

CITY OF SAUK CENTRE, MINNESOTA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

**CITY OF SAUK CENTRE, MINNESOTA
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INTRODUCTORY SECTION

**CITY OF SAUK CENTRE, MINNESOTA
ELECTED OFFICIALS AND ADMINISTRATION
DECEMBER 31, 2009**

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

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

PUBLIC UTILITIES COMMISSION - APPOINTED		
Dennis Rykken	Chairperson	December 31, 2010
Ted Spanier	Vice Chairperson	December 31, 2011
Roy Walz	Commissioner	December 31, 2009
Rick Bullard	Commissioner	December 31, 2010
Michael Bick	Commissioner	December 31, 2010

HOUSING AND REDEVELOPMENT AUTHORITY BOARD - APPOINTED		
Victor Traut	Chairperson	March 31, 2012
Gwen Kranz	Vice Chairperson	March 31, 2011
Robert Polipnick	Board Member	March 31, 2014
Don Leonard	Board Member	March 31, 2013
Mary Lou Schaefer	Board Member	March 31, 2010
David Thomas	Council Representative	

HOSPITAL BOARD		
Dan Borgmann	Chair	December 31, 2015
Dale Emmel	Vice Chair	December 31, 2010
Marlene Otte	Secretary	December 31, 2010
Dr. Keith Olson	Board Member	December 31, 2009
Bill Kranz	Board Member	December 31, 2009
Brad Kirckof	Council Representative	

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sauk Centre, Minnesota as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Sauk Centre, Minnesota's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Housing and Redevelopment Authority of Sauk Centre. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing and Redevelopment Authority of Sauk Centre, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sauk Centre, Minnesota, as of December 31, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

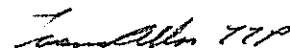
As discussed in the notes to the basic financial statements, the City has adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* as of and for the year ended December 31, 2009. This statement results in the City reporting an asset and a liability for postemployment benefits other than pensions that the City provides to employees and retirees

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 June 23, 2010 on our consideration of the City of Sauk Centre, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sauk Centre, Minnesota's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information 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
June 23, 2010

BASIC FINANCIAL STATEMENTS

**CITY OF SAUK CENTRE, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

	Governmental Activities	Component Units		
		St. Michael's Hospital and Nursing Home	Sauk Centre Public Utilities Commission	Sauk Centre HRA
ASSETS				
Cash and Investments	\$ 4,684,952	\$ 841,603	\$ 12,715	\$ 76,664
Noncurrent Cash and Investments	-	12,941,543	-	-
Designated Cash and Investments	-	-	5,042,419	-
Due from Other Governments	53,719	-	-	-
Accounts Receivable	272,962	2,757,629	483,009	-
Taxes Receivable - Delinquent	186,579	-	-	-
Special Assessments Receivable	1,662,479	-	-	-
Due from Component Units	55,810	-	-	-
Due from Primary Government	-	-	44,000	-
Interest Receivable	13,202	-	68,270	-
Inventories	-	268,673	305,711	-
Prepaid Expenses	1,898	148,884	42,441	6,253
Land Held for Investment	-	-	60,000	-
Bond Closing Costs	13,374	-	-	-
Deferred Financing Costs - Net	-	486,090	-	-
Investment in Joint Venture	-	599,216	-	-
Capital Assets				
Land	3,300,141	529,595	129,633	95,033
Land Improvements	1,664,748	262,441	-	-
Buildings	5,801,619	17,900,073	-	1,860,974
Machinery and Equipment	2,434,414	3,190,283	19,689,261	90,868
Infrastructure	9,334,070	-	-	-
Construction in Process	563,880	-	552,632	8,215
Less: Accumulated Depreciation	(7,525,230)	(7,281,340)	(9,853,575)	(1,125,383)
Total Assets	22,518,617	32,644,690	16,576,516	1,012,624
LIABILITIES				
Salaries/Benefits Payable	21,240	837,640	95,230	2,111
Accounts and Contracts Payable	51,770	433,607	682,773	4,465
Compensated Absences	109,173	-	49,752	-
Due to Primary Government	-	-	55,810	-
Due to Other Governments	-	-	-	5,775
Tenant Security Deposits	-	-	-	5,700
Unearned Revenue	142,565	-	-	-
Accrued Interest	126,749	189,524	23,497	-
OPEB Liability	24,996	51,480	387,705	-
Long-Term Obligations				
Due Within One Year	1,204,652	9,585,000	231,316	-
Due in More than One Year	7,239,785	11,210,000	1,809,173	-
Total Liabilities	8,920,930	22,307,251	3,335,256	18,051
NET ASSETS				
Invested in Capital Assets, Net of				
Related Debt	7,129,205	3,951,052	8,477,462	929,707
Restricted	2,519,095	10,316,954	4,763,798	-
Unrestricted	3,949,387	(3,930,567)	-	64,866
Total Net Assets	13,597,687	10,337,439	13,241,260	994,573
Total Liabilities and Net Assets	\$ 22,518,617	\$ 32,644,690	\$ 16,576,516	\$ 1,012,624

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009**

	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 Units		
					Governmental Activities	St. Michael's Hospital and Nursing Home	Sauk Centre Public Utilities Commission	Sauk Centre HRA
PRIMARY GOVERNMENT								
GOVERNMENTAL ACTIVITIES								
General Government	\$ 796,772	\$ 182,919	\$ -	\$ -	\$ (613,853)	\$ -	\$ -	\$ -
Public Safety	1,150,562	690,626	5,192	27,000	(427,744)	-	-	-
Public Works	594,826	15,622	2,608	112,507	(464,089)	-	-	-
Culture and Recreation	377,424	143,319	39,579	-	(194,526)	-	-	-
Economic Development	123,718	26,460	-	-	(97,258)	-	-	-
Airport	441,920	87,025	-	326,744	(28,151)	-	-	-
Debt Service	325,814	-	-	-	(325,814)	-	-	-
Total Governmental Activities	<u>3,811,036</u>	<u>1,145,971</u>	<u>47,379</u>	<u>466,251</u>	<u>(2,151,435)</u>	-	-	-
COMPONENT UNITS								
Housing Activity	204,092	112,852	73,961	44,745	-	-	-	27,466
St. Michael's Hospital and Nursing Home	17,545,812	17,416,307	64,346	204,862	-	139,703	-	-
Public Utilities Commission	5,344,245	5,659,929	-	-	-	-	315,684	-
Total Component Units	<u>23,094,149</u>	<u>23,189,088</u>	<u>138,307</u>	<u>249,607</u>	-	<u>139,703</u>	<u>315,684</u>	<u>27,466</u>
GENERAL REVENUES								
Property Taxes					1,407,929	-	-	-
Tax Increments Received					730,050	-	-	-
Intergovernmental Revenues					1,258,439	-	-	-
Interest and Investments Earnings					47,023	535,897	152,695	935
Gain on Disposal of Assets					-	-	11,100	-
Miscellaneous Revenues					88,868	-	16,365	-
Total General Revenues					<u>3,532,309</u>	<u>535,897</u>	<u>180,160</u>	<u>935</u>
CHANGE IN NET ASSETS								
Net Assets - Beginning of Year					1,380,874	675,600	495,844	28,401
					<u>12,216,813</u>	<u>9,661,839</u>	<u>12,745,416</u>	<u>966,172</u>
NET ASSETS - END OF YEAR								
					<u>\$ 13,597,687</u>	<u>\$ 10,337,439</u>	<u>\$ 13,241,260</u>	<u>\$ 994,573</u>

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	General	Special Revenue Arena	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 620,588	\$ -	\$ 237,883	\$ 2,155,468	\$ 1,671,014	\$ 4,684,953
Taxes Receivable - Delinquent	186,579	-	-	-	-	186,579
Special Assessments Receivable	41,549	-	-	1,620,930	-	1,662,479
Accounts Receivable	58,036	3,980	138,371	-	85,777	286,164
Prepaid Expenses	-	-	-	-	1,898	1,898
Due from Other Governments	13,419	610	-	24,604	15,086	53,719
Due from Other Funds	132,857	-	55,810	-	-	188,667
Advances to Other Funds	339,029	-	-	-	-	339,029
Total Assets	<u>\$ 1,392,057</u>	<u>\$ 4,590</u>	<u>\$ 432,064</u>	<u>\$ 3,801,002</u>	<u>\$ 1,773,775</u>	<u>\$ 7,403,488</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Salaries/Benefits Payable	\$ 20,696	\$ 57	\$ -	\$ -	\$ 487	\$ 21,240
Accounts and Contracts Payable	18,198	1,124	23,340	-	9,108	51,770
Due to Other Funds	-	-	128,482	-	4,375	132,857
Advances from Other Funds	-	339,029	-	-	-	339,029
Deferred Revenue	230,028	-	138,371	1,620,930	2,294	1,991,623
Total Liabilities	<u>268,922</u>	<u>340,210</u>	<u>290,193</u>	<u>1,620,930</u>	<u>16,264</u>	<u>2,536,519</u>
FUND BALANCES						
Reserved for Debt Service	-	-	-	2,180,072	-	2,180,072
Reserved for Advances	339,029	-	-	-	-	339,029
Unreserved, Reported in:						
General Fund						
Designated	256,995	-	-	-	-	256,995
Undesignated	527,111	-	-	-	-	527,111
Special Revenue Fund						
Designated	-	-	-	-	193,287	193,287
Undesignated	-	(335,620)	-	-	1,564,224	1,228,604
Capital Projects Fund						
Undesignated	-	-	141,871	-	-	141,871
Total Fund Balances	<u>1,123,135</u>	<u>(335,620)</u>	<u>141,871</u>	<u>2,180,072</u>	<u>1,757,511</u>	<u>4,866,969</u>
Total Liabilities and Fund Balances	<u>\$ 1,392,057</u>	<u>\$ 4,590</u>	<u>\$ 432,064</u>	<u>\$ 3,801,002</u>	<u>\$ 1,773,775</u>	<u>\$ 7,403,488</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, 2009**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 4,866,969

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of Capital Assets	23,098,872
Less: Accumulated depreciation	(7,525,231)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Long-Term Debt	(8,444,437)
Bond Closing Costs	13,374
OPEB Liability	(24,996)
Compensated Absences Payable	(109,173)
Accrued Interest Payable	(126,749)

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.

Delinquent Property Taxes	186,579
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Delinquent receivables are not available to pay for current expenditures and therefore are deferred in the funds.

Deferred Special Assessments Receivable	1,662,478
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NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 13,597,687

CITY OF SAUK CENTRE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2009

	General	Special Revenue Arena	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	\$ 694,683	\$ -	\$ -	\$ 532,249	\$ 100,823	\$ 1,327,755
Tax Increments Received	-	-	-	-	730,050	730,050
Special Assessments	3,891	-	-	468,408	-	472,299
Licenses and Permits	185,314	-	-	-	-	185,314
Intergovernmental Revenues	1,245,808	-	326,744	52,640	39,520	1,664,712
Charges for Services	141,364	118,029	-	-	551,718	811,111
Fines and Forfeits	39,720	-	-	-	-	39,720
Other Revenues	71,159	(3,483)	80,499	11,674	124,242	284,091
Total Revenues	<u>2,381,939</u>	<u>114,546</u>	<u>407,243</u>	<u>1,064,971</u>	<u>1,546,353</u>	<u>5,515,052</u>
EXPENDITURES						
General Government	678,574	-	-	-	27,987	706,561
Public Safety	705,045	-	-	-	580,586	1,285,631
Public Works	698,463	-	117,771	-	-	816,234
Culture and Recreation	231,013	54,075	-	-	45,843	330,931
Economic Development	-	-	-	-	123,718	123,718
Airport	-	-	374,181	-	64,225	438,406
Debt Service	13,965	-	-	1,507,180	11,203	1,532,348
Total Expenditures	<u>2,327,060</u>	<u>54,075</u>	<u>491,952</u>	<u>1,507,180</u>	<u>853,562</u>	<u>5,233,829</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	54,879	60,471	(84,709)	(442,209)	692,791	281,223
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	419,313	667,833	-	1,087,146
Transfers Out	(409,313)	-	-	-	(677,833)	(1,087,146)
Bond and Capital Lease Principal	-	-	-	2,560,000	-	2,560,000
Discount on Bonds	-	-	-	(33,280)	-	(33,280)
Principal on Bonds	-	-	-	(2,470,000)	-	(2,470,000)
Total Other Financing Sources (Uses)	<u>(409,313)</u>	<u>-</u>	<u>419,313</u>	<u>724,553</u>	<u>(677,833)</u>	<u>56,720</u>
NET CHANGE IN FUND BALANCES						
	(354,434)	60,471	334,604	282,344	14,958	337,943
Fund Balances - Beginning of Year	<u>1,477,569</u>	<u>(396,091)</u>	<u>(192,733)</u>	<u>1,897,728</u>	<u>1,742,553</u>	<u>4,529,026</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 1,123,135</u></u>	<u><u>\$ (335,620)</u></u>	<u><u>\$ 141,871</u></u>	<u><u>\$ 2,180,072</u></u>	<u><u>\$ 1,757,511</u></u>	<u><u>\$ 4,866,969</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, 2009**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 337,943

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

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.

Capital Outlay	725,864
Depreciation Expense	(515,245)

Repayment of long-term debt is reported as an expenditure or other financing use in governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. In the current period, this amount consists of:

Bond Principal Retirement	3,618,808
Deferred Bond Issuance Costs	13,373
Change in Compensated Absences	30,653
Amortization of Bond Discount	(928)
Debt Issuance (net of discount)	(2,526,720)
Interfund Retirements	4,000

Other postemployment benefit liability is not reported in governmental funds (24,996)

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. 41,284

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 \$36,633 while special assessments decreased by \$359,792. (323,162)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,380,874

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

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.

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

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Reporting Entity (Continued)

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

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

The Housing and Redevelopment Authority of Sauk Centre (HRA) operates as a local government unit for the purpose of providing housing and redevelopment services to the Sauk Centre area. The HRA cannot issue bonds pledging as security the full faith and credit of the City. The HRA's property tax levy must be approved by the City Council. The HRA's financial information is presented as of and for the fiscal year ended September 30, 2009.

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

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

C. Basic Financial Statement Presentation

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

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

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting

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

Governmental Funds

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

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

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

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

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

GASB No. 34 also requires that budget vs. actual information be presented for the general fund and all budgeted major special revenue funds. For 2009 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, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

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

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

F. Use of Estimates

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

G. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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

2. Accounts Receivable

Sauk Centre Ambulance provides an allowance for uncollectible self-pay and miscellaneous commercial insurance accounts based on the allowance method. Patients are not required to provide collateral for services rendered. Payment for services is required upon receipt of an invoice, after payment by insurance, if any. Self-pay accounts are analyzed for 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, 2009, the allowance for uncollectible accounts was \$51,855.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Investments

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

4. Inventories

Inventories are reported at cost using the weighted average method.

5. Designated Assets

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

6. Restricted Assets

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Property Taxes Calendar

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

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

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

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

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

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

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

Current year property tax revenues represent the tax levy certified to the County Auditor in December of 2008 which was collected during the year ended December 31, 2009, 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, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Special Assessments

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

9. Due from Other Governments

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

10. Short-Term Interfund Receivables / Payables

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

11. Capital Assets

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

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

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

12. Deferred Revenue

Deferred revenue represents the delinquent taxes and delinquent and deferred assessments receivable. In 2009, 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, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

13. Long-Term Obligations

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

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

14. Long-Term Interfund Receivables / Payables

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

15. Compensated Absences

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

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

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

16. Fund Equity

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

17. Net Assets

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

H. Revenues, Expenditures, and Expenses

1. Revenues

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

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

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

2. Expenditures

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

3. Expenses

Government wide financial statements recognize expenses when they are incurred.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget

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

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

Deficit Fund Balances

The following funds have a deficit fund balance at December 31, 2009:

Arena Fund	\$	335,620
Tax Increment Financing District No. 1-10		4,375
Airport Hangar 2007-11		94,291
Safe Ride To School Grant		7,444
Total	\$	<u>441,730</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, 2009**

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, 2009:

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	\$ 1
4M Plus Fund	N/R	N/A	N/A	N/A	N/A	155,671
Smith Barney						
Money Market Fund	N/R	N/A	N/A	N/A	N/A	22,614
Capmark Bank - UT						
Transferable Certificate of Deposit	N/R	N/A	N/A	5/23/2011	4.05%	98,896
MN National Bank						
Certificate of Deposit	N/R	N/A	N/A	4/3/2010	1.77%	252,705
Certificate of Deposit	N/R	N/A	N/A	4/3/2010	2.46%	250,000
First State Bank						
Certificate of Deposit	N/R	N/A	N/A	4/5/2010	1.9%	151,533
Certificate of Deposit	N/R	N/A	N/A	4/6/2010	2.45%	250,000
Certificate of Deposit	N/R	N/A	N/A	4/6/2011	2.6%	100,000
Total Investments						<u>\$ 1,281,420</u>

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

	Bank Value	Carrying Value
Deposits		
Checking Accounts	\$ 661,523	\$ 588,952
Savings Accounts	2,814,580	2,814,580
Total Deposits		\$ 3,403,532
Total Deposits and Investments - Governmental Funds		\$ 4,684,952

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

	St Michael's Hospital and Nursing Home	Sauk Centre Public Utility Commission
Cash on Hand	\$ -	\$ 600
Cash in Checking	841,603	12,115
Designated Assets:		
Operations and Maintenance Deposits	-	400,000
Rate Stabilization Deposits	-	3,604
Capital Replacement Deposits	-	3,901,109
Postemployment Benefits Deposits	-	387,705
Debt Retirement Deposits	-	350,000
Under Bond Indenture Agreements:		
United States Treasury Note	9,230,009	-
Certificates of Deposit	1,075,873	-
Accrued Interest	11,072	-
By Board for Capital Improvements:		
Certificates of Deposit	2,610,374	-
Accrued Interest	14,215	-
Total Cash and Investments	13,783,146	5,055,133
Less: Designated Assets and Assets under Bond Indenture Agreements	(12,941,543)	(5,042,418)
Total Cash and Investments	\$ 841,603	\$ 12,715

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, 2009**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 is as follows:

GOVERNMENTAL ACTIVITIES	January 1, 2009 Balance	Additions	Disposals	December 31, 2009 Balance
Capital Assets, Not Being Depreciated				
Land	\$ 3,300,141	\$ -	\$ -	\$ 3,300,141
Construction in Progress	1,222,886	563,879	1,222,886	563,879
Total Capital Assets, Not Being Depreciated	<u>4,523,027</u>	<u>563,879</u>	<u>1,222,886</u>	<u>3,864,020</u>
Capital Assets, Being Depreciated				
Land Improvements	1,647,262	17,486	-	1,664,748
Buildings and Improvements	5,801,619	-	-	5,801,619
Vehicles, Machinery and Equipment	2,253,098	216,366	35,050	2,434,414
Infrastructure	8,183,052	1,151,019	-	9,334,071
Total Capital Assets, Being Depreciated	<u>17,885,031</u>	<u>1,384,871</u>	<u>35,050</u>	<u>19,234,852</u>
Less: Accumulated Depreciation				
Land Improvements	1,244,741	28,994	-	1,273,735
Buildings and Improvements	1,302,739	150,298	-	1,453,037
Vehicles, Machinery and Equipment	1,193,541	127,132	35,050	1,285,623
Infrastructure	3,304,015	208,821	-	3,512,836
Total Accumulated Depreciation	<u>7,045,036</u>	<u>515,245</u>	<u>35,050</u>	<u>7,525,231</u>
Total Capital Assets, Being Depreciated, Net	<u>10,839,995</u>	<u>869,626</u>	<u>-</u>	<u>11,709,621</u>
Governmental Capital Assets, Net	<u>\$ 15,363,022</u>	<u>\$ 1,433,505</u>	<u>\$ 1,222,886</u>	<u>\$ 15,573,641</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 108,258
Public Safety	68,910
Public Works	261,729
Culture and Recreation	72,834
Airport	<u>3,514</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 515,245</u>

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

NOTE 4 CAPITAL ASSETS (CONTINUED)

COMPONENT UNIT	January 1, 2009			December 31, 2009
SAUK CENTRE PUBLIC UTILITIES COMMISSION	Balance	Additions	Disposals	Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 129,633	\$ -	\$ -	\$ 129,633
Construction in Progress	-	552,632	-	552,632
Total Capital Assets, Not Being Depreciated	129,633	552,632	-	682,265
Capital Assets, Being Depreciated:				
Station Equipment	539,761	-	-	539,761
Distribution System	15,206,950	101,731	-	15,308,681
General Plant	1,330,960	142,413	94,904	1,378,469
Load Management	827,006	11,216	-	838,222
Treatment Facility	1,624,128	-	-	1,624,128
Total Capital Assets, Being Depreciated	19,528,805	255,360	94,904	19,689,261
Total Capital Assets	19,658,438	807,992	94,904	20,371,526
Less: Accumulated Depreciation	(9,430,000)	(518,479)	(94,904)	(9,853,575)
Capital Assets, Net	<u>\$ 10,228,438</u>	<u>\$ 289,513</u>	<u>\$ -</u>	<u>\$ 10,517,951</u>
COMPONENT UNIT	January 1, 2009			December 31, 2009
ST. MICHAEL'S HOSPITAL AND NURSING HOME	Balance	Additions	Disposals	Balance
Capital Assets, Not Being Depreciated				
Land	\$ 430,976	\$ 98,619	\$ -	\$ 529,595
Capital Assets, Being Depreciated				
Land Improvements	262,441	-	-	262,441
Buildings	17,754,761	145,312	-	17,900,073
Moveable and Fixed Equipment	2,685,486	504,797	-	3,190,283
Total Capital Assets, Being Depreciated	20,702,688	650,109	-	21,352,797
Total Capital Assets	21,133,664	748,728	-	21,882,392
Less: Accumulated Depreciation	(6,353,213)	(928,127)	-	(7,281,340)
Capital Assets, Net	<u>\$ 14,780,451</u>	<u>\$ (179,399)</u>	<u>\$ -</u>	<u>\$ 14,601,052</u>

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

NOTE 5 LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended December 31, 2009:

	Balance January 1, 2009	New Issues	Retired	Balance December 31, 2009
General Obligation Tax Increment Bonds	\$ 2,040,032	\$ -	\$ 328,025	\$ 1,712,007
General Obligation Improvement Bonds	7,157,000	2,560,000	3,247,000	6,470,000
Discount on Bonds	(13,915)	(33,280)	(928)	(46,267)
General Obligation Certificates of Indebtedness	11,000	-	11,000	-
Other Long-Term Debt	90,042	-	9,965	80,077
Revenue Bonds	235,000	-	20,000	215,000
Capital Leases	16,438	-	2,818	13,620
Total Long-Term Debt	<u>\$ 9,535,597</u>	<u>\$ 2,526,720</u>	<u>\$ 3,617,880</u>	<u>\$ 8,444,437</u>

General Obligation Bonds

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

	Balance Outstanding
General Obligation Tax Increment Bonds	
\$585,000 General Obligation Tax Increment Refunding Bonds, Series 2004B, interest from 2.00% to 4.00%, matures February 1, 2015.	\$ 370,000
\$195,000 Tax Increment Revenue Note, Series 1998C, interest at 6.50%, matures August 1, 2014.	72,007
\$1,720,000 of General Obligation Tax Refunding Bonds, Series 2006A, interest from 3.45% to 4.00%, matures February 1, 2015.	<u>1,270,000</u>
Total General Obligation Tax Increment Bonds	1,712,007

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.	2,220,000
\$415,000 General Obligation Improvement Bonds, Series 2007B, interest from 3.65% to 4.10%, matures February 1, 2017.	350,000
\$385,000 General Obligation Refunding Bonds (refunds 1999A & 1999B), Series 2004B, interest from 2.00% to 4.00%, matures February 1, 2015.	75,000

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

NOTE 5 LONG-TERM DEBT (CONTINUED)

	<u>Balance Outstanding</u>
General Obligation Improvement Bonds (Continued)	
\$1,265,000 of General Obligation Improvement Bonds, Series 2008A, interest from 3.50% to 4.75%, matures February 1, 2024. Includes a discount of \$12,987.	\$ 1,265,000
\$2,560,000 of General Obligation Refunding Bonds, Series 2009A, interest from 3.50% to 4.75%, matures February 1, 2024. Includes a discount of \$33,280.	<u>2,560,000</u>
Total General Obligation Improvement Bonds	6,470,000
Other Long-Term Debt	
\$50,000 Sauk River Watershed District Loan of 2002, interest at 3.5%, matures August 22, 2012.	16,844
\$80,000 City purchase of Public Utilities Property of 2000, Interest at 0.00% matures September 20, 2020	44,000
\$45,700 Contract for Deed for David Schneider Land Purchase of 2004, interest at 5.0%, matures July 1, 2013.	<u>19,233</u>
Total Other Long-Term Debt	80,077
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.	215,000
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.	13,620
Less Discount on Bonds	<u>46,267</u>
Total Long-Term Debt	<u><u>\$ 8,444,437</u></u>

On June 11, 2009, the City issued \$2,560,000 of General Obligation Refunding Bonds to provide resources to refund the following bond issues: 1997A, 2000B, 2001A, 2002A, 2003B, and 2004A. This refunding was undertaken to reduce the overall debt service payments by \$111,654. The economic gain from the refunding transaction calculated on a present value basis is \$101,245.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

NOTE 5 LONG-TERM DEBT (CONTINUED)

Long-term debt maturities are as follows:

Year Ended December 31,	Total Principal Maturities	Total Interest Maturities
2010	\$ 1,208,653	\$ 270,818
2011	1,125,770	235,749
2012	1,082,996	207,479
2013	934,070	178,672
2014	800,214	150,910
2015-2019	1,835,000	469,450
2020-2024	1,319,000	187,479
2025	185,000	3,885
Total	8,490,704	1,704,442
Less: Discount	46,267	-
Total	<u>\$ 8,444,437</u>	<u>\$ 1,704,442</u>

The following is a summary of bond information for the component units for the year ended December 31, 2009.

Long-Term Debt - Sauk Centre Public Utilities Commission - Component Unit	Balance Outstanding
Wastewater Treatment General Obligation Bonds - \$1,407,000, 1995 issue, interest at 3.20%, due August 2016.	\$ 596,489
Drinking Water General Obligation Revenue Bonds - \$2,121,231, 1998 issue, interest at 3.54%, due August 2018.	1,179,000
Wastewater Treatment General Obligation Bonds - \$410,000, 2005 Issue, interest at 3.82% , due December 2015	265,000
	<u>2,040,489</u>
Less: Current Maturities	<u>(231,316)</u>
Total Long-Term Debt	<u>\$ 1,809,173</u>

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

NOTE 5 LONG-TERM DEBT (CONTINUED)

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

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

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	267,785	36,890	304,675
2015-2018	803,153	60,515	863,668
Total	<u>\$ 2,040,489</u>	<u>\$ 334,046</u>	<u>\$ 2,374,535</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, 2009 consists of the following:

	<u>Balance January 1, 2008</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance December 31, 2008</u>
Changes in Long-Term Liabilities				
Bonds	\$ 2,265,389	\$ -	\$ 224,900	\$ 2,040,489
OPEB Prior to GASB 45	670,000	-	670,000	-
Total Long-Term Liabilities	<u>\$ 2,935,389</u>	<u>\$ -</u>	<u>\$ 894,900</u>	<u>\$ 2,040,489</u>

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

NOTE 5 LONG-TERM DEBT (CONTINUED)

Long-Term Debt - St. Michael's Hospital and Nursing Home - Component Unit	Balance Outstanding
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%.	\$ 335,000
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.	10,145,000
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.	810,000
2005C General Obligation Crossover Refunding Bonds: City of Sauk Centre, Minnesota, Gross Revenue Crossover Refunding Bonds, Series 2005C, matures in September 2033. Bonds bear interest rate coupons from 4.60% to 5.00%, with an average interest rate of 4.80%. Principal payments begin September 2011. These bonds will refund the 2003 General Obligation Bonds in years 2010 - 2013.	9,505,000
Less: Current Maturities	(9,585,000)
Total Long-Term Debt	\$ 11,210,000

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

Year Ending December 31,	Principal	Interest	Total
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	461,153	921,153
2014	425,000	435,189	860,189
2015-2019	1,625,000	1,541,536	3,166,536
2020-2024	2,050,000	1,561,062	3,611,062
2025-2029	2,520,000	1,068,500	3,588,500
2030-2033	3,135,000	444,475	3,579,475
Total	\$ 20,795,000	\$ 7,061,627	\$ 27,856,627

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

NOTE 5 LONG-TERM DEBT (CONTINUED)

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

Under the terms of the above bond agreements, the Organization is required to maintain certain deposits with the trustee. Such deposits are included with 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, 2009 consists of the following:

	Balance January 1, 2008	Additions	Payments	Balance December 31, 2008
Long-Term Debt				
2002 General Obligation Bonds	\$ 435,000	\$ -	\$ 100,000	\$ 335,000
2003 General Obligation Bonds	10,370,000	-	225,000	10,145,000
2005B General Obligation Bonds	910,000	-	100,000	810,000
2005C General Obligation Bonds	9,505,000	-	-	9,505,000
Total Long-Term Debt	<u>\$ 21,220,000</u>	<u>\$ -</u>	<u>\$ 425,000</u>	20,795,000
Less: Current Maturities				<u>(9,585,000)</u>
Total Long-Term Debt, Net of Current Maturities				<u>\$ 11,210,000</u>

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS

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

Plan Description

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending 12/31/09 were as follows:

	Governmental Funds	Sauk Centre Public Utilities Commission	St. Michaels Hospital and Nursing Home	Total
Annual Required Contribution	\$ 38,467	\$ 399,014	\$ 65,078	\$ 502,559
Interest on Net OPEB Obligation	-	-	-	-
Adjustment to Annual Required Contribution	-	-	-	-
Annual OPEB Cost (Expense)	38,467	399,014	65,078	502,559
Contributions Made	(13,471)	(11,309)	(13,598)	(38,378)
Increase in Net OPEB Obligation	24,996	387,705	51,480	464,181
Net OPEB Obligation - Beginning of Year	-	-	-	-
Net OPEB Obligation - End of Year	<u>\$ 24,996</u>	<u>\$ 387,705</u>	<u>\$ 51,480</u>	<u>\$ 464,181</u>

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress

As of January 1, 2009 the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$1,148,834 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,148,834. The annual payroll of active employees covered by the plan was \$10,229,608 and the ratio of the UAAL to the covered payroll was 11.2%.

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

Actuarial Methods and Assumptions

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

In the January 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a rate of the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 9%, reduced by decrements to an ultimate rate of 5% after ten years. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at January 1, 2009 was 30 years, except Sauk Centre Public Utilities Commission did not choose to amortize, but to record the entire liability as of December 31, 2009.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

NOTE 7 FUND BALANCES

Designated Fund Balance

Designated fund balance is comprised of the following components:

	General	Nonmajor Special Revenue	Total
Unreserved Designated for:			
Park Trails	\$ 19,000	\$ -	\$ 19,000
Future Projects	182,830	-	182,830
Severance - Public Works	268	-	268
Severance - Police	16,802	-	16,802
MnDot Signs	5,163	-	5,163
Build A Forest	4,888	-	4,888
Streets	23,041	-	23,041
Park Mower	5,003	-	5,003
Fire Land/Building	-	78,327	78,327
Airport Land/Building	-	35,214	35,214
Ambulance Building	-	34,793	34,793
Library	-	44,953	44,953
Total	\$ 256,995	\$ 193,287	\$ 450,282

NOTE 8 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. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for 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, 2009**

NOTE 8 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 2009. PEPFF members were required to contribute 9.4% of their annual covered salary 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, 6.75% for Coordinated Plan PERF members, and 14.1% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2009, 2008, and 2007 were \$46,911, \$43,640, and \$40,089, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2009, 2008, and 2007 were \$44,907, \$41,257, and \$38,036, 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, 2009, 2008, and 2007 were approximately \$468,000, \$422,000, and \$353,000, respectively. The Sauk Centre Public Utilities Commission's contributions to the Public Employees Retirement Fund for the years ending December 31, 2009, 2008, and 2007 were \$43,020, \$41,691, and \$42,392, respectively.

NOTE 9 RELATED ORGANIZATION

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

Plan Description

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

Funding Policy

Minnesota Statutes specify minimum contributions that may be required from the City on an annual basis. These minimum contributions are determined based on the amount required to meet the normal cost plus amortizing any prior year's service cost over a ten year period. A contribution was not required from the City for the year ended December 31, 2009. 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, 2009**

NOTE 9 RELATED ORGANIZATION (CONTINUED)

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

Annual Pension Cost and Net Pension Obligation

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

Annual Required Contribution	\$	-
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, 2008, 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, 2009, 2008, and 2007 are as follows:

December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ -	100.0 %	N/A
2008	-	100.0 %	N/A
2007	-	100.0	N/A

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

NOTE 9 RELATED ORGANIZATION (CONTINUED)

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

Contributions Required and Made

The City makes contributions to the Association annually in an amount equal to the fire aid received from the State of Minnesota as required by state statutes. The City is required to make additional contributions to the Association in the following year if the following years anticipated administrative expenses plus the anticipated increase in the required reserves plus amortization of the original unfunded accrued liability exceeds the anticipated revenues. The City was not required to make any contributions in excess of fire aid for 2009, 2008 and 2007.

Funding Progress

As of December 31, 2008 (the most recent available information), the plan was underfunded by \$174,867. Additional information on the funding progress is included in the required supplementary information section of this report.

Related-Party Investments

As of December 31, 2009, and for the year then ended, the Association held no securities issued by the City or other related parties.

NOTE 10 JOINT VENTURES

Great River Regional Library

The Great River Regional Library operates under authority granted to it by *Minnesota Statutes*. The Great River Regional Library operates under a joint powers type arrangement. The specific operating framework is set forth in a service agreement, which has been entered into by each of the 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 2009 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, 2009**

NOTE 11 RISK MANAGEMENT

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

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

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2009 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

NOTE 12 OPERATING LEASES

The City of Sauk Centre, Minnesota has entered a contract for the lease of a Sharp AR-M355NA copier. The lease agreement is for a period of five years. The City of Sauk Centre, Minnesota also entered into a contract for the lease of a squad cars. the squad car is for a period of three years. The payments on operating leases in 2009 totaled \$31,734. Future minimum lease payments are as follows:

	Copier	Squad 2	Total
2010	3,482	3,738	11,159
2011	3,482	-	7,421
2012	2,611	-	4,947
	\$ 9,575	\$ 3,738	\$ 23,527

NOTE 13 CAPITAL LEASES

The City of Sauk Centre, Minnesota has entered a contract for the lease of a Sharp MX-4501 copier and an HP 4345 copier. These lease agreement are for a period of 60 and 55 months respectively. The related assets are carried at a cost of \$17,573 with accumulated depreciation of \$7,030. Future minimum lease payments are as follows:

	Principal	Interest	Total
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
	\$ 13,620	\$ 3,973	\$ 17,593

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

NOTE 14 INTERFUND TRANSACTIONS

The composition of interfund transfers as of December 31, 2009 is as follows:

Transfers Out	Transfers In			Purpose
	Debt Service	Capital Projects	Total	
General	\$ -	\$ 389,313	\$ 389,313	Close fund
General	-	20,000	20,000	Fund capital projects
Other Governmental Funds	667,833	-	667,833	Fund debt service
Other Governmental Funds	-	10,000	10,000	Fund capital projects
Total	\$ 667,833	\$ 419,313	\$ 1,087,146	

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, 2009, the bank carrying amount of the Organization's deposits was \$27,104. 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, 2009**

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 CHANGE IN ACCOUNTING ENTITY

The St. Michael's Hospital and Nursing Home and Sauk Centre Public Utilities Commission were reported as Business-Type Activities for the year ended December 31, 2008. These entities are reported as discretely presented component units for the year ended December 31, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SAUK CENTRE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2009**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variances with Budget Over (Under)</u>
REVENUES			
General Property Taxes	\$ 767,007	\$ 694,683	\$ (72,324)
Special Assessments	1,500	3,891	2,391
Licenses and Permits	200,450	185,314	(15,136)
Intergovernmental Revenues	1,264,755	1,245,808	(18,947)
Charges for Services	147,218	141,364	(5,854)
Fines and Forfeits	24,450	39,720	15,270
Other Revenues	84,050	71,159	(12,891)
Total Revenues	<u>2,489,430</u>	<u>2,381,939</u>	<u>(107,491)</u>
EXPENDITURES			
General Government	767,791	678,574	(89,217)
Public Safety	744,092	705,045	(39,047)
Public Works	775,186	698,463	(76,723)
Culture and Recreation	284,081	231,013	(53,068)
Debt Service	9,739	13,965	4,226
Total Expenditures	<u>2,580,889</u>	<u>2,327,060</u>	<u>(253,829)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(91,459)	54,879	146,338
OTHER FINANCING SOURCES (USES)			
Operating Transfers Out	<u>(35,000)</u>	<u>(409,313)</u>	<u>(374,313)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (126,459)</u>	<u>(354,434)</u>	<u>\$ (227,975)</u>
Fund Balances - Beginning of Year		<u>1,477,569</u>	
FUND BALANCES - ENDING END OF YEAR		<u>\$ 1,123,135</u>	

NOTE TO SCHEDULE

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

**CITY OF SAUK CENTRE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ARENA FUND
YEAR ENDED DECEMBER 31, 2009**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
REVENUES			
Charges for Services	\$ 121,700	\$ 118,029	\$ (3,671)
Other Revenues	-	(3,483)	(3,483)
Total Revenues	121,700	114,546	(7,154)
 EXPENDITURES			
Culture and Recreation	66,101	54,075	(12,026)
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	55,599	60,471	4,872
 Fund Balances - Beginning of year		(396,091)	
FUND BALANCES - END OF YEAR		\$ (335,620)	

NOTE TO SCHEDULE

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

**CITY OF SAUK CENTRE, MINNESOTA
SCHEDULES OF FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2009**

Sauk Centre Fireman's Relief Association

Fiscal Year Ending	Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Benefit Per Year of Service
12/31/2008	\$ 505,087	\$ 679,954	\$ 174,867	74%	\$ 1,550
12/31/2007	597,407	663,431	66,024	90%	1,550
12/31/2006	537,514	554,092	16,578	97%	1,550

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

The December 31, 2009 report is not yet available.

Other Postemployment Benefits

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

OTHER SUPPLEMENTARY INFORMATION

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2009**

	General	Arena	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes						
Property Taxes	\$ 694,683	\$ -	\$ -	\$ 532,249	\$ 100,823	\$ 1,327,755
Tax Increments	-	-	-	-	730,050	730,050
Special Assessments	3,891	-	-	468,408	-	472,299
Total Taxes	698,574	-	-	1,000,657	830,873	2,530,104
Licenses and Permits						
Licenses						
Beer, Liquor and Cigarettes	25,600	-	-	-	-	25,600
Electricity Franchise Fee	119,790	-	-	-	-	119,790
Cable Franchise Fee	32,475	-	-	-	-	32,475
Other	1,324	-	-	-	-	1,324
Building Permits	6,125	-	-	-	-	6,125
Total Licenses and Permits	185,314	-	-	-	-	185,314
Intergovernmental Revenues						
Federal Grants						
Other Grants	-	-	326,744	-	-	326,744
State Aids						
Local Governmental Aid	1,082,429	-	-	-	13,284	1,095,713
Market Value Credits	67,551	-	-	52,640	25,236	145,427
Fire State Aid	26,699	-	-	-	1,000	27,699
Police State Aid	43,028	-	-	-	-	43,028
PERA Aid	26,101	-	-	-	-	26,101
Total Intergovernmental Revenues	1,245,808	-	326,744	52,640	39,520	1,664,712
Charges for Services						
Special Police Services	951	-	-	-	-	951
Fire Contracts	-	-	-	-	172,560	172,560
Ambulance Service	-	-	-	-	301,437	301,437
Arena Rentals and Charges	-	118,029	-	-	-	118,029
Planning and Zoning Charges	29,775	-	-	-	-	29,775
County Highway Maintenance	5,409	-	-	-	-	5,409
Campground Charges	96,732	-	-	-	-	96,732
Rent	4,000	-	-	-	29,763	33,763
Other	4,497	-	-	-	47,958	52,455
Total Charges for Services	141,364	118,029	-	-	551,718	811,111
Fines and Forfeits	39,720	-	-	-	-	39,720

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2009**

	General	Arena	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES (CONTINUED)						
Other Revenues						
Interest	\$ 25,036	\$ (3,466)	\$ 419	\$ 11,674	\$ 15,550	\$ 49,213
Donations/Contributions	7,010	-	-	-	42,939	49,949
Refunds and Reimbursements	17,098	(17)	-	-	43,469	60,550
Other	22,015	-	80,080	-	22,284	124,379
Total Other Revenues	<u>71,159</u>	<u>(3,483)</u>	<u>80,499</u>	<u>11,674</u>	<u>124,242</u>	<u>284,091</u>
 Total Revenues	 2,381,939	 114,546	 407,243	 1,064,971	 1,546,353	 5,515,052
EXPENDITURES						
General Government						
Mayor and Council	86,953	-	-	-	-	86,953
Administration	287,165	-	-	-	-	287,165
Assessor	18,883	-	-	-	-	18,883
Finance	17,155	-	-	-	-	17,155
Legal	28,618	-	-	-	-	28,618
Planning and Zoning	89,229	-	-	-	-	89,229
General Government						
Buildings and Property	121,539	-	-	-	-	121,539
Capital Outlay	12,388	-	-	-	-	12,388
Other General Government	16,644	-	-	-	27,987	44,631
Total General Government	<u>678,574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,987</u>	<u>706,561</u>
Public Safety						
Police	584,109	-	-	-	-	584,109
Fire Department	119,461	-	-	-	164,837	284,298
Ambulance	251	-	-	-	207,824	208,075
Animal Control	1,224	-	-	-	-	1,224
Capital Outlay	-	-	-	-	207,925	207,925
Total Public Safety	<u>705,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>580,586</u>	<u>1,285,631</u>
Public Works						
Highways, Streets and Alleys	546,706	-	3,335	-	-	550,041
Sidewalk and Curb	19,487	-	-	-	-	19,487
Snow and Ice Control	8,225	-	-	-	-	8,225
Street Lighting	54,608	-	-	-	-	54,608
Campground	45,104	-	-	-	-	45,104
Other	24,333	-	-	-	-	24,333
Capital Outlay	-	-	114,436	-	-	114,436
Total Public Works	<u>698,463</u>	<u>-</u>	<u>117,771</u>	<u>-</u>	<u>-</u>	<u>816,234</u>

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2009**

	General	Arena	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
EXPENDITURES (CONTINUED)						
Culture and Recreation						
Arena Activities	\$ -	\$ 54,075	\$ -	\$ -	\$ -	\$ 54,075
Parks	207,138	-	-	-	-	207,138
Other	23,875	-	-	-	28,136	52,011
Capital Outlay	-	-	-	-	17,707	17,707
Total Culture and Recreation	<u>231,013</u>	<u>54,075</u>	<u>-</u>	<u>-</u>	<u>45,843</u>	<u>330,931</u>
Economic Development						
Other Charges	-	-	-	-	123,718	123,718
Other						
Airport	-	-	374,181	-	64,225	438,406
Debt Service						
Principal	13,965	-	-	1,125,025	10,988	1,149,978
Interest and Fiscal Charges	-	-	-	382,155	215	382,370
Total Debt Service	<u>13,965</u>	<u>-</u>	<u>-</u>	<u>1,507,180</u>	<u>11,203</u>	<u>1,532,348</u>
Total Expenditures	<u>2,327,060</u>	<u>54,075</u>	<u>491,952</u>	<u>1,507,180</u>	<u>853,562</u>	<u>5,233,829</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	54,879	60,471	(84,709)	(442,209)	692,791	281,223
OTHER FINANCING SOURCES (USES)						
Transfers From:						
Governmental Funds	-	-	419,313	667,833	-	1,087,146
Transfers To:						
Governmental Funds	(409,313)	-	-	-	(677,833)	(1,087,146)
Principal from Bonds and Leases	-	-	-	2,560,000	-	2,560,000
Discount on Bonds	-	-	-	(33,280)	-	(33,280)
Total Other Financing Sources/(Uses)	<u>(409,313)</u>	<u>-</u>	<u>419,313</u>	<u>3,194,553</u>	<u>(677,833)</u>	<u>2,526,720</u>
NET CHANGE IN FUND BALANCES	(354,434)	60,471	334,604	2,752,344	14,958	2,807,943
Fund Balances - Beginning of Year	<u>1,477,569</u>	<u>(396,091)</u>	<u>(192,733)</u>	<u>1,897,728</u>	<u>1,742,553</u>	<u>4,529,026</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,123,135</u>	<u>\$ (335,620)</u>	<u>\$ 141,871</u>	<u>\$ 4,650,072</u>	<u>\$ 1,757,511</u>	<u>\$ 7,336,969</u>

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	211	224	225	230	240
	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance
ASSETS					
Cash and Investments	\$ 52,974	\$ 43,268	\$ 213,789	\$ 108,309	\$ 49,539
Accounts Receivable	-	-	25,321	1,988	56,774
Prepaid Expenses	-	-	-	1,898	-
Due from Other Governments	394	-	154	484	-
Total Assets	<u>\$ 53,368</u>	<u>\$ 43,268</u>	<u>\$ 239,264</u>	<u>\$ 112,679</u>	<u>\$ 106,313</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Salaries/Benefits Payable	\$ 64	\$ -	\$ -	\$ -	\$ -
Accounts and Contracts Payable	503	-	5,313	-	2,153
Due to Other Funds	-	-	-	-	-
Deferred Revenue	-	-	-	600	-
Total Liabilities	567	-	5,313	600	2,153
FUND BALANCES					
Unreserved,					
Special Revenue Fund					
Designated	44,953	-	78,327	35,214	34,793
Undesignated	7,848	43,268	155,624	76,865	69,367
Total Fund Balances	<u>52,801</u>	<u>43,268</u>	<u>233,951</u>	<u>112,079</u>	<u>104,160</u>
Total Liabilities and Fund Balances	<u>\$ 53,368</u>	<u>\$ 43,268</u>	<u>\$ 239,264</u>	<u>\$ 112,679</u>	<u>\$ 106,313</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
\$ 27,322	\$ 279,413	\$ 69,674	\$ 11,091	\$ 21,263	\$ 5,500	\$ 788,872	\$ 1,671,014
-	1,694	-	-	-	-	-	85,777
-	-	-	-	-	-	-	1,898
82	-	-	-	269	-	13,703	15,086
<u>\$ 27,404</u>	<u>\$ 281,107</u>	<u>\$ 69,674</u>	<u>\$ 11,091</u>	<u>\$ 21,532</u>	<u>\$ 5,500</u>	<u>\$ 802,575</u>	<u>\$ 1,773,775</u>
\$ -	\$ -	\$ -	\$ -	\$ 423	\$ -	\$ -	\$ 487
-	-	250	-	889	-	-	9,108
-	-	-	-	-	-	4,375	4,375
-	1,694	-	-	-	-	-	2,294
-	1,694	250	-	1,312	-	4,375	16,264
-	-	-	-	-	-	-	193,287
27,404	279,413	69,424	11,091	20,220	5,500	798,200	1,564,224
<u>27,404</u>	<u>279,413</u>	<u>69,424</u>	<u>11,091</u>	<u>20,220</u>	<u>5,500</u>	<u>798,200</u>	<u>1,757,511</u>
<u>\$ 27,404</u>	<u>\$ 281,107</u>	<u>\$ 69,674</u>	<u>\$ 11,091</u>	<u>\$ 21,532</u>	<u>\$ 5,500</u>	<u>\$ 802,575</u>	<u>\$ 1,773,775</u>

CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2009

	211	224	225	230	240
	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance
REVENUES					
Taxes					
Property Taxes	\$ 29,028	\$ -	\$ 9,676	\$ 36,087	\$ -
Tax Increments	-	-	-	-	-
Total Taxes	29,028	-	9,676	36,087	-
Intergovernmental Revenues					
State Aids					
Market Value Credits	2,877	-	1,103	3,585	-
Fire State Aid	-	-	1,000	-	-
Other Grants	-	-	-	13,184	-
Total Intergovernmental Revent	2,877	-	2,103	16,769	-
Charges for Services					
Fire Contracts	-	-	172,560	-	-
Ambulance Service	-	-	-	-	301,437
Rent	-	-	-	26,213	-
Other	-	-	50	43,273	4,635
Total Charges for Services	-	-	172,610	69,486	306,072
Other Revenues					
Interest	407	204	2,246	756	349
Donations/Contributions	-	27,000	3,425	-	800
Refunds and Reimbursements	-	360	38,010	4,230	869
Other	25	-	12,010	125	-
Total Other Revenues	432	27,564	55,691	5,111	2,018
Total Revenues	32,337	27,564	240,080	127,453	308,090
EXPENDITURES					
General Government					
Other General Government	27,987	-	-	-	-
Public Safety					
Fire Department	-	11,214	153,623	-	-
Ambulance	-	-	-	-	207,824
Capital Outlay	-	-	84,125	-	116,854
Total Public Safety	-	11,214	237,748	-	324,678

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
\$ 6,091	\$ -	\$ -	\$ -	\$ 19,941	\$ -	\$ -	\$ 100,823
-	-	-	-	-	-	730,050	730,050
6,091	-	-	-	19,941	-	730,050	830,873
605	-	-	-	1,981	-	15,085	25,236
-	-	-	-	-	-	-	1,000
-	-	-	-	100	-	-	13,284
605	-	-	-	2,081	-	15,085	39,520
-	-	-	-	-	-	-	172,560
-	-	-	-	-	-	-	301,437
-	-	-	-	3,550	-	-	29,763
-	-	-	-	-	-	-	47,958
-	-	-	-	3,550	-	-	551,718
213	2,586	721	100	116	33	7,819	15,550
-	-	5,000	-	6,714	-	-	42,939
-	-	-	-	-	-	-	43,469
-	-	-	-	710	9,414	-	22,284
213	2,586	5,721	100	7,540	9,447	7,819	124,242
6,909	2,586	5,721	100	33,112	9,447	752,954	1,546,353
-	-	-	-	-	-	-	27,987
-	-	-	-	-	-	-	164,837
-	-	-	-	-	-	-	207,824
-	-	-	-	-	6,946	-	207,925
-	-	-	-	-	6,946	-	580,586

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2009**

	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	-	-	-	64,225	-
Debt Service					
Principal	-	-	10,988	-	-
Interest and Fiscal Charges	-	-	215	-	-
Total Debt Service	-	-	11,203	-	-
Total Expenditures	27,987	11,214	248,951	64,225	324,678
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,350	16,350	(8,871)	63,228	(16,588)
OTHER FINANCING SOURCES (USES)					
Transfers To:					
Governmental Funds	-	-	(65,365)	(44,963)	-
NET CHANGE IN FUND BALANCES	4,350	16,350	(74,236)	18,265	(16,588)
Fund Balances - Beginning of Year	48,451	26,918	308,187	93,814	120,748
FUND BALANCES - END OF YEAR	\$ 52,801	\$ 43,268	\$ 233,951	\$ 112,079	\$ 104,160

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
\$ -	\$ -	\$ -	\$ -	\$ 28,136	\$ -	\$ -	\$ 28,136
-	-	17,707	-	-	-	-	17,707
-	-	17,707	-	28,136	-	-	45,843
2,070	10,163	-	-	-	-	111,485	123,718
-	-	-	-	-	-	-	64,225
-	-	-	-	-	-	-	10,988
-	-	-	-	-	-	-	215
-	-	-	-	-	-	-	11,203
2,070	10,163	17,707	-	28,136	6,946	111,485	853,562
4,839	(7,577)	(11,986)	100	4,976	2,501	641,469	692,791
-	-	-	-	-	-	(567,505)	(677,833)
4,839	(7,577)	(11,986)	100	4,976	2,501	73,964	14,958
22,565	286,990	81,410	10,991	15,244	2,999	724,236	1,742,553
\$ 27,404	\$ 279,413	\$ 69,424	\$ 11,091	\$ 20,220	\$ 5,500	\$ 798,200	\$ 1,757,511

**CITY OF SAUK CENTRE, MINNESOTA
 COMBINING BALANCE SHEET
 TAX INCREMENT FINANCING FUNDS
 DECEMBER 31, 2009**

	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	\$ 21,184	\$ 16,619	\$ 493,021	\$ 159,462
Due from Other Governments	-	-	13,534	-
Total Assets	<u>\$ 21,184</u>	<u>\$ 16,619</u>	<u>\$ 506,555</u>	<u>\$ 159,462</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to Other Funds	-	-	-	-
FUND BALANCES				
Unreserved				
Special Revenue Fund				
Undesignated	<u>21,184</u>	<u>16,619</u>	<u>506,555</u>	<u>159,462</u>
Total Liabilities and Fund Balances	<u>\$ 21,184</u>	<u>\$ 16,619</u>	<u>\$ 506,555</u>	<u>\$ 159,462</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
\$ -	\$ 18,372	\$ 38,023	\$ 33,366	\$ 8,825	\$ 788,872
-	-	-	7	162	13,703
<u>\$ -</u>	<u>\$ 18,372</u>	<u>\$ 38,023</u>	<u>\$ 33,373</u>	<u>\$ 8,987</u>	<u>\$ 802,575</u>
4,375	-	-	-	-	4,375
<u>(4,375)</u>	<u>18,372</u>	<u>38,023</u>	<u>33,373</u>	<u>8,987</u>	<u>798,200</u>
<u>\$ -</u>	<u>\$ 18,372</u>	<u>\$ 38,023</u>	<u>\$ 33,373</u>	<u>\$ 8,987</u>	<u>\$ 802,575</u>

**CITY OF SAUK CENTRE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 TAX INCREMENT FINANCING FUNDS
 YEAR ENDED DECEMBER 31, 2009**

	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	\$ 18,958	\$ 66,065	\$ 480,721	\$ 27,033
Intergovernmental Revenues				
State Aids				
Market Value Credits	2,699	-	2,916	1,252
Other Revenues				
Interest	201	144	5,414	1,249
Total Revenues	21,858	66,209	489,051	29,534
EXPENDITURES				
Economic Development				
Other Charges	516	516	45,981	516
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	21,342	65,693	443,070	29,018
OTHER FINANCING SOURCES (USES)				
Transfers To:				
Governmental Funds	(18,009)	(58,052)	(425,000)	-
NET CHANGE IN FUND BALANCES	3,333	7,641	18,070	29,018
Fund Balances - Beginning of Year	17,851	8,978	488,485	130,444
FUND BALANCES - END OF YEAR	\$ 21,184	\$ 16,619	\$ 506,555	\$ 159,462

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
\$ 18,835	\$ 22,043	\$ 38,132	\$ 26,095	\$ 32,168	\$ 730,050
-	248	5,733	-	2,237	15,085
(6)	180	365	158	114	7,819
18,829	22,471	44,230	26,253	34,519	752,954
18,416	18,895	516	25,813	316	111,485
413	3,576	43,714	440	34,203	641,469
-	-	(36,819)	-	(29,625)	(567,505)
413	3,576	6,895	440	4,578	73,964
(4,788)	14,796	31,128	32,933	4,409	724,236
<u>\$ (4,375)</u>	<u>\$ 18,372</u>	<u>\$ 38,023</u>	<u>\$ 33,373</u>	<u>\$ 8,987</u>	<u>\$ 798,200</u>

**CITY OF SAUK CENTRE, MINNESOTA
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 DECEMBER 31, 2009**

	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	\$ -	\$ -	\$ -	\$ -	\$ 2,471	\$ -
Special Assessments Receivable	-	-	-	-	-	-
Due from Other Governments	-	-	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,471</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Deferred Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-	-	-
FUND BALANCES						
Reserved for Debt Service	-	-	-	-	2,471	-
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,471</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
\$ 21,900	\$ 24,926	\$ 34,012	\$ 85,732	\$ -	\$ -	\$ -	\$ -
-	3,671	51,454	64,106	-	-	-	-
-	361	1,084	602	-	-	-	-
<u>\$ 21,900</u>	<u>\$ 28,958</u>	<u>\$ 86,550</u>	<u>\$ 150,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 3,671	\$ 51,454	\$ 64,106	\$ -	\$ -	\$ -	\$ -
-	3,671	51,454	64,106	-	-	-	-
21,900	25,287	35,096	86,334	-	-	-	-
<u>\$ 21,900</u>	<u>\$ 28,958</u>	<u>\$ 86,550</u>	<u>\$ 150,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF SAUK CENTRE, MINNESOTA
 COMBINING BALANCE SHEET (CONTINUED)
 DEBT SERVICE FUNDS
 DECEMBER 31, 2009**

	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	\$ -	\$ -	\$ -	\$ 151,307	\$ 58,816
Special Assessments Receivable	-	-	-	-	238,419
Due from Other Governments	-	-	-	223	1,921
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,530</u>	<u>\$ 299,156</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Deferred Revenue	\$ -	\$ -	\$ -	\$ -	\$ 238,419
Total Liabilities	-	-	-	-	238,419
FUND BALANCES					
Reserved for Debt Service	-	-	-	151,530	60,737
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,530</u>	<u>\$ 299,156</u>

328	329	330	
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2007A G.O. City Hall Bond	G.O. Improvement Bonds of 2008A	G.O. Refunding Bonds of 2009A	Intrafund Activity	Total Debt Service
\$ 144,952	\$ 311,016	\$ 1,320,336	\$ -	\$ 2,155,468
-	311,996	951,284	-	1,620,930
1,550	2,711	16,152	-	24,604
<u>\$ 146,502</u>	<u>\$ 625,723</u>	<u>\$ 2,287,772</u>	<u>\$ -</u>	<u>\$ 3,801,002</u>

\$ -	\$ 311,996	\$ 951,284	\$ -	1620930
-	311,996	951,284	-	1,620,930

<u>146,502</u>	<u>313,727</u>	<u>1,336,488</u>	<u>-</u>	<u>2,180,072</u>
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<u>\$ 146,502</u>	<u>\$ 625,723</u>	<u>\$ 2,287,772</u>	<u>\$ -</u>	<u>\$ 3,801,002</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, 2009

	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	\$ -	\$ -	\$ -	\$ 11,770	\$ -	\$ -
Special Assessments	-	-	-	1,896	-	-
Total Taxes	-	-	-	13,666	-	-
Intergovernmental Revenues						
State Aids						
Market Value Credits	-	-	-	-	-	-
Other Revenues						
Interest	-	-	-	-	(459)	-
Total Revenues	-	-	-	13,666	(459)	-
EXPENDITURES						
Debt Service						
Principal	-	-	-	35,000	60,000	-
Interest and Fiscal Charges	-	-	-	21,101	1,575	-
Total Expenditures	-	-	-	56,101	61,575	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	-	-	-	(42,435)	(62,034)	-
OTHER FINANCING SOURCES (USES)						
Transfers From:						
Governmental Funds	-	-	-	418,434	63,150	-
Transfers To:						
Governmental Funds	-	-	-	(222,354)	-	-
Principal from Bonds	-	-	-	-	-	-
Discount on Bonds	-	-	-	-	-	-
Principal on Bonds	-	-	-	(410,000)	-	-
Total Other Financing Sources (Uses)	-	-	-	(213,920)	63,150	-
NET CHANGE IN FUND BALANCES						
	-	-	-	(256,355)	1,116	-
Fund Balances - Beginning of Year	-	-	-	256,355	1,355	-
FUND BALANCES - END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ 2,471	\$ -

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
\$ -	\$ 27,119	\$ 28,475	\$ 45,198	\$ 22,599	\$ -	\$ 35,311	\$ 51,789
-	1,085	18,864	17,380	8,832	-	14,236	99,204
-	28,204	47,339	62,578	31,431	-	49,547	150,993
-	2,689	2,823	4,482	-	-	-	-
84	65	803	(620)	-	-	-	-
84	30,958	50,965	66,440	31,431	-	49,547	150,993
15,025	45,000	52,000	78,000	60,000	20,000	160,000	185,000
5,416	1,201	7,331	10,992	7,570	14,963	23,823	31,740
20,441	46,201	59,331	88,992	67,570	34,963	183,823	216,740
(20,357)	(15,243)	(8,366)	(22,552)	(36,139)	(34,963)	(134,276)	(65,747)
20,441	-	10,145	137,611	122,357	34,963	483,461	850,831
-	-	(100,000)	(10,145)	(142,419)	-	(349,932)	106,605
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	(120,000)	-	(475,000)	(820,000)
20,441	-	(89,855)	127,466	(140,062)	34,963	(341,471)	137,436
84	(15,243)	(98,221)	104,914	(176,201)	-	(475,747)	71,689
21,816	40,530	133,317	(18,580)	176,201	-	475,747	(71,689)
\$ 21,900	\$ 25,287	\$ 35,096	\$ 86,334	\$ -	\$ -	\$ -	\$ -

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
DEBT SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2009**

	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	\$ -	\$ -	\$ -	\$ 16,723	\$ -
Special Assessments	-	20,965	9,723	-	42,709
Total Taxes	-	20,965	9,723	16,723	42,709
Intergovernmental Revenues					
State Aids					
Market Value Credits	-	-	-	1,658	-
Other Revenues					
Interest	-	-	-	(1,494)	344
Total Revenues	-	20,965	9,723	16,887	43,053
EXPENDITURES					
Debt Service					
Principal	-	65,000	40,000	175,000	35,000
Interest and Fiscal Charges	-	14,484	9,661	52,918	14,998
Total Expenditures	-	79,484	49,661	227,918	49,998
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(58,519)	(39,938)	(211,031)	(6,945)
OTHER FINANCING SOURCES (USES)					
Transfers From:					
Governmental Funds	-	375,537	278,657	361,850	-
Transfers To:					
Governmental Funds	-	(185,822)	(167,081)	-	-
Principal from Bonds	-	-	-	-	-
Discount on Bonds	-	-	-	-	-
Principal on Bonds	-	(370,000)	(275,000)	-	-
Total Other Financing Sources (Uses)	-	(180,285)	(163,424)	361,850	-
NET CHANGE IN FUND BALANCES	-	(238,804)	(203,362)	150,819	(6,945)
Fund Balances - Beginning of Year	-	238,804	203,362	711	67,682
FUND BALANCES - END OF YEAR	\$ -	\$ -	\$ -	\$ 151,530	\$ 60,737

328	329	330		
2007A G.O. City Hall Bond	G.O. Improvement Bonds of 2008A	G.O. Refunding Bonds of 2009A	Intrafund Activity	Total Debt Service
\$ 115,702	\$ 65,809	\$ 111,754	\$ -	\$ 532,249
-	71,320	162,194	-	468,408
115,702	137,129	273,948	-	1,000,657
11,338	6,525	23,125	-	52,640
824	2,121	10,006	-	11,674
127,864	145,775	307,079	-	1,064,971
100,000	-	-	-	1,125,025
92,250	58,642	13,490	-	382,155
192,250	58,642	13,490	-	1,507,180
(64,386)	87,133	293,589	-	(442,209)
65,365	-	1,026,651	(3,581,620)	667,833
-	-	(2,510,472)	3,581,620	-
-	-	2,560,000	-	2,560,000
-	-	(33,280)	-	(33,280)
-	-	-	-	(2,470,000)
65,365	-	1,042,899	-	724,553
979	87,133	1,336,488	-	282,344
145,523	226,594	-	-	1,897,728
\$ 146,502	\$ 313,727	\$ 1,336,488	\$ -	\$ 2,180,072

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
DECEMBER 31, 2009**

	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	\$ 117,323	\$ 29,513	\$ -	\$ -	\$ -
Accounts Receivable	138,371	-	-	-	-
Due from Other Funds	-	-	-	-	-
Total Assets	<u>\$ 255,694</u>	<u>\$ 29,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts and Contracts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	7,444	-
Deferred Revenue	138,371	-	-	-	-
Total Liabilities	<u>138,371</u>	<u>-</u>	<u>-</u>	<u>7,444</u>	<u>-</u>
FUND BALANCES					
Capital Projects Fund					
Undesignated	<u>117,323</u>	<u>29,513</u>	<u>-</u>	<u>(7,444)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 255,694</u>	<u>\$ 29,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

407	437	438	439	
Airport Hangar 2007-11	2005/2006 CIP Projects	2008 CIP Projects	2009 CIP Projects	Total Capital Projects
\$ -	\$ 91,047	\$ -	\$ -	\$ 237,883
-	-	-	-	138,371
-	-	55,810	-	55,810
<u>\$ -</u>	<u>\$ 91,047</u>	<u>\$ 55,810</u>	<u>\$ -</u>	<u>\$ 432,064</u>
\$ 23,340	\$ -	\$ -	\$ -	\$ 23,340
70,951	-	50,087	-	128,482
-	-	-	-	138,371
<u>94,291</u>	<u>-</u>	<u>50,087</u>	<u>-</u>	<u>290,193</u>
<u>(94,291)</u>	<u>91,047</u>	<u>5,723</u>	<u>-</u>	<u>141,871</u>
<u>\$ -</u>	<u>\$ 91,047</u>	<u>\$ 55,810</u>	<u>\$ -</u>	<u>\$ 432,064</u>

CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2009

	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					
Other Grants	\$ -	\$ -	\$ -	\$ -	\$ -
Other Revenues					
Interest	3,049	270	-	(67)	(2,961)
Other	24,270	-	-	-	-
Total Other Revenues	<u>27,319</u>	<u>270</u>	<u>-</u>	<u>(67)</u>	<u>(2,961)</u>
Total Revenues	27,319	270	-	(67)	(2,961)
EXPENDITURES					
Public Works					
Highways, Streets and Alleys	-	-	-	-	-
Capital Outlay	-	1,078	-	-	-
Total Public Works	<u>-</u>	<u>1,078</u>	<u>-</u>	<u>-</u>	<u>-</u>
Airport	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>1,078</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	27,319	(808)	-	(67)	(2,961)
Transfers From:					
Governmental Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>389,313</u>
NET CHANGE IN FUND BALANCES	27,319	(808)	-	(67)	386,352
Fund Balances - Beginning of Year	<u>90,004</u>	<u>30,321</u>	<u>-</u>	<u>(7,377)</u>	<u>(386,352)</u>
FUND BALANCES - END OF YEAR	<u>\$ 117,323</u>	<u>\$ 29,513</u>	<u>\$ -</u>	<u>\$ (7,444)</u>	<u>\$ -</u>

407	437	438	439	
Airport Hangar 2007-11	2005/2006 CIP Projects	2008 CIP Projects	2009 CIP Projects	Total Capital Projects
\$ 326,744	\$ -	\$ -	\$ -	\$ 326,744
(1,116)	722	522	-	419
-	-	55,810	-	80,080
<u>(1,116)</u>	<u>722</u>	<u>56,332</u>	<u>-</u>	<u>80,499</u>
325,628	722	56,332	-	407,243
-	-	3,335	-	3,335
-	-	113,358	-	114,436
-	-	116,693	-	117,771
<u>374,181</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>374,181</u>
<u>374,181</u>	<u>-</u>	<u>116,693</u>	<u>-</u>	<u>491,952</u>
(48,553)	722	(60,361)	-	(84,709)
10,000	20,000	-	-	419,313
(38,553)	20,722	(60,361)	-	334,604
<u>(55,738)</u>	<u>70,325</u>	<u>66,084</u>	<u>-</u>	<u>(192,733)</u>
<u>\$ (94,291)</u>	<u>\$ 91,047</u>	<u>\$ 5,723</u>	<u>\$ -</u>	<u>\$ 141,871</u>

REPORTS RELATED TO *GOVERNMENT AUDITING STANDARDS*



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

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information, of the City of Sauk Centre, Minnesota, as of and for the year ended December 31, 2009, which collectively comprise the City of Sauk Centre, Minnesota's basic financial statements and have issued our report thereon dated June 23, 2010. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Housing and Redevelopment Authority of Sauk Centre. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing and Redevelopment Authority of Sauk Centre, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

Internal Control Over Financial Reporting

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

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

Members of the City Council
City of Sauk Centre

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses: 2009-1, 2009-2 and 2009-3.

Compliance and Other Matters

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

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

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



LarsonAllen LLP

Alexandria, Minnesota
June 23, 2010

REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited the financial statements of the governmental activities, the discretely presented component units each major fund, and the aggregate remaining fund information of the City of Sauk Centre, Minnesota, as of and for the year ended December 31, 2009, and have issued our report thereon dated June 23, 2010. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Housing and Redevelopment Authority of Sauk. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing and Redevelopment Authority of Sauk Centre, is based on the report of the other auditors.

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

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 finding 2009-4.

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



LarsonAllen LLP

Alexandria, Minnesota
June 23, 2010

**CITY OF SAUK CENTRE, MINNESOTA
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2009**

2009-1 LACK OF SEGREGATION OF DUTIES

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

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

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

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

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

Management's Response: The City will continue to look for areas to improve segregation of duties.

**CITY OF SAUK CENTRE, MINNESOTA
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2009**

2009-2 OVERSIGHT OF THE FINANCIAL REPORTING PROCESS

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

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

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

Management's Response: The City will continue to rely on the auditor for assistance with the financial statements.

**CITY OF SAUK CENTRE, MINNESOTA
SCHEDULE OF FINDINGS (CONTINUED)
YEAR ENDED DECEMBER 31, 2009**

2009-3 ADJUSTING JOURNAL ENTRIES

Condition: The audit firm proposed and the City posted to its general ledger journal entries to correct certain year end account balances.

Criteria: The City should have control in place to adjust year end balances to the correct amounts.

Cause: The City relies on the audit firm to adjust certain year end balances.

Effect: The financial statements would have been misstated without the audit entries.

Recommendation: The City should evaluate its accounting controls and determine if additional procedures should be implemented to assure that accounts are adjusted to their proper year end balances.

Management's Response: The City will continue to rely on the auditor for assistance with journal entries.

2009-4 TIF FUND INTERFUND LOANS

Condition: Minnesota Statute 469.178 states interfund loans made after July 31, 2001 to finance TIF eligible expenditures be authorized by resolution before the money was transferred, advanced or spent, whichever is earliest. The City did not authorize the interfund loan by resolution in advance.

Management's Response: The City will adopt a loan resolution during 2010.