:

Year Ended December 31,	G.O. Tax Increment Bonds	G.O. Improvement Bonds	G.O. Equipment Certificates of Indebtedness	Other Long-Term Debt	Revenue Bonds	Total Principal Maturities	Total Interest Maturities
2009	\$ 305,060	\$ 800,000	\$ 11,000	\$ 13,965	\$ 20,000	\$ 1,150,025	\$ 380,078
2010	251,055	840,000	-	14,391	20,000	1,125,446	330,140
2011	257,115	790,000	-	14,834	25,000	1,086,949	285,356
2012	263,246	750,000	-	15,298	30,000	1,058,544	240,655
2013	279,450	610,000	-	7,554	30,000	927,004	198,779
2014-2018	661,106	1,655,000	-	20,000	110,000	2,446,106	575,487
2019-2023	-	1,265,000	-	8,000	-	1,273,000	243,076
2024-2025	-	470,000	-	-	-	470,000	17,942
Total	<u>\$ 2,017,032</u>	<u>\$ 7,180,000</u>	<u>\$ 11,000</u>	<u>\$ 94,042</u>	<u>\$ 235,000</u>	<u>\$ 9,537,074</u>	<u>\$ 2,271,513</u>

The following is a summary of bond information for the enterprise funds for the year ended December 31, 2008.

Long-Term Debt - St. Michael's Hospital and Nursing Home

2002 General Obligation Bonds: City of Sauk Centre, Minnesota, General Obligation Refunding Bonds, Series 2002B maturing in December 2012. Bonds bear interest rate coupons from 3.0% to 3.75% with an average interest rate of 3.46%.

\$ 435,000

2003 General Obligation Bonds: City of Sauk Centre, Minnesota, General Obligation Bonds, Series 2003C. Bonds bear interest rate coupons from 2.35% to 5.50%, with an average interest rate of 5.39%. The bonds will be refunded by the proceeds of the 2005C General Obligation Crossover Refunding Bonds discussed below. Through the issuance of the 2005C bonds, funds were deposited with a trustee and invested such that the amount will be adequate to pay off the 2003 Bonds from 2010 to 2013, the earliest redemption date without penalties.

10,370,000

2005B General Obligation Refunding Bonds: City of Sauk Centre, Minnesota, Gross Revenue Refunding Bonds, Series 2005B, maturing in September 2016. Bonds bear interest rate coupons from 3.00% to 4.50% with an average interest rate of 4.44%. These bonds refinanced the 1995B Gross Revenue Bonds.

910,000

2005C General Obligation Crossover Refunding Bonds: City of Sauk Centre, Minnesota, Gross Revenue Crossover Refunding Bonds, Series 2005C, matures in September 2033. Bonds bear interest rate coupons from 4.60% to 5.00%, with an average interest rate of 4.80%. Principal payments begin September 2011. These bonds will refund the 2003 General Obligation Bonds in years 2010 - 2013.

9,505,000

Total Long-Term Debt

\$ 21,220,000

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 5 LONG-TERM DEBT (CONTINUED)

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

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 425,000	\$ 593,258	\$ 1,018,258
2010	9,585,000	577,855	10,162,855
2011	485,000	496,009	981,009
2012	510,000	475,848	985,848
2013	460,000	454,003	914,003
2014-2018	2,050,000	1,976,725	4,026,725
2019-2023	2,050,000	1,561,062	3,611,062
2024-2028	2,520,000	1,068,500	3,588,500
2029-2033	3,135,000	444,475	3,579,475
Total	<u>\$ 21,220,000</u>	<u>\$ 7,647,735</u>	<u>\$ 28,867,735</u>

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

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

Long-term debt at December 31, 2008 consists of the following:

	<u>Balance January 1, 2008</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance December 31, 2008</u>
Long-Term Debt				
2002 General Obligation Bonds	\$ 530,000	\$ -	\$ (95,000)	\$ 435,000
2003 General Obligation Bonds	10,590,000	-	(220,000)	10,370,000
2005B General Obligation Bonds	1,005,000	-	(95,000)	910,000
2005C General Obligation Bonds	9,505,000	-	-	9,505,000
Total Long-Term Debt	<u>\$ 21,630,000</u>	<u>\$ -</u>	<u>\$ (410,000)</u>	21,220,000
Less: Current Maturities				<u>(425,000)</u>
Total Long-Term Debt, Net of Current Maturities				<u>\$ 20,795,000</u>

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 5 LONG-TERM DEBT (CONTINUED)

Long-Term Debt - Sauk Centre Public Utilities Commission

Following is a summary of long-term debt obligations:

Wastewater Treatment General Obligation Bonds - \$1,407,000, 1995 issue, interest at 3.20%, due August 2016.	\$ 671,389
Drinking Water General Obligation Revenue Bonds - \$2,121,231, 1998 issue, interest at 3.54%, due August 2018.	1,289,000
Wastewater Treatment General Obligation Bonds - \$410,000, 2005 Issue, interest at 3.82% , due December 2015	<u>305,000</u>
	<u>2,265,389</u>
Less: Current Maturities	<u>(224,900)</u>
Total Long-Term Debt	<u><u>\$ 2,040,489</u></u>

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

Year Ended December 31,	Principal	Interest	Total
2009	\$ 224,900	\$ 79,941	\$ 304,841
2010	231,316	71,847	303,163
2011	237,810	63,527	301,337
2012	244,384	54,990	299,374
2013	256,041	46,277	302,318
2014-2018	<u>1,070,938</u>	<u>97,405</u>	<u>1,168,343</u>
Total	<u><u>\$ 2,265,389</u></u>	<u><u>\$ 413,987</u></u>	<u><u>\$ 2,679,376</u></u>

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

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

Long-term debt at December 31, 2008 consists of the following:

	Balance January 1, 2008	Additions	Payments	Balance December 31, 2008
Changes in Long-Term Liabilities				
Bonds	\$ 2,483,948	\$ -	\$ 218,559	\$ 2,265,389
Post Employment Benefits	513,000	157,000	-	670,000
Total Long-Term Liabilities	<u><u>\$ 2,996,948</u></u>	<u><u>\$ 157,000</u></u>	<u><u>\$ 218,559</u></u>	<u><u>\$ 2,935,389</u></u>

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 6 FUND BALANCES

Designated Fund Balance

Designated fund balance is comprised of the following components:

	General	Nonmajor Special Revenue	Total
Unreserved Designated for:			
Severance - Public Works	\$ 32,166	\$ -	\$ 32,166
Fire Land/Building	-	85,327	85,327
Severance - Police	16,652	-	16,652
Park Trails	19,000	-	19,000
Future Projects	182,830	-	182,830
MnDot Signs	5,117	-	5,117
Build A Forest	4,844	-	4,844
Airport Land/Building	-	35,214	35,214
Ambulance Building	-	34,793	34,793
Library	-	44,953	44,953
Total	<u>\$ 260,609</u>	<u>\$ 200,287</u>	<u>\$ 460,896</u>

NOTE 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan Description

All full-time and certain part-time employees of the City are covered by a defined benefit plan administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. That report may be obtained on the internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, MN 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 7 DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.0%, respectively, of their annual covered salary in 2008. PEPFF members were required to contribute 8.6% of their annual covered salary in 2008. That rate will increase to 9.4% in 2009.

The City of Sauk Centre, Minnesota is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.5% for Coordinated Plan PERF members, and 12.9% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.75% and 14.1% respectively, effective January 1, 2009. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2008, 2007, and 2006 were \$43,640, \$40,089 and \$34,745, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2008, 2007, and 2006 were \$41,257, \$38,036, and \$28,437, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute. The St. Michael's Hospital and Nursing Home's contributions to PERA for the years ended December 31, 2008, 2007, and 2006 were \$421,537, \$353,146, and \$296,594, respectively. The Sauk Centre Public Utilities Commission's contributions to the Public Employees Retirement Fund for the years ending December 31, 2008, 2007, and 2006 were \$41,691, \$42,392, and \$37,136, respectively.

NOTE 8 RELATED ORGANIZATION

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

Plan Description

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

Funding Policy

Minnesota Statutes specify minimum contributions that may be required from the City on an annual basis. These minimum contributions are determined based on the amount required to meet the normal cost plus amortizing any prior year's service cost over a ten year period. A contribution was not required from the City for the year ended December 31, 2008. The Sauk Centre Fire Department Relief Association also receives funding from the State of Minnesota as a two percent fire premium tax. The City receives the contributions and is required by statute to pass this through as payment to the Fire Relief Association. Investment earnings also add to the resources available for benefits.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 8 RELATED ORGANIZATION (CONTINUED)

Sauk Centre Volunteer Fire Relief Association (the “Association”) (Continued)

Annual Pension Cost and Net Pension Obligation

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

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

The annual required contribution for the current year was determined as part of December 31, 2007, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return and (b) age and service retirement was assumed to occur at age 50. Pension benefit obligations on an actuarial basis are not calculated for individual volunteer fire relief associations since state statutes permit alternate calculation of required reserves based on overall actuarial assumptions.

The City’s net pension obligation for the Fire Relief Association for the years ended December 31, 2008, 2007, and 2006 are as follows:

December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ -	100.0 %	N/A
2007	-	100.0	N/A
2006	-	100.0	N/A

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 8 RELATED ORGANIZATION (CONTINUED)

Sauk Centre Volunteer Fire Relief Association (the “Association”) (Continued)

Contributions Required and Made

The City makes contributions to the Association annually in an amount equal to the fire aid received from the State of Minnesota as required by state statutes. The City is required to make additional contributions to the Association in the following year if the following years anticipated administrative expenses plus the anticipated increase in the required reserves plus amortization of the original unfunded accrued liability exceeds the anticipated revenues. The City was not required to make any contributions in excess of fire aid for 2008, 2007 and 2006.

Funding Progress

As of December 31, 2007 (the most recent available information), the plan was underfunded by \$66,024. Additional information on the funding progress is included in the required supplementary information section of this report.

Related-Party Investments

As of December 31, 2008, and for the year then ended, the Association held no securities issued by the City or other related parties.

NOTE 9 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 nine members. The membership consists of six counties and the Cities of St. Cloud, Sauk Centre and Paynesville. The Board of Directors consists of 25 people.

The City's 2008 contribution to the Great River Regional Library of \$7,188 is included in the expenditures of the Library Special Revenue Fund. This Fund also includes expenditures relating to providing library service for residents of the City of Sauk Centre.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 10 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 2008 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

NOTE 11 OPERATING LEASES

The City of Sauk Centre, Minnesota has entered a contract for the lease of a Sharp AR-M355NA copier. The lease agreement is for a period of five years. The City of Sauk Centre, Minnesota also entered into a contract for the lease of two squad cars. One squad car is for a period of two years and the other squad car is for a period of three years. The payments on operating leases in 2008 totaled \$31,734.

	Copier	Squad 1	Squad 2	Total
2009	\$ 3,482	\$ 7,097	\$ 11,215	\$ 25,732
2010	3,482	-	3,738	11,159
2011	3,482	-	-	7,421
2012	2,611	-	-	4,947
	<u>\$ 13,057</u>	<u>\$ 7,097</u>	<u>\$ 14,953</u>	<u>\$ 49,259</u>

NOTE 12 CAPITAL LEASES

The City of Sauk Centre, Minnesota has entered a contract for the lease of a Sharp MX-4501 copier and an HP 4345 copier. These lease agreement are for a period of 60 and 55 months respectively. The related assets are carried at a cost of \$17,573 with accumulated depreciation of \$3,515.

	Principal	Interest	Total
2009	\$ 2,818	\$ 2,332	\$ 5,150
2010	3,281	1,868	5,149
2011	3,822	1,328	5,150
2012	4,452	697	5,149
2013	2,065	80	2,145
	<u>\$ 16,438</u>	<u>\$ 6,305</u>	<u>\$ 22,743</u>

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 13 CONSTRUCTION COMMITMENTS

The City has active construction projects as of December 31, 2008. The project includes the construction of a T-Hangar for the airport. At December 31, 2008 there was one open contract. The original contract amount was \$91,837. The amount spent to date on the contract was \$74,158. The remaining commitment was \$17,677, which includes all retainage.

NOTE 14 INTERFUND TRANSACTIONS

The composition of interfund transfers as of December 31, 2008 is as follows:

Transfers Out	Transfers In			Total	Purpose
	Arena	Debt Service	Capital Projects		
General	\$ -	\$ 3,871	\$ -	\$ 3,871	Close fund
General	-	-	20,000	20,000	Fund capital projects
Debt Service	-	-	226,151	226,151	Adjust closing of capital projects
Other Governmental Funds	35,892	-	-	35,892	Fund debt service
Other Governmental Funds	-	530,325	-	530,325	Fund debt service
Other Governmental Funds	-	-	14,872	14,872	Fund capital projects
Total	<u>\$ 35,892</u>	<u>\$534,196</u>	<u>\$261,023</u>	<u>\$831,111</u>	

NOTE 15 DISCRETELY PRESENTED COMPONENT UNIT

Housing and Redevelopment Authority of Sauk Centre

Deposits

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

At December 31, 2008, the bank carrying amount of the Organization's deposits was \$37,886. The entire amount of the bank carrying value was covered by Federal Depository Insurance Corporation (FDIC) insurance or by collateral held by the Organization's agent in the Organization's name.

Investments

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

NOTE 16 COMMITMENTS AND CONTINGENCIES

Legal Matter

The City is involved in a litigation matter involving a mechanic's lien for work at the municipal airport. The City does hold a performance bond for about half of the amount.

Tax Increment Districts

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

NOTE 17 RECLASSIFICATIONS

Certain amounts from the 2007 financial statements and related notes were reclassified to conform to current year classifications

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SAUK CENTRE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2008**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
REVENUES			
General Property Taxes	\$ 669,000	\$ 603,557	\$ (65,443)
Special Assessments	1,500	5,057	3,557
Licenses and Permits	194,625	180,905	(13,720)
Intergovernmental Revenues	1,229,524	1,190,327	(39,197)
Charges for Services	157,427	169,618	12,191
Fines and Forfeits	20,275	30,249	9,974
Other Revenues	74,160	91,400	17,240
Total Revenues	2,346,511	2,271,113	(75,398)
EXPENDITURES			
General Government	747,409	678,865	(68,544)
Public Safety	740,116	717,900	(22,216)
Public Works	679,474	863,861	184,387
Culture and Recreation	221,883	186,001	(35,882)
Debt Service	23,196	23,724	528
Total Expenditures	2,412,078	2,470,351	58,273
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	(65,567)	(199,238)	(133,671)
OTHER FINANCING SOURCES (USES)			
Operating Transfers Out	(5,000)	(23,871)	(18,871)
Capital Lease Proceeds	-	17,573	17,573
Total Other Financing Sources	(5,000)	(6,298)	(1,298)
NET CHANGE IN FUND BALANCES			
	\$ (70,567)	(205,536)	\$ (134,969)
Fund Balances - Beginning of Year		1,683,105	
FUND BALANCES - ENDING END OF YEAR		\$ 1,477,569	

NOTE TO SCHEDULE

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

**CITY OF SAUK CENTRE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ARENA FUND
YEAR ENDED DECEMBER 31, 2008**

	<u>Original and Final Budget</u>	<u>Actual</u>	Variances with Budget <u>Over (Under)</u>
REVENUES			
Charges for Services	\$ 113,000	\$ 84,544	\$ (28,456)
Other Revenues	<u>36,000</u>	<u>24,531</u>	<u>(11,469)</u>
Total Revenues	149,000	109,075	(39,925)
EXPENDITURES			
Culture and Recreation	111,171	107,358	(3,813)
Debt Service	<u>35,893</u>	<u>35,893</u>	<u>-</u>
Total Expenditures	<u>147,064</u>	<u>143,251</u>	<u>(3,813)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,936	(34,176)	(36,112)
OTHER FINANCING SOURCES			
Operating Transfers In	<u>35,892</u>	<u>35,892</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ 37,828</u>	1,716	<u>\$ (36,112)</u>
Fund Balances - Beginning of year		<u>(397,810)</u>	
FUND BALANCES - END OF YEAR		<u>\$ (396,094)</u>	

NOTE TO SCHEDULE

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

**CITY OF SAUK CENTRE, MINNESOTA
SAUK CENTRE FIREMAN'S RELIEF ASSOCIATION
SCHEDULE OF FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2008**

Fiscal Year Ending	Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Benefit Per Year of Service
12/31/2007	597,407	663,431	66,024	90%	1,550
12/31/2006	537,514	554,092	16,578	97%	1,550
12/31/2005	448,372	490,644	42,272	91%	1,550

Additional information relating to the pension plan is provided in Note 8.

The December 31, 2008 report is not yet available.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008**

	General	Arena	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes						
Property Taxes	\$ 603,557	\$ -	\$ -	\$ 578,294	\$ 99,964	\$ 1,281,815
Tax Increments	-	-	-	-	701,957	701,957
Special Assessments	5,057	-	-	613,179	-	618,236
Total Taxes	<u>608,614</u>	<u>-</u>	<u>-</u>	<u>1,191,473</u>	<u>801,921</u>	<u>2,602,008</u>
Licenses and Permits						
Licenses						
Beer, Liquor and Cigarettes	23,225	-	-	-	-	23,225
Electricity Franchise Fee	126,786	-	-	-	-	126,786
Cable Franchise Fee	21,963	-	-	-	-	21,963
Other	1,691	-	-	-	-	1,691
Building Permits	7,240	-	-	-	-	7,240
Total Licenses and Permits	<u>180,905</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>180,905</u>
Intergovernmental Revenues						
Federal Grants						
Other Grants	-	-	168,381	-	20,900	189,281
State Aids						
Local Governmental Aid	1,029,168	-	-	-	15,009	1,044,177
Market Value Credits	62,553	-	-	60,544	25,129	148,226
Fire State Aid	30,478	-	-	-	-	30,478
Police State Aid	42,027	-	-	-	-	42,027
Pera Aid	26,101	-	-	-	-	26,101
Other Grants	-	-	29,593	-	-	29,593
Total Intergovernmental Revenues	<u>1,190,327</u>	<u>-</u>	<u>197,974</u>	<u>60,544</u>	<u>61,038</u>	<u>1,509,883</u>
Charges for Services						
Special Police Services	647	-	-	-	-	647
Fire Contracts	-	-	-	-	165,021	165,021
Ambulance Service	-	-	-	-	248,043	248,043
Arena Rentals and Charges	-	84,544	-	-	-	84,544
Planning and Zoning Charges	59,542	-	-	-	-	59,542
County Highway Maintenance	5,409	-	-	-	-	5,409
Campground Charges	94,842	-	-	-	-	94,842
Rent	4,000	-	-	-	23,445	27,445
Other	5,178	-	-	-	66,622	71,800
Total Charges for Services	<u>169,618</u>	<u>84,544</u>	<u>-</u>	<u>-</u>	<u>503,131</u>	<u>757,293</u>

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008**

	General	Arena	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES (CONTINUED)						
Fines and Forfeits	\$ 30,249	\$ -	\$ -	\$ -	\$ -	\$ 30,249
Other Revenues						
Interest	43,893	(11,362)	(2,922)	20,080	41,370	91,059
Donations/Contributions	26,477	35,893	-	-	38,545	100,915
Refunds and Reimbursements	12,931	-	-	-	37,498	50,429
Other	8,099	-	27,927	-	20,508	56,534
Total Other Revenues	<u>91,400</u>	<u>24,531</u>	<u>25,005</u>	<u>20,080</u>	<u>137,921</u>	<u>298,937</u>
Total Revenues	2,271,113	109,075	222,979	1,272,097	1,504,011	5,379,275
EXPENDITURES						
General Government						
Mayor and Council	94,449	-	-	-	-	94,449
Administration	292,225	-	-	-	-	292,225
Assessor	17,658	-	-	-	-	17,658
Finance	22,562	-	-	-	-	22,562
Legal	31,236	-	-	-	-	31,236
Planning and Zoning	98,280	-	-	-	-	98,280
General Government						
Buildings and Property	114,520	-	-	-	-	114,520
Capital Outlay	4,000	-	168,561	-	-	172,561
Other General Government	3,935	-	436	-	31,398	35,769
Total General Government	<u>678,865</u>	<u>-</u>	<u>168,997</u>	<u>-</u>	<u>31,398</u>	<u>879,260</u>
Public Safety						
Police	598,881	-	-	-	-	598,881
Fire Department	116,735	-	-	-	325,579	442,314
Ambulance	1,385	-	-	-	211,195	212,580
Animal Control	899	-	-	-	-	899
Capital Outlay	-	-	-	-	32,449	32,449
Total Public Safety	<u>717,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>569,223</u>	<u>1,287,123</u>
Public Works						
Highways, Streets and Alleys	661,690	-	136,394	-	-	798,084
Sidewalk and Curb	6,831	-	-	-	-	6,831
Snow and Ice Control	4,363	-	-	-	-	4,363
Street Lighting	126,148	-	-	-	-	126,148
Campground	37,275	-	-	-	-	37,275
Other	27,554	-	-	-	-	27,554
Capital Outlay	-	-	962,864	-	-	962,864
Total Public Works	<u>863,861</u>	<u>-</u>	<u>1,099,258</u>	<u>-</u>	<u>-</u>	<u>1,963,119</u>

**CITY OF SAUK CENTRE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES (CONTINUED)
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2008**

	General	Arena	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
EXPENDITURES (CONTINUED)						
Culture and Recreation						
Arena Activities	\$ -	\$ 107,358	\$ -	\$ -	\$ -	\$ 107,358
Parks	163,474	-	-	-	-	163,474
Other	22,527	-	-	-	28,059	50,586
Capital Outlay	-	-	-	-	66,171	66,171
Total Culture and Recreation	<u>186,001</u>	<u>107,358</u>	<u>-</u>	<u>-</u>	<u>94,230</u>	<u>387,589</u>
Economic Development						
Other Charges	-	-	-	-	123,544	123,544
Other						
Airport	-	-	-	-	85,889	85,889
Debt Service						
Principal	23,196	35,000	-	1,124,008	11,000	1,193,204
Interest and Fiscal Charges	528	893	21,190	373,865	871	397,347
Total Debt Service	<u>23,724</u>	<u>35,893</u>	<u>21,190</u>	<u>1,497,873</u>	<u>11,871</u>	<u>1,590,551</u>
Total Expenditures	<u>2,470,351</u>	<u>143,251</u>	<u>1,289,445</u>	<u>1,497,873</u>	<u>916,155</u>	<u>6,317,075</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	(199,238)	(34,176)	(1,066,466)	(225,776)	587,856	(937,800)
OTHER FINANCING SOURCES (USES)						
Transfers From:						
Governmental Funds	-	35,892	261,023	534,196	-	831,111
Transfers To:						
Governmental Funds	(23,871)	-	-	(225,352)	(581,888)	(831,111)
Principal from Bonds and Leases	17,573	-	1,235,421	29,579	-	1,282,573
Discount on Bonds	-	-	(13,915)	-	-	(13,915)
Total Other Financing Sources/(Uses)	<u>(6,298)</u>	<u>35,892</u>	<u>1,482,529</u>	<u>338,423</u>	<u>(581,888)</u>	<u>1,268,658</u>
NET CHANGE IN FUND BALANCES	(205,536)	1,716	416,063	112,647	5,968	330,858
Fund Balances - Beginning of Year	<u>1,683,105</u>	<u>(397,810)</u>	<u>(608,794)</u>	<u>1,785,081</u>	<u>1,736,589</u>	<u>4,198,171</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,477,569</u>	<u>\$ (396,094)</u>	<u>\$ (192,731)</u>	<u>\$ 1,897,728</u>	<u>\$ 1,742,557</u>	<u>\$ 4,529,029</u>

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	211	224	225	230	240	226
	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance	Sauk Centre Economic Development Authority
ASSETS						
Cash and Investments	\$ 50,286	\$ 30,048	\$ 292,423	\$ 92,567	\$ 58,432	\$ 22,463
Accounts Receivable	-	-	23,156	700	65,612	-
Due from Other Governments	420	-	172	549	1	103
Total Assets	<u>\$ 50,706</u>	<u>\$ 30,048</u>	<u>\$ 315,751</u>	<u>\$ 93,816</u>	<u>\$ 124,045</u>	<u>\$ 22,566</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Salaries/Benefits Payable	\$ 68	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts and Contracts Payable	2,187	3,130	7,563	-	3,294	-
Due to Other Funds	-	-	-	-	-	-
Total Liabilities	<u>2,255</u>	<u>3,130</u>	<u>7,563</u>	<u>-</u>	<u>3,294</u>	<u>-</u>
FUND BALANCES						
Unreserved,						
Designated	44,953	-	85,327	35,214	34,793	-
Undesignated	3,498	26,918	222,861	58,602	85,958	22,566
Total Fund Balances	<u>48,451</u>	<u>26,918</u>	<u>308,188</u>	<u>93,816</u>	<u>120,751</u>	<u>22,566</u>
Total Liabilities and Fund Balances	<u>\$ 50,706</u>	<u>\$ 30,048</u>	<u>\$ 315,751</u>	<u>\$ 93,816</u>	<u>\$ 124,045</u>	<u>\$ 22,566</u>

226	227	228	229	260	214		
Sauk Centre Economic Development Authority	Economic Development Revolving Loan	Park Dedication	Siren Dedication	Senior Center	Police Forfeiture	Tax Increment Financing	Total Non-Major Special Revenue
\$ 22,463	\$ 286,990	\$ 81,410	\$ 10,991	\$ 15,186	\$ 2,999	\$ 719,267	\$ 1,663,062
-	-	-	-	-	-	-	89,468
103	-	-	-	304	-	9,754	11,303
<u>\$ 22,566</u>	<u>\$ 286,990</u>	<u>\$ 81,410</u>	<u>\$ 10,991</u>	<u>\$ 15,490</u>	<u>\$ 2,999</u>	<u>\$ 729,021</u>	<u>\$ 1,763,833</u>
\$ -	\$ -	\$ -	\$ -	\$ 246	\$ -	\$ -	\$ 314
-	-	-	-	-	-	-	16,174
-	-	-	-	-	-	4,788	4,788
-	-	-	-	246	-	4,788	21,276
-	-	-	-	-	-	-	200,287
<u>22,566</u>	<u>286,990</u>	<u>81,410</u>	<u>10,991</u>	<u>15,244</u>	<u>2,999</u>	<u>724,233</u>	<u>1,542,270</u>
<u>22,566</u>	<u>286,990</u>	<u>81,410</u>	<u>10,991</u>	<u>15,244</u>	<u>2,999</u>	<u>724,233</u>	<u>1,742,557</u>
<u>\$ 22,566</u>	<u>\$ 286,990</u>	<u>\$ 81,410</u>	<u>\$ 10,991</u>	<u>\$ 15,490</u>	<u>\$ 2,999</u>	<u>\$ 729,021</u>	<u>\$ 1,763,833</u>

CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008

	211	224	225	230	240
	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance
REVENUES					
Taxes					
Property Taxes	\$ 26,715	\$ -	\$ 11,073	\$ 35,723	\$ 3
Tax Increments	-	-	-	-	-
Total Taxes	26,715	-	11,073	35,723	3
Intergovernmental Revenues					
Federal Grants					
Small Cities Development	-	-	-	-	20,900
State Aids					
Market Value Credits	2,796	-	1,150	3,740	-
Other Grants	-	1,200	-	13,184	-
Total Intergovernmental Revent	2,796	1,200	1,150	16,924	20,900
Charges for Services					
Fire Contracts	-	-	165,021	-	-
Ambulance Service	-	-	-	-	248,043
Rent	-	-	-	19,210	-
Other	-	-	200	64,441	1,981
Total Charges for Services	-	-	165,221	83,651	250,024
Other Revenues					
Interest	1,073	1,530	6,661	1,881	1,305
Donations/Contributions	175	24,240	2,516	-	3,910
Refunds and Reimbursements	-	-	34,261	1,139	2,098
Other	-	-	9,716	1,243	784
Total Other Revenues	1,248	25,770	53,154	4,263	8,097
Total Revenues	30,759	26,970	230,598	140,561	279,024
EXPENDITURES					
General Government					
Other General Government	31,398	-	-	-	-
Public Safety					
Fire Department	-	201,874	123,705	-	-
Ambulance	-	-	-	-	211,195
Capital Outlay	-	9,635	-	-	21,729
Total Public Safety	-	211,509	123,705	-	232,924

226	227	228	229	260	214		
Sauk Centre Economic Development Authority	Economic Development Revolving Loan	Park Dedication	Siren Dedication	Senior Center	Police Forfeiture	Tax Increment Financing	Total Non-Major Special Revenue
\$ 6,710	\$ -	\$ -	\$ -	\$ 19,740	\$ -	\$ -	\$ 99,964
-	-	-	-	-	-	701,957	701,957
6,710	-	-	-	19,740	-	701,957	801,921
-	-	-	-	-	-	-	20,900
701	-	-	-	2,063	-	14,679	25,129
-	-	-	-	625	-	-	15,009
701	-	-	-	2,688	-	14,679	61,038
-	-	-	-	-	-	-	165,021
-	-	-	-	-	-	-	248,043
-	-	-	-	4,235	-	-	23,445
-	-	-	-	-	-	-	66,622
-	-	-	-	4,235	-	-	503,131
449	7,078	3,015	271	179	(12)	17,940	41,370
-	-	750	-	6,954	-	-	38,545
-	-	-	-	-	-	-	37,498
250	-	2,970	-	682	4,863	-	20,508
699	7,078	6,735	271	7,815	4,851	17,940	137,921
8,110	7,078	6,735	271	34,478	4,851	734,576	1,504,011
-	-	-	-	-	-	-	31,398
-	-	-	-	-	-	-	325,579
-	-	-	-	-	-	-	211,195
-	-	-	-	-	1,085	-	32,449
-	-	-	-	-	1,085	-	569,223

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008**

	211	224	225	230	240
	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance
EXPENDITURES (CONTINUED)					
Culture and Recreation					
Other	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Culture and Recreation	-	-	-	-	-
Economic Development					
Other Charges	-	-	-	-	-
Other					
Airport	-	-	-	85,889	-
Debt Service					
Principal	-	-	11,000	-	-
Interest and Fiscal Charges	-	-	871	-	-
Total Debt Service	-	-	11,871	-	-
Total Expenditures	31,398	211,509	135,576	85,889	232,924
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(639)	(184,539)	95,022	54,672	46,100
OTHER FINANCING SOURCES (USES)					
Transfers To:					
Governmental Funds	-	-	(70,091)	(46,345)	-
NET CHANGE IN FUND BALANCES	(639)	(184,539)	24,931	8,327	46,100
Fund Balances - Beginning of Year	49,090	211,457	283,257	85,489	74,651
FUND BALANCES - END OF YEAR	\$ 48,451	\$ 26,918	\$ 308,188	\$ 93,816	\$ 120,751

226	227	228	229	260	214		
Sauk Centre Economic Development Authority	Economic Development Revolving Loan	Park Dedication	Siren Dedication	Senior Center	Police Forfeiture	Tax Increment Financing	Total Non-Major Special Revenue
-	-	-	-	28,059	-	-	28,059
-	-	66,171	-	-	-	-	66,171
-	-	66,171	-	28,059	-	-	94,230
2,460	-	-	-	-	-	121,084	123,544
-	-	-	-	-	-	-	85,889
-	-	-	-	-	-	-	11,000
-	-	-	-	-	-	-	871
-	-	-	-	-	-	-	11,871
2,460	-	66,171	-	28,059	1,085	121,084	916,155
5,650	7,078	(59,436)	271	6,419	3,766	613,492	587,856
(4,871)	-	-	-	-	-	(460,581)	(581,888)
779	7,078	(59,436)	271	6,419	3,766	152,911	5,968
21,787	279,912	140,846	10,720	8,825	(767)	571,322	1,736,589
<u>\$ 22,566</u>	<u>\$ 286,990</u>	<u>\$ 81,410</u>	<u>\$ 10,991</u>	<u>\$ 15,244</u>	<u>\$ 2,999</u>	<u>\$ 724,233</u>	<u>\$ 1,742,557</u>

**CITY OF SAUK CENTRE, MINNESOTA
 COMBINING BALANCE SHEET
 TAX INCREMENT FINANCING FUNDS
 DECEMBER 31, 2008**

	256	255	250	251
	Tax Increment Financing Water Tower	Tax Increment Financing District No. 5	Tax Increment Financing District No. 1	Tax Increment Financing District No. 1 Expanded
ASSETS				
Cash and Investments	\$ 17,851	\$ 8,978	\$ 478,930	\$ 130,242
Due from Other Governments	-	-	9,554	200
Total Assets	<u>\$ 17,851</u>	<u>\$ 8,978</u>	<u>\$ 488,484</u>	<u>\$ 130,442</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
FUND BALANCES				
Unreserved				
Undesignated	17,851	8,978	488,484	130,442
Total Liabilities and Fund Balances	<u>\$ 17,851</u>	<u>\$ 8,978</u>	<u>\$ 488,484</u>	<u>\$ 130,442</u>

253	254	258	257	259
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Tax Increment Financing District No. 1- 10	Tax Increment Housing District 4	Tax Increment Financing Morning View Housing	Tax Increment Financing Roach Center Crossing	East River Heights Housing	Total TIF Funds
\$ -	\$ 14,796	\$ 31,128	\$ 32,933	\$ 4,409	\$ 719,267
-	-	-	-	-	9,754
<u>\$ -</u>	<u>\$ 14,796</u>	<u>\$ 31,128</u>	<u>\$ 32,933</u>	<u>\$ 4,409</u>	<u>\$ 729,021</u>
\$ 4,788	\$ -	\$ -	\$ -	\$ -	\$ 4,788
<u>(4,788)</u>	<u>14,796</u>	<u>31,128</u>	<u>32,933</u>	<u>4,409</u>	<u>724,233</u>
<u>\$ -</u>	<u>\$ 14,796</u>	<u>\$ 31,128</u>	<u>\$ 32,933</u>	<u>\$ 4,409</u>	<u>\$ 729,021</u>

**CITY OF SAUK CENTRE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 TAX INCREMENT FINANCING FUNDS
 YEAR ENDED DECEMBER 31, 2008**

	256	255	250	251
	Tax Increment Financing Water Tower	Tax Increment Financing District No. 5	Tax Increment Financing District No. 1	Tax Increment Financing District No. 1 Expanded
REVENUES				
Taxes				
Tax Increments	\$ 19,342	\$ 64,846	\$ 466,109	\$ 26,869
Intergovernmental Revenues				
State Aids				
Market Value Credits	3,015	-	2,954	1,131
Other Revenues				
Interest	512	350	12,485	2,745
Total Revenues	22,869	65,196	481,548	30,745
EXPENDITURES				
Economic Development				
Other Charges	514	13,265	41,485	914
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	22,355	51,931	440,063	29,831
OTHER FINANCING SOURCES (USES)				
Transfers To:				
Governmental Funds	(18,800)	(44,826)	(344,819)	-
NET CHANGE IN FUND BALANCES	3,555	7,105	95,244	29,831
Fund Balances - Beginning of Year	14,296	1,873	393,240	100,611
FUND BALANCES - END OF YEAR	\$ 17,851	\$ 8,978	\$ 488,484	\$ 130,442

253	254	258	257	259
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Tax Increment Financing District No. 1- 10	Tax Increment Housing District 4	Tax Increment Financing Morning View Housing	Tax Increment Financing Roach Center Crossing	East River Heights Housing	Total TIF Funds
\$ 18,981	\$ 22,858	\$ 34,122	\$ 27,748	\$ 21,082	\$ 701,957
-	250	5,633	-	1,696	14,679
(24)	414	870	394	194	17,940
18,957	23,522	40,625	28,142	22,972	734,576
18,576	19,739	514	25,563	514	121,084
381	3,783	40,111	2,579	22,458	613,492
-	-	(32,416)	-	(19,720)	(460,581)
381	3,783	7,695	2,579	2,738	152,911
(5,169)	11,013	23,433	30,354	1,671	571,322
\$ (4,788)	\$ 14,796	\$ 31,128	\$ 32,933	\$ 4,409	\$ 724,233

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
DECEMBER 31, 2008**

	306	513	307	515	313	312
	Tax Improvement Bonds of 1993C	G.O. Improvement Bonds of 1995C	Tax Increment Bonds of 1995A	G.O. Improvement Bonds of 1997A	Tax Increment Bonds of 1998A	Tax Increment Bonds of 1998 Series B
ASSETS						
Cash and Investments	\$ -	\$ -	\$ -	\$ 255,789	\$ 1,355	\$ -
Special Assessments Receivable	-	-	-	5,439	-	-
Due from Other Governments	-	-	-	566	-	-
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,794</u>	<u>\$ 1,355</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	-	-	-	5,439	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,439</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Reserved for Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>256,355</u>	<u>1,355</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,794</u>	<u>\$ 1,355</u>	<u>\$ -</u>

314	517	518	316	317	318	319	322
Increment Revenue Bonds of 1998 Series C	G.O. Improvement Bonds of 1998D	G.O. Improvement Bonds of 1999A	G.O. Increment Bonds of 1999B	G.O. Improvement Bonds of 2000B	Airport Revenue Bonds of 2000A	G.O. Improvement Bonds of 2001A	G.O. Improvement Bonds of 2002A
\$ 21,816	\$ 39,918	\$ 132,890	\$ -	\$ 175,274	\$ -	\$ 473,196	\$ -
-	4,690	65,896	75,948	35,745	-	97,771	758,412
-	612	427	948	928	-	2,551	3,744
<u>\$ 21,816</u>	<u>\$ 45,220</u>	<u>\$ 199,213</u>	<u>\$ 76,896</u>	<u>\$ 211,947</u>	<u>\$ -</u>	<u>\$ 573,518</u>	<u>\$ 762,156</u>
\$ -	\$ -	\$ -	\$ 19,530	\$ -	\$ -	\$ -	\$ 75,433
-	4,690	65,896	75,948	35,745	-	97,771	758,412
-	4,690	65,896	95,478	35,745	-	97,771	833,845
<u>21,816</u>	<u>40,530</u>	<u>133,317</u>	<u>(18,582)</u>	<u>176,202</u>	<u>-</u>	<u>475,747</u>	<u>(71,689)</u>
<u>\$ 21,816</u>	<u>\$ 45,220</u>	<u>\$ 199,213</u>	<u>\$ 76,896</u>	<u>\$ 211,947</u>	<u>\$ -</u>	<u>\$ 573,518</u>	<u>\$ 762,156</u>

**CITY OF SAUK CENTRE, MINNESOTA
 COMBINING BALANCE SHEET (CONTINUED)
 DEBT SERVICE FUNDS
 DECEMBER 31, 2008**

	323	324	325	326	327
	Stearns County HRA Bonds of 2003A	G.O. Improvement Bonds of 2003B	G.O. Bonds of 2004A	G.O. Improvement Bonds of 2006A	G.O. Improvement Bonds of 2007B
ASSETS					
Cash and Investments	\$ -	\$ 235,164	\$ 202,821	\$ 710	\$ 67,682
Special Assessments Receivable	-	243,466	59,256	-	265,215
Due from Other Governments	-	3,642	542	-	-
Total Assets	<u>\$ -</u>	<u>\$ 482,272</u>	<u>\$ 262,619</u>	<u>\$ 710</u>	<u>\$ 332,897</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	-	243,466	59,256	-	265,215
Total Liabilities	<u>-</u>	<u>243,466</u>	<u>59,256</u>	<u>-</u>	<u>265,215</u>
FUND BALANCES					
Reserved for Debt Service	<u>-</u>	<u>238,806</u>	<u>203,363</u>	<u>710</u>	<u>67,682</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 482,272</u>	<u>\$ 262,619</u>	<u>\$ 710</u>	<u>\$ 332,897</u>

328	329
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2007A G.O. City Hall Bond	G.O. Improvement Bonds of 2008A	Total Debt Service
\$ 143,308	\$ 226,594	\$ 1,976,517
-	365,644	1,977,482
2,214	-	16,174
<u>\$ 145,522</u>	<u>\$ 592,238</u>	<u>\$ 3,970,173</u>

\$ -	\$ -	\$ 94,963
-	365,644	1,977,482
<u>-</u>	<u>365,644</u>	<u>2,072,445</u>

<u>145,522</u>	<u>226,594</u>	<u>1,897,728</u>
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<u>\$ 145,522</u>	<u>\$ 592,238</u>	<u>\$ 3,970,173</u>
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CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2008

	306	513	307	515	313	312
	Tax Improvement Bonds of 1993C	G.O. Improvement Bonds of 1995C	Tax Increment Bonds of 1995A	G.O. Improvement Bonds of 1997A	Tax Increment Bonds of 1998A	Tax Increment Bonds of 1998 Series B
REVENUES						
Taxes						
Property Taxes	\$ -	\$ -	\$ -	\$ 36,686	\$ -	\$ -
Special Assessments	-	-	-	5,547	-	-
Total Taxes	-	-	-	42,233	-	-
Intergovernmental Revenues						
State Aids						
Market Value Credits	-	-	-	3,857	-	-
Other Revenues						
Interest	-	-	-	5,763	(1,526)	-
Total Revenues	-	-	-	51,853	(1,526)	-
EXPENDITURES						
Debt Service						
Principal	40,000	-	-	35,000	60,000	-
Interest and Fiscal Charges	1,847	-	-	25,698	5,156	-
Total Debt Service	41,847	-	-	60,698	65,156	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	(41,847)	-	-	(8,845)	(66,682)	-
OTHER FINANCING SOURCES (USES)						
Transfers From:						
Governmental Funds	-	3,872	-	-	72,122	29,427
Transfers To:						
Governmental Funds	-	-	(2,622)	-	-	-
Principal from Bonds	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	3,872	(2,622)	-	72,122	29,427
NET CHANGE IN FUND BALANCES						
	(41,847)	3,872	(2,622)	(8,845)	5,440	29,427
Fund Balances - Beginning of Year	41,847	(3,872)	2,622	265,200	(4,085)	(29,427)
FUND BALANCES - END OF YEAR	\$ -	\$ -	\$ -	\$ 256,355	\$ 1,355	\$ -

314	517	518	316	317	318	319	322
Increment Revenue Bonds of 1998 Series C	G.O. Improvement Bonds of 1998D	G.O. Improvement Bonds of 1999A	G.O. Increment Bonds of 1999B	G.O. Improvement Bonds of 2000B	Airport Revenue Bonds of 2000A	G.O. Improvement Bonds of 2001A	G.O. Improvement Bonds of 2002A
\$ -	\$ 40,187	\$ 28,015	\$ 62,256	\$ 40,911	\$ -	\$ 93,828	\$ 97,830
-	3,678	15,765	16,469	23,162	-	33,901	188,539
-	43,865	43,780	78,725	64,073	-	127,729	286,369
-	4,225	2,945	6,545	4,301	-	9,865	10,285
189	262	2,637	(2,263)	2,873	-	9,139	(6,852)
189	48,352	49,362	83,007	71,247	-	146,733	289,802
14,008	45,000	52,000	78,000	55,000	20,000	160,000	175,000
6,346	3,756	8,886	13,322	11,267	16,293	33,816	41,947
20,354	48,756	60,886	91,322	66,267	36,293	193,816	216,947
(20,165)	(404)	(11,524)	(8,315)	4,980	(36,293)	(47,083)	72,855
20,476	-	-	24,350	18,800	36,345	29,174	22,962
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
20,476	-	-	24,350	18,800	36,345	29,174	22,962
311	(404)	(11,524)	16,035	23,780	52	(17,909)	95,817
21,505	40,934	144,841	(34,617)	152,422	(52)	493,656	(167,506)
\$ 21,816	\$ 40,530	\$ 133,317	\$ (18,582)	\$ 176,202	\$ -	\$ 475,747	\$ (71,689)

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
DEBT SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2008**

	323	324	325	326	327
	Stearns County HRA Bonds of 2003A	G.O. Improvement Bonds of 2003B	G.O. Bonds of 2004A	G.O. Improvement Bonds of 2006A	G.O. Improvement Bonds of 2007B
REVENUES					
Taxes					
Property Taxes	\$ -	\$ -	\$ 35,575	\$ -	\$ -
Special Assessments	-	70,278	18,053	273	42,709
Total Taxes	-	70,278	53,628	273	42,709
Intergovernmental Revenues					
State Aids					
Market Value Credits	-	-	3,740	-	-
Other Revenues					
Interest	-	4,897	4,607	(4,434)	1,145
Total Revenues	-	75,175	61,975	(4,161)	43,854
EXPENDITURES					
Debt Service					
Principal	-	65,000	40,000	145,000	30,000
Interest and Fiscal Charges	-	18,392	12,035	58,589	20,365
Total Debt Service	-	83,392	52,035	203,589	50,365
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(8,217)	9,940	(207,750)	(6,511)
OTHER FINANCING SOURCES (USES)					
Transfers From:					
Governmental Funds	-	-	-	210,000	-
Transfers To:					
Governmental Funds	(8,089)	-	(226,152)	-	-
Principal from Bonds	-	-	-	-	-
Total Other Financing Sources (Uses)	(8,089)	-	(226,152)	210,000	-
NET CHANGE IN FUND BALANCES	(8,089)	(8,217)	(216,212)	2,250	(6,511)
Fund Balances - Beginning of Year	8,089	247,023	419,575	(1,540)	74,193
FUND BALANCES - END OF YEAR	\$ -	\$ 238,806	\$ 203,363	\$ 710	\$ 67,682

328	329
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2007A G.O. City Hall Bond	G.O. Improvement Bonds of 2008A	Total Debt Service
\$ 143,006	\$ -	\$ 578,294
-	194,805	613,179
<u>143,006</u>	<u>194,805</u>	<u>1,191,473</u>
14,781	-	60,544
<u>1,433</u>	<u>2,210</u>	<u>20,080</u>
159,220	197,015	1,272,097
110,000	-	1,124,008
96,150	-	373,865
<u>206,150</u>	<u>-</u>	<u>1,497,873</u>
(46,930)	197,015	(225,776)
78,179	-	545,707
-	-	(236,863)
-	29,579	29,579
<u>78,179</u>	<u>29,579</u>	<u>338,423</u>
31,249	226,594	112,647
<u>114,273</u>	<u>-</u>	<u>1,785,081</u>
<u>\$ 145,522</u>	<u>\$ 226,594</u>	<u>\$ 1,897,728</u>

**CITY OF SAUK CENTRE, MINNESOTA
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 DECEMBER 31, 2008**

	412	408	410	411	406
	EDA Improvement Projects	Storm Water Project	Small Cities Development Grant	Safe Ride to School Grant	City Center Project
ASSETS					
Cash and Investments	\$ 90,004	\$ 30,321	\$ -	\$ -	\$ -
Accounts Receivable	147,423	-	-	-	-
Total Assets	<u>\$ 237,427</u>	<u>\$ 30,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts and Contracts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	7,377	-
Advances from Other Funds	-	-	-	-	386,352
Deferred Revenue	147,423	-	-	-	-
Total Liabilities	<u>147,423</u>	<u>-</u>	<u>-</u>	<u>7,377</u>	<u>386,352</u>
FUND BALANCES					
Unreserved					
Undesignated	<u>90,004</u>	<u>30,321</u>	<u>-</u>	<u>(7,377)</u>	<u>(386,352)</u>
Total Liabilities and Fund Balances	<u>\$ 237,427</u>	<u>\$ 30,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

407	437	438		
Airport Hangar 2007-11	2005/2006 CIP Projects	2008 CIP Projects	Total Capital Projects	
\$ -	\$ 120,909	\$ 94,879	\$ 336,113	
-	-	5,572	152,995	
<u>\$ -</u>	<u>\$ 120,909</u>	<u>\$ 100,451</u>	<u>\$ 489,108</u>	
\$ 19,378	\$ 50,584	\$ 34,366	\$ 104,328	
36,359	-	-	43,736	
-	-	-	386,352	
-	-	-	147,423	
<u>55,737</u>	<u>50,584</u>	<u>34,366</u>	<u>681,839</u>	
<u>(55,737)</u>	<u>70,325</u>	<u>66,085</u>	<u>(192,731)</u>	
<u>\$ -</u>	<u>\$ 120,909</u>	<u>\$ 100,451</u>	<u>\$ 489,108</u>	

CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2008

	412	408	410	411	406
	EDA Improvement Projects	Storm Water Project	Small Cities Development Grant	Safe Ride to School Grant	City Center Project
REVENUES					
Intergovernmental Revenues					
Federal Grants					
Other Grants	\$ -	\$ -	\$ -	\$ -	\$ -
State Aids					
Other Grants	-	-	-	-	-
Total Intergovernmental Revenues	-	-	-	-	-
Other Revenues					
Interest	3,520	804	-	(182)	(9,397)
Other	14,579	-	-	-	-
Total Other Revenues	18,099	804	-	(182)	(9,397)
Total Revenues	18,099	804	-	(182)	(9,397)
EXPENDITURES					
General Government					
Capital Outlay	-	-	-	-	-
Other General Government	-	-	6	-	210
Total General Government	-	-	6	-	210
Public Works					
Highways, Streets and Alleys	-	-	-	-	-
Capital Outlay	-	2,474	-	-	-
Total Public Works	-	2,474	-	-	-
Debt Service					
Interest and Fiscal Charges	-	-	-	-	-
Total Expenditures	-	2,474	6	-	210
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	18,099	(1,670)	(6)	(182)	(9,607)
OTHER FINANCING SOURCES (USES)					
Transfers From:					
Governmental Funds	-	-	4,871	-	-
Principal from Bonds	-	-	-	-	-
Discount on Bonds	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	4,871	-	-
NET CHANGE IN FUND BALANCES					
	18,099	(1,670)	4,865	(182)	(9,607)
Fund Balances - Beginning of Year	71,905	31,991	(4,865)	(7,195)	(376,745)
FUND BALANCES - END OF YEAR	\$ 90,004	\$ 30,321	\$ -	\$ (7,377)	\$ (386,352)

407	437	438	
Airport Hangar 2007-11	2005/2006 CIP Projects	2008 CIP Projects	Total Capital Projects
\$ 168,381	\$ -	\$ -	\$ 168,381
29,593	-	-	29,593
197,974	-	-	197,974
(2,032)	2,239	2,126	(2,922)
-	-	13,348	27,927
(2,032)	2,239	15,474	25,005
195,942	2,239	15,474	222,979
168,561	-	-	168,561
220	-	-	436
168,781	-	-	168,997
-	-	136,394	136,394
-	57,359	903,031	962,864
-	57,359	1,039,425	1,099,258
-	-	21,190	21,190
168,781	57,359	1,060,615	1,289,445
27,161	(55,120)	(1,045,141)	(1,066,466)
10,000	246,152	-	261,023
-	-	1,235,421	1,235,421
-	-	(13,915)	(13,915)
10,000	246,152	1,221,506	1,482,529
37,161	191,032	176,365	416,063
(92,898)	(120,707)	(110,280)	(608,794)
\$ (55,737)	\$ 70,325	\$ 66,085	\$ (192,731)

REPORTS RELATED TO *GOVERNMENT AUDITING STANDARDS*

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, of the City of Sauk Centre, Minnesota, as of and for the year ended December 31, 2008, which collectively comprise the City of Sauk Centre, Minnesota's basic financial statements and have issued our report thereon dated April 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Sauk Centre, Minnesota's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Sauk Centre, Minnesota's financial statements that is more than inconsequential will not be prevented or detected by the City of Sauk Centre, Minnesota's internal control. We consider the deficiencies described in the accompanying schedule of findings as finding 2008-3 and 2008-4 to be significant deficiencies in internal control over financial reporting.

Internal Control Over Financial Reporting (Continued)

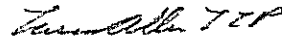
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Sauk Centre, Minnesota's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that each of the significant deficiencies described above are a material weakness.

Compliance and Other Matters

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

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



LarsonAllen LLP

Alexandria, Minnesota
April 28, 2009

REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sauk Centre, Minnesota, as of and for the year ended December 31, 2008, and have issued our report thereon dated April 28, 2009.

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

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

The results of our tests indicate that for the items tested, the City of Sauk Centre, Minnesota, complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings as findings 2008-1 and 2008-2.

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

LarsonAllen LLP

LarsonAllen LLP

Alexandria, Minnesota
April 28, 2009

**CITY OF SAUK CENTRE, MINNESOTA
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2008**

2008-1 FIVE YEAR LIMIT ON CONTRACTS FOR DEED/CONDITIONAL SALES CONTRACT

Condition: Minnesota Statute 365.025 states a contract for deed purchase may be payable over a period of time not to exceed five years. A contract for deed agreement written during 2003 was for a period of 10 years.

2008-2 ENDORSEMENT STATEMENT

Condition: Minnesota statutes require the City to obtain a signed declaration statement for all disbursements. Some of the City's Disbursements lacked this declaration statement.

2008-3 LACK OF SEGREGATION OF DUTIES

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

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

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

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

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

**CITY OF SAUK CENTRE, MINNESOTA
SCHEDULE OF FINDINGS (CONTINUED)
YEAR ENDED DECEMBER 31, 2008**

2008-4 OVERSIGHT OF THE FINANCIAL REPORTING PROCESS

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

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

Cause: The City relies on the audit firm to prepare the annual financial report and record significant reclassification and cash-to-accrual conversion entries. However, they reviewed and approved the annual financial statements and the entries.

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

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