

CITY OF SAUK CENTRE, MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2014

**CITY OF SAUK CENTRE, MINNESOTA
ELECTED OFFICIALS AND ADMINISTRATION
DECEMBER 31, 2014**

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**CITY OF SAUK CENTRE, MINNESOTA
ELECTED OFFICIALS AND ADMINISTRATION
DECEMBER 31, 2014**

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INTRODUCTORY SECTION

**CITY OF SAUK CENTRE, MINNESOTA
ELECTED OFFICIALS AND ADMINISTRATION
DECEMBER 31, 2014**

Elected Officials	Position	Term Expires
CITY COUNCIL		
Brad Kirckof	Mayor	December 31, 2014
Michael Olson	Council Member	December 31, 2014
David Thomas	Council Member	December 31, 2016
Keith Johnson	Council Member	December 31, 2014
Warren Stone	Council Member	December 31, 2016
CITY OFFICIALS		
Vicki Willer	City Administrator	Indefinite
Jacquelyn Kirckof	Accounting Specialist	Indefinite
Bryon Friedrichs	Chief of Police	Indefinite
John Egan	Fire Chief	Indefinite
PUBLIC UTILITIES COMMISSION - APPOINTED		
Dennis Rykken	Chairperson	December 31, 2015
Ted Spanier	Vice-Chairperson	December 31, 2014
Roy Walz	Commissioner	December 31, 2015
David Thomas	Commissioner	December 31, 2015
Michael Bick	Commissioner	December 31, 2014
HOUSING AND REDEVELOPMENT AUTHORITY BOARD - APPOINTED		
Victor Traut	Chairperson	March 31, 2017
Michael Felling	Board Member	March 31, 2016
Robert Polipnick	Board Member	March 31, 2014
Don Leonard	Board Member	March 31, 2018
David Thomas	Council Representative	Indefinite

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sauk Centre, Minnesota (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing and Redevelopment Authority of Sauk Centre, whose year-end is September 30, 2014, which represents 5 percent, 7 percent, and 3 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing and Redevelopment Authority of Sauk Centre, is based solely 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit, and the report of 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, as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules of funding progress and budgetary comparison schedules information on pages 44 and 45 through 48, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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


Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Alexandria, Minnesota
April 8, 2015

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BASIC FINANCIAL STATEMENTS

**CITY OF SAUK CENTRE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	Component Units		
	Governmental Activities	Sauk Centre Public Utilities	
		Commission	Sauk Centre HRA
ASSETS			
Cash and Investments	\$ 8,339,601	\$ 515,196	\$ 158,788
Designated Cash and Investments	-	5,734,493	-
Due from Other Governments	138,184	-	-
Accounts Receivable	436,766	536,681	-
Notes Receivable	6,732,992	-	-
Taxes Receivable - Delinquent	118,848	-	-
Special Assessments Receivable	671,352	-	-
Due from Component Units	13,371	-	-
Due from Primary Government	-	24,000	-
Interest Receivable	14,076	17,551	62
Inventories	-	335,422	-
Prepaid Expenses	8,392	49,520	7,239
Land Held for Resale	920,398	-	-
Land Held for Investment	-	60,000	-
Capital Assets Not Being Depreciated			
Land	3,910,132	129,633	95,745
Construction in Process	-	264,750	11,600
Capital Assets Being Depreciated			
Land Improvements	2,065,690	-	-
Buildings and Improvements	25,072,004	952,232	1,800,079
Vehicles, Machinery and Equipment	8,079,676	1,434,124	47,004
Infrastructure	12,186,814	24,659,091	-
Less: Accumulated Depreciation	(22,774,798)	(12,430,245)	(1,058,512)
Total Assets	<u>45,933,498</u>	<u>22,282,448</u>	<u>1,062,005</u>
LIABILITIES			
Salaries/Benefits Payable	63,987	139,921	1,572
Accounts and Contracts Payable	41,888	499,227	851
Due to Primary Government	-	13,371	-
Due to Other Governments	-	-	7,994
Tenant Security Deposits	-	-	5,722
Unearned Revenue	183,730	-	-
Accrued Interest	206,452	49,932	-
Long-Term Obligations			
Due Within One Year	814,110	469,616	-
Due in More than One Year	14,174,113	6,607,692	-
Total Liabilities	<u>15,484,280</u>	<u>7,779,759</u>	<u>16,139</u>
NET POSITION			
Net Investment in Capital Assets	13,842,012	8,388,431	895,916
Restricted	6,769,082	-	-
Unassigned	9,838,124	6,114,258	149,950
Total Net Position	<u>\$ 30,449,218</u>	<u>\$ 14,502,689</u>	<u>\$ 1,045,866</u>

See accompanying Notes to Financial Statements.

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**CITY OF SAUK CENTRE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Sauk Centre Public Utilities Commission	Sauk Centre HRA
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General Government	\$ 866,495	\$ 301,072	\$ -	\$ -	\$ (565,423)	\$ -	\$ -
Public Safety	3,091,812	1,244,320	6,533	41,000	(1,799,959)	-	-
Public Works	1,085,246	194,691	-	92,374	(798,181)	-	-
Culture and Recreation	498,607	162,385	40,526	-	(295,696)	-	-
Economic Development	255,908	31,437	-	-	(224,471)	-	-
Airport	131,252	95,683	-	-	(35,569)	-	-
Debt Service	600,882	723,927	-	-	123,045	-	-
Total Governmental Activities	<u>6,530,202</u>	<u>2,753,515</u>	<u>47,059</u>	<u>133,374</u>	<u>(3,596,254)</u>	<u>-</u>	<u>-</u>
COMPONENT UNITS							
Housing Activity	253,568	122,971	68,907	33,954	-	-	(27,736)
Public Utilities Commission	6,932,331	6,967,569	-	20,815	-	56,053	-
Total Component Units	<u>\$ 7,185,899</u>	<u>\$ 7,090,540</u>	<u>\$ 68,907</u>	<u>\$ 54,769</u>	<u>-</u>	<u>56,053</u>	<u>(27,736)</u>
GENERAL REVENUES							
Property Taxes					1,614,876	-	-
Tax Increments Received					661,966	-	-
Intergovernmental Revenues					1,106,331	-	-
Interest and Investments Earnings					270,299	43,896	536
Gain on Disposal of Assets					57,200	-	-
Miscellaneous Revenues					34,582	24,510	-
Insurance Proceeds					2,312	-	-
Total General Revenues					<u>3,747,566</u>	<u>68,406</u>	<u>536</u>
CHANGES IN NET POSITION							
					151,312	124,459	(27,200)
Net Position - Beginning of Year					<u>30,297,906</u>	<u>14,378,230</u>	<u>1,073,066</u>
NET POSITION - END OF YEAR					<u>\$ 30,449,218</u>	<u>\$ 14,502,689</u>	<u>\$ 1,045,866</u>

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	Special Revenue			
	General	Arena	Hospital	Tax Increment Financing
ASSETS				
Cash and Investments	\$ 1,364,612	\$ 111,195	\$ 2,754,451	\$ 894,783
Taxes Receivable - Delinquent	65,174	-	-	53,674
Special Assessments Receivable	56,098	-	-	-
Accounts Receivable	55,698	3,000	109,411	-
Loans Receivable	-	-	-	-
Notes Receivable	-	-	6,732,992	-
Interest Receivable	14,076	-	-	-
Prepaid Items	7,787	-	-	-
Land Held for Resale	-	-	-	920,398
Due from Other Governments	81,467	532	-	6,781
Due from Other Funds	-	-	-	-
Advances to Other Funds	170,000	-	-	-
Total Assets	<u>\$ 1,814,912</u>	<u>\$ 114,727</u>	<u>\$ 9,596,854</u>	<u>\$ 1,875,636</u>
LIABILITIES				
Salaries/Benefits Payable	\$ 52,277	\$ -	\$ -	\$ -
Accounts and Contracts Payable	37,451	1,139	-	840
Advances from Other Funds	-	-	-	-
Unearned Revenue	6,406	-	-	-
Total Liabilities	<u>96,134</u>	<u>1,139</u>	<u>-</u>	<u>840</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Taxes	65,175	-	-	53,674
Unavailable Notes Receivable	-	-	6,732,992	-
Unavailable Special Assessments	56,098	-	-	-
Total Deferred Inflows of Resources	<u>121,273</u>	<u>-</u>	<u>6,732,992</u>	<u>53,674</u>
FUND BALANCES				
Nonspendable	7,787	-	-	-
Restricted	-	-	2,323,091	1,821,122
Committed	217,696	113,588	-	-
Assigned	-	-	540,771	-
Unassigned	1,372,022	-	-	-
Total Fund Balances	<u>1,597,505</u>	<u>113,588</u>	<u>2,863,862</u>	<u>1,821,122</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,814,912</u>	<u>\$ 114,727</u>	<u>\$ 9,596,854</u>	<u>\$ 1,875,636</u>

See accompanying Notes to Financial Statements.

Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 569,112	\$ 1,469,215	\$ 1,176,233	\$ 8,339,601
-	-	-	118,848
-	615,254	-	671,352
16,209	-	76,039	260,357
112,430	-	63,979	176,409
-	-	-	6,732,992
-	-	-	14,076
-	-	605	8,392
-	-	-	920,398
-	46,012	3,392	138,184
-	-	13,371	13,371
-	-	-	170,000
<u>\$ 697,751</u>	<u>\$ 2,130,481</u>	<u>\$ 1,333,619</u>	<u>\$ 17,563,980</u>
\$ -	\$ -	\$ 11,710	\$ 63,987
1,158	-	1,300	41,888
-	-	170,000	170,000
112,430	-	64,894	183,730
<u>113,588</u>	<u>-</u>	<u>247,904</u>	<u>459,605</u>
-	-	-	118,849
-	-	-	6,732,992
-	615,254	-	671,352
<u>-</u>	<u>615,254</u>	<u>-</u>	<u>7,523,193</u>
-	-	605	8,392
357,023	1,515,227	290,143	6,306,606
-	-	432,681	763,965
227,140	-	362,286	1,130,197
-	-	-	1,372,022
<u>584,163</u>	<u>1,515,227</u>	<u>1,085,715</u>	<u>9,581,182</u>
<u>\$ 697,751</u>	<u>\$ 2,130,481</u>	<u>\$ 1,333,619</u>	<u>\$ 17,563,980</u>

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**CITY OF SAUK CENTRE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 9,581,182

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

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

Cost of Capital Assets	51,314,316
Less: Accumulated Depreciation	(22,774,798)

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	(14,988,223)
Accrued Interest Payable	(206,452)

Delinquent receivables will be collected subsequent to year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are deferred in the funds.

Delinquent Property Taxes	118,849
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Unavailable notes receivables are not available to pay for current expenditures and, therefore, are deferred in the funds.

Unavailable Special Assessments Receivable	671,352
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Loans receivable will be collected subsequent to year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are deferred in the funds.

	6,732,992
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NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 30,449,218**

CITY OF SAUK CENTRE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014

	Special Revenue			
	General	Arena	Hospital	Tax Increment Financing
REVENUES				
Property Taxes	\$ 1,129,078	\$ 1,087	\$ -	\$ -
Tax Increments Received	-	-	-	661,966
Special Assessments	369	-	-	-
Licenses and Permits	168,765	-	-	-
Intergovernmental Revenues	1,205,346	-	-	-
Charges for Services	243,795	73,730	558,000	-
Fines and Forfeits	37,613	-	-	-
Other Revenues	195,952	679	233,968	9,459
Total Revenues	<u>2,980,918</u>	<u>75,496</u>	<u>791,968</u>	<u>671,425</u>
EXPENDITURES				
General Government	761,806	-	-	-
Public Safety	891,777	-	558,870	-
Public Works	629,894	-	-	-
Culture and Recreation	367,712	57,869	-	-
Economic Development	-	-	-	210,782
Airport	-	-	-	-
Debt Service				
Principal	9,110	-	-	-
Interest	710	-	-	-
Capital Outlay	129,380	17,512	-	80,712
Total Expenditures	<u>2,790,389</u>	<u>75,381</u>	<u>558,870</u>	<u>291,494</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	190,529	115	233,098	379,931
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	652
Transfers Out	(298,482)	-	-	-
Sale of Assets	70,400	-	-	-
Insurance Proceeds	-	-	-	-
Total Other Financing Sources (Uses)	<u>(228,082)</u>	<u>-</u>	<u>-</u>	<u>652</u>
NET CHANGE IN FUND BALANCES	(37,553)	115	233,098	380,583
Fund Balances - Beginning of Year	<u>1,635,058</u>	<u>113,473</u>	<u>2,630,764</u>	<u>1,440,539</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,597,505</u>	<u>\$ 113,588</u>	<u>\$ 2,863,862</u>	<u>\$ 1,821,122</u>

See accompanying Notes to Financial Statements.

Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 343,896	\$ 138,862	\$ 1,612,923
-	-	-	661,966
-	213,314	-	213,683
-	-	-	168,765
50,655	-	18,002	1,274,003
-	-	814,623	1,690,148
-	-	-	37,613
42,426	731,835	115,302	1,329,621
<u>93,081</u>	<u>1,289,045</u>	<u>1,086,789</u>	<u>6,988,722</u>
-	-	43,224	805,030
-	-	414,620	1,865,267
18,315	-	10,452	658,661
124,332	-	36,137	586,050
-	-	43,835	254,617
-	-	131,385	131,385
-	1,615,000	78,339	1,702,449
-	622,524	2,355	625,589
272,794	-	322,389	822,787
<u>415,441</u>	<u>2,237,524</u>	<u>1,082,736</u>	<u>7,451,835</u>
(322,360)	(948,479)	4,053	(463,113)
342,330	303,894	-	646,876
-	-	(348,394)	(646,876)
-	-	-	70,400
-	-	2,313	2,313
<u>342,330</u>	<u>303,894</u>	<u>(346,081)</u>	<u>72,713</u>
19,970	(644,585)	(342,028)	(390,400)
564,193	2,159,812	1,427,743	9,971,582
<u>\$ 584,163</u>	<u>\$ 1,515,227</u>	<u>\$ 1,085,715</u>	<u>\$ 9,581,182</u>

**CITY OF SAUK CENTRE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2014**

	2014
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (390,400)

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

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

Capital Outlay	909,408
Depreciation Expense	(1,739,619)
Disposal of Assets - Net Book Value	(13,200)

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

Repayment of Debt Principal	1,697,339
Amortization of Bond Discount	(4,626)
Amortization of Bond Premium	5,101
Change in Accrued Interest	28,631

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

	5,110
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In the statement of activities, compensated absences and other postemployment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Change in Other Postemployment Benefits	(21,960)
Change in Compensated Absences	(2,807)

Delinquent property taxes, notes receivable, and special assessments will be collected subsequent to year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are deferred in the governmental funds. Property taxes receivable increased by \$1,986, notes receivable decreased by \$151,686, and special assessments decreased by \$171,965.

	(321,665)
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 151,312
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**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Financial Reporting Entity

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

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

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

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

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

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

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Reporting Entity (Continued)

The Housing and Redevelopment Authority of Sauk Centre (HRA) operates as a local government unit for the purpose of providing housing and redevelopment services to the Sauk Centre area. The HRA cannot issue bonds pledging as security the full-faith and credit of the City. The HRA's 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, 2014.

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

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

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

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

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

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

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

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

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

GASB Statement No. 34 also requires that budget vs. actual information be presented for the general fund and all budgeted major special revenue funds. For 2014, 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, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statement and interpretations).

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

F. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets 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, Deferred Inflows of Resources, and Net Position or Equity

1. Cash and Cash Equivalents

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

2. Accounts Receivable

Sauk Centre Ambulance provides an allowance for uncollectible self-pay and miscellaneous commercial insurance accounts based on the allowance method. Patients are not required to provide collateral for services rendered. Payment for services is required upon receipt of an invoice, after payment by insurance, if any. Self-pay accounts are analyzed for collectability based on the months past due and payment history. An allowance is estimated for these accounts based on the historical experience of the City. Accounts that are determined to be uncollectible are sent to a collection agency and written off at that time. At December 31, 2014, the allowance for uncollectible accounts was \$44,643.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Investments

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

4. Inventories

Inventories are reported at cost using the weighted average method.

5. Land Held for Resale

The City purchased land with the intent to plat and develop the property for resale for the economic growth of the City.

6. Fund Balance/Net Position

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Fund Balance/Net Position (Continued)

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

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

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

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.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Property Taxes Calendar (Continued)

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 2013 which was collected during the year ended December 31, 2014, 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 inflows of resources in the governmental fund financial statements. Delinquent taxes receivable represent the past years of uncollected tax years. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

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.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. 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 position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

13. Long-Term Interfund Receivables / Payables

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

14. Compensated Absences

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

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

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

15. Deferred Inflows of Resources

The City's governmental activities and governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position of fund balance that applies to a future period. The City will not recognize the related revenue until a future event occurs.

H. Revenues, Expenditures, and Expenses

1. Revenues

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

Licenses and permits, charges for services, fines, forfeits, and miscellaneous revenues are recognized as soon as they are both measurable and available.

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

**CITY OF SAUK CENTRE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Revenues, Expenditures, and Expenses (Continued)

2. Expenditures

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

3. Expenses

Government wide financial statements recognize expenses when they are incurred.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget

The budget was prepared for the General, Arena, Hospital and Tax Increment Financing funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the fund. The budget presented in this report along with the budget to actual is presented in accordance with generally accepted accounting principles.

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

Expenditures in Excess of Appropriations

In the following funds, expenditures exceeded the appropriations during the year ended December 31, 2014:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Expenditures Over Appropriations</u>
General Fund	\$ 2,790,389	\$ 2,674,236	\$ 116,153
Arena Fund	75,381	57,896	17,485
Hospital Fund	558,870	476,500	82,370
Tax Increment Fund	291,494	105,600	185,894

The above overages were offset with revenues in excess of budget. The above overages were considered by the City's management to be the result of necessary expenditures critical to operations and were approved by the Council.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

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 percent of the deposits not covered by insurance or bonds.

The City's deposits in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve Pledge account or by an agent for the City and thus no custodial credit risk exists. As of December 31, 2014, all City deposits were covered by insurance or collateral.

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Policies

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

The City had the following investments at December 31, 2014:

Investment	Credit Risk		Concentration	Interest Rate Risk		Carrying Fair Value
	Rating	Agency	Risk % of Portfolio	Maturity Date	Interest Rate	
Minnesota Municipal Money Market Fund						
4M Plus Fund	N/R	N/A	N/A	N/A	N/A	\$ 471
Smith Barney						
Certificate of Deposit	N/R	N/A	N/A	N/A	N/A	4,241
Money Market Fund	N/R	N/A	N/A	N/A	N/A	101,000
Multi-Bank Securities						
Transferable Certificate of Deposit	N/R	N/A	N/A	See Below	Various	2,880,000
Central Minnesota Credit Union						
Member Stock Share	N/R	N/A	N/A	N/A	N/A	269
Total Investments						<u>\$ 2,985,981</u>
			Less Than 1 Year	1 to 2 Years	3 to 5 Years	Total
Multi-Bank Securities						
Transferable Certificate of Deposit			<u>\$ 696,000</u>	<u>\$ 645,000</u>	<u>\$ 1,539,000</u>	<u>\$ 2,880,000</u>
Deposits					Bank Value	Carrying Value
Checking Accounts					\$ 1,336,259	\$ 1,165,153
Savings Accounts					2,461,227	2,461,227
Certificates of Deposit					1,727,240	1,727,240
Total Deposits					<u>\$ 5,353,620</u>	
Total Deposits and Investments - Governmental Funds						<u>\$ 8,339,601</u>

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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

	Sauk Centre Public Utility Commission
Cash on Hand	\$ 600
Cash in Checking	514,596
Designated Assets:	
Operations and Maintenance Deposits	400,000
Capital Replacement Deposits	4,528,339
Postemployment Benefits Deposits	456,154
Debt Retirement Deposits	350,000
Total Cash and Investments	6,249,689
Less: Noncurrent Designated Cash and Investments and Assets Under Bond Indenture Agreements	(3,288,178)
Total Cash and Investments	\$ 2,961,511

The noncurrent cash and investments consist of certificates of deposit and cash and cash equivalents.

NOTE 4 NOTES RECEIVABLE

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 is as follows:

GOVERNMENTAL ACTIVITIES	January 1, 2014 Balance	Additions	Disposals	December 31, 2014 Balance
Capital Assets, Not Being Depreciated				
Land	\$ 3,842,620	\$ 80,712	\$ 13,200	\$ 3,910,132
Construction in Progress	2,355,622	-	2,355,622	-
Total Capital Assets, Not Being Depreciated	6,198,242	80,712	2,368,822	3,910,132
Capital Assets, Being Depreciated				
Land Improvements	1,968,779	96,911	-	2,065,690
Buildings and Improvements	24,697,372	374,632	-	25,072,004
Vehicles, Machinery and Equipment	7,994,621	122,474	37,419	8,079,676
Infrastructure	9,596,513	2,590,301	-	12,186,814
Total Capital Assets, Being Depreciated	44,257,285	3,184,318	37,419	47,404,184
Total Capital Assets	50,455,527	3,265,030	2,406,241	51,314,316
Less: Accumulated Depreciation	(21,072,598)	(1,739,619)	(37,419)	(22,774,798)
Capital Assets, Net	<u>\$ 29,382,929</u>	<u>\$ 1,525,411</u>	<u>\$ 2,368,822</u>	<u>\$ 28,539,518</u>

Depreciation expense was charged to functions/programs as follows:

	<u>2014</u>
Governmental Activities	
General Government	\$ 110,186
Public Safety	1,215,965
Public Works	345,074
Culture and Recreation	68,394
Total Depreciation Expense, Governmental Activities	<u>\$ 1,739,619</u>

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 5 CAPITAL ASSETS (CONTINUED)

COMPONENT UNIT

SAUK CENTRE PUBLIC UTILITIES

COMMISSION

	January 1, 2014 Balance	Additions	Disposals	December 31, 2014 Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 129,633	\$ -	\$ -	\$ 129,633
Construction in Progress	-	264,750	-	264,750
Total Capital Assets, Not Being Depreciated	129,633	264,750	-	394,383
Capital Assets, Being Depreciated:				
Station Equipment	536,732	-	339	536,393
Distribution System	23,289,023	38,507	-	23,327,530
General Plant	859,386	123,198	30,352	952,232
Load Management	897,731	-	-	897,731
Treatment Facility	1,339,482	-	7,921	1,331,561
Total Capital Assets, Being Depreciated	26,922,354	161,705	38,612	27,045,447
Total Capital Assets	27,051,987	426,455	38,612	27,439,830
Less: Accumulated Depreciation	(11,491,846)	(976,874)	38,475	(12,430,245)
Capital Assets, Net	\$ 15,560,141	\$ (550,419)	\$ 137	\$ 15,009,585

COMPONENT UNIT

**HOUSING AND REDEVELOPMENT AUTHORITY
OF SAUK CENTRE**

	September 30, 2013 Balance	Additions	Adjustments/ Disposals	September 30, 2014 Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land and Improvements	\$ 95,745	\$ -	\$ -	\$ 95,745
Construction in Progress	-	11,600	-	11,600
Total Capital Assets not being Depreciated	95,745	11,600	-	107,345
Capital Assets, Being Depreciated				
Buildings	1,771,604	28,475	-	1,800,079
Equipment and Other	46,257	747	-	47,004
Total Capital Assets being Depreciated	1,817,861	29,222	-	1,847,083
Less: Accumulated Depreciation	(966,483)	(92,029)	-	(1,058,512)
Total Capital Assets being Depreciated, Net	851,378	(62,807)	-	788,571
Capital Assets, Net	\$ 947,123	\$ (51,207)	\$ -	\$ 895,916

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 6 LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended December 31, 2014:

	Balance January 1, 2014	New Issues	Retired	Transferred Debt	Balance December 31, 2014	Amounts Due in One Year
General Obligation Tax Increment Bonds	\$ 660,000	\$ -	\$ 590,000	\$ -	\$ 70,000	\$ 70,000
General Obligation Improvement Bonds	4,585,000	-	610,000	-	3,975,000	320,000
Premium on Bonds	71,411	-	5,101	-	66,310	-
Discount on Bonds	(27,763)	-	(4,626)	-	(23,137)	-
Other Long-Term Debt	106,339	-	82,339	-	24,000	4,000
Revenue Bonds	10,985,000	-	415,000	-	10,570,000	415,000
Other Postemployment Benefits Payable	115,249	33,601	11,641	-	137,209	-
Compensated Absences	150,702	98,984	96,177	-	153,509	-
Capital Leases	20,442	-	5,110	-	15,332	5,110
Total Long-Term Debt	<u>\$ 16,666,380</u>	<u>\$ 132,585</u>	<u>\$ 1,810,742</u>	<u>\$ -</u>	<u>\$ 14,988,223</u>	<u>\$ 814,110</u>

General Obligation Bonds

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

	<u>Balance Outstanding</u>
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.	<u>\$ 70,000</u>
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.	1,670,000
\$415,000 General Obligation Improvement Bonds, Series 2007B, interest from 3.65% to 4.10%, matures February 1, 2017.	145,000
\$1,265,000 of General Obligation Improvement Bonds, Series 2008A, interest from 3.50% to 4.75%, matures February 1, 2024. Includes a discount of \$12,987.	915,000
\$1,245,000 of General Obligation Improvement Bonds, Series 2012A, interest from 2.00% to 2.20%, matures February 1, 2029. Includes a premium of \$34,430.	<u>1,245,000</u>
Total General Obligation Improvement Bonds	3,975,000

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 6 LONG-TERM DEBT (CONTINUED)

General Obligation Bonds (Continued)

	<u>Balance Outstanding</u>
Other Long-Term Debt	
\$80,000 City purchase of Public Utilities Property of 2000, Interest at 0.00% matures September 20, 2020.	<u>\$ 24,000</u>
Revenue Bonds - Expected to be repaid from charges for services	
\$1,495,000 of General Obligation Revenue Bonds, Series 2012A, interest from 2.00% to 2.20%, matures February 1, 2029. Includes a premium of \$42,082.	1,495,000
\$9,505,000 of General Obligation Crossover Refunding Hospital Revenue Bonds, Series 2005C, interest from 3.90% to 5.00%, due September 1, 2033.	<u>9,075,000</u>
Total Revenue Bonds	10,570,000
Capital Leases	
\$25,552 of Capital lease for a copier machine, interest at 4.8% and due May 2017.	15,332
Plus Premium/(Discount) on Bonds	43,173
Other Postemployment Benefits	137,209
Compensated Absences	<u>153,509</u>
Total Long-Term Debt	<u><u>\$ 14,988,223</u></u>

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 6 LONG-TERM DEBT (CONTINUED)

General Obligation Bonds (Continued)

Long-term debt maturities are as follows:

<u>Year Ended December 31,</u>	<u>Total Principal Maturities</u>	<u>Total Interest Maturities</u>
2015	\$ 809,000	\$ 568,122
2016	779,000	537,108
2017	794,000	509,717
2018	764,000	492,247
2019	794,000	454,927
2020-2024	4,334,000	1,805,803
2025-2029	3,805,000	1,007,381
2030-2034	2,560,000	300,840
Total	14,639,000	5,676,145
Plus: Premium/(Discount)	43,173	-
Total	<u>\$ 14,682,173</u>	<u>\$ 5,676,145</u>

The following is a summary of bond information for the component units for the year ended December 31, 2014.

**Long-Term Debt - Sauk Centre Public Utilities Commission -
Component Unit**

<u>Component Unit</u>	<u>Balance Outstanding</u>
Wastewater Treatment General Obligation Bonds - \$1,407,000, 1995 Issue, Interest at 3.20%, due August 2016.	\$ 184,154
Drinking Water General Obligation Revenue Bonds - \$2,121,231, 1998 Issue, Interest at 3.54%, due August 2018.	569,000
Wastewater Treatment General Obligation Bonds - \$410,000, 2005 Issue, Interest at 3.82% , due December 2015.	50,000
General Obligation Clean Water Revenue Note - \$7,058,050, 2010 Issue, Interest 1.911%, due August 2030.	<u>5,818,000</u>
Total	6,621,154
Less: Current Maturities	<u>(469,616)</u>
Total Long-Term Debt	<u>\$ 6,151,538</u>

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 6 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:

Sauk Centre Public Utilities Commission

<u>Year Ended December 31,</u>	Principal	Interest	Total
2015	\$ 469,616	\$ 138,401	\$ 608,017
2016	431,538	125,089	556,627
2017	487,000	114,098	601,098
2018	497,000	102,430	599,430
2019	355,000	90,505	445,505
2020-2024	1,879,000	348,146	2,227,146
2025-2029	2,065,000	161,671	2,226,671
2030	437,000	8,351	445,351
Total	* \$ 6,621,154	\$ 1,088,691	\$ 7,709,845

* This amount includes the \$7,058,050 of debt funding authorized by PFA agreement for the current wastewater treatment project. Amounts of \$3,058,439, \$3,364,485, \$150,212 and \$23,101 have been drawn by the Utility during 2010, 2011, 2012 and 2013, respectively. The project was done as of December 31, 2013, therefore \$-0- was drawn during 2014.

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 bonds transferred from the St. Michael's Hospital and Nursing Home are revenue bonds. The proceeds of rental payments from CentraCare are restricted for the purpose of repaying this debt.

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

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, 2014 consists of the following:

	Balance January 1, 2014	Additions	Payments	Balance December 31, 2014
G.O. Bonds	\$ 7,080,212	\$ -	\$ 459,058	\$ 6,621,154
Other Postemployment Benefits Payable	453,793	2,361	-	456,154
Total Long-Term Liabilities	\$ 7,534,005	\$ 2,361	\$ 459,058	\$ 7,077,308

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

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.

Funding Policy

The City does not provide healthcare coverage for retired employees. Rather, they allow 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:

	Governmental Funds	Sauk Centre Public Utilities Commission	Total
Annual Required Contribution	\$ 35,576	\$ 8,500	\$ 44,076
Interest on Net OPEB Obligation	5,186	20,421	25,607
Amortization of Net OPEB Obligation	(7,161)	-	(7,161)
Adjustment to Annual Required Contribution	-	-	-
Annual OPEB Cost (Expense)	33,601	28,921	62,522
Contributions Made	(11,641)	(26,560)	(38,201)
Increase in Net OPEB Obligation	21,960	2,361	24,321
Net OPEB Obligation - Beginning of Year	115,249	453,793	569,042
Net OPEB Obligation - End of Year	<u>\$ 137,209</u>	<u>\$ 456,154</u>	<u>\$ 593,363</u>
Net OPEB Designated Assets	<u>\$ -</u>	<u>\$ 456,154</u>	<u>\$ 456,154</u>

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending December 31, 2014 and the two preceding years were as follows:

	Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Governmental Funds	12/31/2014	\$ 33,601	\$ 11,641	34.6 %	\$ 137,209
Sauk Centre Public Utilities Commission	12/31/2014	28,921	26,560	91.8	456,154
Governmental Funds	12/31/2013	34,054	10,544	31.0	115,249
Sauk Centre Public Utilities Commission	12/31/2013	28,484	18,778	65.9	453,793
Governmental Funds	12/31/2012	34,503	9,380	27.2	91,739
Sauk Centre Public Utilities Commission	12/31/2012	33,860	16,426	48.5	444,087

Funded Status and Funding Progress

As of January 1, 2012 the most recent actuarial valuation date, the City had no assets deposited to fund the plan.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
Governmental Activities 1/1/2012	\$ -	\$ 294,682	\$ 294,682	- %	\$ 916,999	32.1 %
Sauk Centre Public Utilities Commission 1/1/2012	-	359,394	359,394	-	759,242	47.3

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

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

In the January 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.50 percent 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 8 percent, reduced by decrements to an ultimate rate of 5 percent over six years. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis over a remaining 27 year period. The Sauk Centre Public Utilities Commission did not choose to amortize, but instead recorded the entire liability as of December 31, 2009.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 8 COMPONENTS OF FUND BALANCE

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

	General Fund	Arena Fund	Hospital Fund	TIF Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds
Fund Balances:							
Nonspendable:							
Prepaid items	\$ 7,787	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 605
Restricted:							
Economic Development	-	-	-	1,821,122	-	-	-
Debt Service	-	-	-	-	-	1,515,227	-
EDA Improvement Projects	-	-	-	-	199,090	-	-
Economic Development Loan Payments	-	-	-	-	-	-	236,534
Park Capital Outlay	-	-	-	-	-	-	15,045
Siren Capital Outlay	-	-	-	-	-	-	11,545
Police Forfeiture Operations	-	-	-	-	-	-	27,019
Hospital Operations	-	-	2,323,091	-	-	-	-
Capital Improvement Projects	-	-	-	-	157,933	-	-
Committed For:							
Library Operations	-	-	-	-	-	-	21,453
Fire Department Equipment Purchases	-	-	-	-	-	-	78,338
Fire Protection Capital Outlay	-	-	-	-	-	-	193,327
Ambulance Operations	-	-	-	-	-	-	34,793
Airport Capital Outlay	-	-	-	-	-	-	11,638
Storm Water Utility	-	-	-	-	-	-	93,132
Arena Operations	-	113,588	-	-	-	-	-
Park Land	19,000	-	-	-	-	-	-
Future Projects	-	-	-	-	-	-	-
Police Department Severance	17,519	-	-	-	-	-	-
Street Improvements	71,410	-	-	-	-	-	-
Campground	20,441	-	-	-	-	-	-
MnDOT Signs	5,339	-	-	-	-	-	-
Build A Forest	7,122	-	-	-	-	-	-
Park Mower	55,998	-	-	-	-	-	-
Compensation Plan	20,867	-	-	-	-	-	-
Assigned:							
Hospital Operations	-	-	540,771	-	-	-	-
Library Operations	-	-	-	-	-	-	22,689
Senior Center Operations	-	-	-	-	-	-	37,045
Fire Department Equipment Purchases	-	-	-	-	-	-	57,135
Ambulance Services	-	-	-	-	-	-	146,203
Economic Development	-	-	-	-	-	-	11,455
Fire Protection Services	-	-	-	-	-	-	87,759
Splash Pad	-	-	-	-	227,140	-	-
Unassigned:	1,372,022	-	-	-	-	-	-
Total Fund Balance	\$1,597,505	\$ 113,588	\$2,863,862	\$1,821,122	\$ 584,163	\$1,515,227	\$1,085,715

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 9 DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Description

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

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

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

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are difference types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active participants.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 9 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (Continued)

A. Plan Description (Continued)

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

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in 2014. PEPFF members were required to contribute 10.2 percent of their annual covered salary in 2014.

In 2014, the City of Sauk Centre, Minnesota was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERS members, 7.25 percent for Coordinated Plan GERS members, and 15.3 percent for PEPFF members. The City's contributions to the General Employees Retirement Fund for the years ending December 31, 2014, 2013, and 2012 were \$55,551, \$53,606, and \$49,521, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2014, 2013, and 2012 were \$59,101, \$53,258, and \$49,823, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute. The Sauk Centre Public Utilities Commission's contributions to the General Employees Retirement Fund for the years ending December 31, 2014, 2013, and 2012 were \$60,774, \$58,683, and \$57,253, respectively.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 10 RELATED ORGANIZATION

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

Plan Description

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

Funding Policy

Minnesota Statutes specify minimum contributions that may be required from the City on an annual basis. These minimum contributions are determined based on the amount required to meet the normal cost plus amortizing any prior year’s service cost over a ten year period. The Sauk Centre Fire Department Relief Association also receives funding from the State of Minnesota as a two percent fire premium tax. The City receives the contributions and is required by statute to pass this through as payment to the Fire Relief Association. Investment earnings also add to the resources available for benefits.

Annual Pension Cost and Net Pension Obligation

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

Annual Required Contribution	\$	-
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 the December 31, 2013, simplified statutory valuation procedure using the entry age actuarial cost method. The actuarial assumptions included (a) 5 percent investment rate of return and (b) age and service retirement was assumed to occur at age 50. Pension benefit obligations on an actuarial basis are not calculated for individual volunteer fire relief associations since state statutes permit alternate calculation of required reserves based on overall actuarial assumptions.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 10 RELATED ORGANIZATION (CONTINUED)

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

The City’s net pension obligation for the Fire Relief Association for the years ended December 31, 2014, 2013, and 2012 are as follows:

December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ -	100.0 %	N/A
2013	-	100.0	N/A
2012	2,953	100.0	N/A

Contributions Required and Made

The City makes contributions to the Association annually in an amount equal to the fire aid received from the State of Minnesota as required by state statutes. The City is required to make additional contributions to the Association in the following year if the following year’s 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 a contribution in excess of fire aid for 2014.

Funding Progress

As of December 31, 2013 (the most recent available information), the plan was underfunded by \$6,633. Additional information on the funding progress is included in the required supplementary information section of this report.

Related-Party Investments

As of December 31, 2014 and for the year then ended, the Association held no securities issued by the City or other related-parties.

NOTE 11 JOINT VENTURES

Great River Regional Library

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

The City did not have any contributions to the Great River Regional Library for 2014.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 12 RISK MANAGEMENT

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

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

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2014 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

NOTE 13 OPERATING LEASES

Lessee

The City of Sauk Centre, Minnesota entered into a contract for the lease of a squad car. The squad car operating lease is for a period of two years. The payments on the operating lease in 2014 totaled \$19,908. In 2015, the final payment for the operating lease will be \$3,306.

Lessor

The City of Sauk Centre entered into a contract for the lease of the St. Michael's Hospital and Nursing Home and equipment with CentraCare Health System, a Minnesota non-profit corporation, for a period of 23 years. The payments for the lease began in 2013 and are restricted for payments related to principal and interest payments on the 2005C General Obligation Crossover Refunding Hospital Revenue Bonds. The amount of assets leased is \$23,910,987 with accumulated depreciation of \$12,578,959. Minimum lease payments and a summary of the capital assets being leased at December 31, 2014 are as follows:

	CentraCare Health System Lease		Capital Assets
2015	\$ 723,182	Land	\$ 529,585
2016	727,183	Land Improvements	262,441
2017	723,922	Buildings	18,199,528
2018	719,923	Moveable and Fixed Equipment	4,919,433
2019	725,522	Total Capital Assets	<u>23,910,987</u>
2020-2024	3,602,573	Less: Accumulated Depreciation	(12,578,959)
2025-2029	3,590,100	Capital Assets, Net	<u>\$ 11,332,028</u>
2030-2034	2,860,840		
Total	<u>\$ 13,673,245</u>		

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 14 CAPITAL LEASES

The City of Sauk Centre, Minnesota has entered a contract for the lease of three Konica Bizhub copiers. This lease agreement is for a period of 60 months. The related assets are carried at a cost of \$25,552 with accumulated depreciation of \$10,220. Future minimum lease payments are as follows:

	Principal	Interest	Total
2015	\$ 5,110	\$ 710	\$ 5,820
2016	5,110	710	5,820
2017	5,112	708	5,820
Total	<u>\$ 15,332</u>	<u>\$ 2,128</u>	<u>\$ 17,460</u>

NOTE 15 INTERFUND TRANSACTIONS

At December 31, 2014, advances from and to other funds were as follows:

	Advances To	
Advances From	Ambulance	Purpose
General	<u>\$ 170,000</u>	Loan for new facility purchase

This balance was not expected to be repaid within one year.

The composition of interfund transfers as of December 31, 2014 is as follows:

Transfers Out	Transfers In				Total
	Debt Service Fund	TIF Fund	Capital Projects Fund	General Fund	
General	\$ -	\$ 652	\$ 297,830	\$ -	\$ 298,482
Other Governmental Funds	303,894	-	44,500	-	348,394
Total	<u>\$ 303,894</u>	<u>\$ 652</u>	<u>\$ 342,330</u>	<u>\$ -</u>	<u>\$ 646,876</u>

Transfers are used to 1) fund capital projects, 2) allocate administrative fees, 3) to fund debt service requirements, and 4) close out a TIF fund.

NOTE 16 DISCRETELY PRESENTED COMPONENT UNIT

Housing and Redevelopment Authority of Sauk Centre (Organization)

Deposits

Minnesota Statutes require all Organization deposits be protected by insurance, surety bonds or collateral. The market value of collateral pledged must equal 110 percent 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.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

NOTE 16 DISCRETELY PRESENTED COMPONENT UNIT (CONTINUED)

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

Deposits (Continued)

At September 30, 2014, the bank carrying amount of the Organization's deposits was \$158,788. 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, bankers' acceptances, commercial paper and certain other types of securities. All of the investments are insured or registered in the Organization's name.

Capital Assets

Capital asset activity for the year ended September 30, 2014 is as follows:

COMPONENT UNIT HOUSING AND REDEVELOPMENT AUTHORITY OF SAUK CENTRE	September 30, 2013 Balance	Additions	Adjustments/ Disposals	September 30, 2014 Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land and Improvements	\$ 95,745	\$ -	\$ -	\$ 95,745
Construction in Progress	-	11,600	-	11,600
Total Capital Assets not being Depreciated	95,745	11,600	-	107,345
Capital Assets, Being Depreciated				
Buildings	1,771,604	28,475	-	1,800,079
Equipment and Other	46,257	747	-	47,004
Total Capital Assets being Depreciated	1,817,861	29,222	-	1,847,083
Less: Accumulated Depreciation	(966,483)	(92,029)	-	(1,058,512)
Total Capital Assets being Depreciated, Net	851,378	(62,807)	-	788,571
Capital Assets, Net	<u>\$ 947,123</u>	<u>\$ (51,207)</u>	<u>\$ -</u>	<u>\$ 895,916</u>

NOTE 17 COMMITMENTS AND CONTINGENCIES

Tax Increment Districts

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

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SAUK CENTRE, MINNESOTA
SCHEDULES OF FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2014**

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
12/31/2013	\$ 707,057	\$ 713,690	\$ 6,633	99.1 %	\$ 1,675
12/31/2012	603,328	614,606	11,278	98.2	1,550
12/31/2011	525,986	608,499	82,513	86.4	1,550
12/31/2010	466,639	559,426	92,787	83.4	1,550
12/31/2009	463,720	591,511	127,791	78.4	1,550
12/31/2008	505,087	679,954	174,867	74.3	1,550
12/31/2007	597,407	663,431	66,024	90.0	1,550
12/31/2006	537,514	554,092	16,578	97.0	1,550
12/31/2005	448,372	490,644	42,272	91.4	1,550
12/31/2004	420,191	384,289	(35,902)	109.3	1,550

Additional information relating to the pension plan is provided in Note 10.

The December 31, 2014 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)
City						
Governmental Activities 1/1/2012	\$ -	\$ 294,682	\$ 294,682	- %	\$ 916,999	32.1 %
Governmental Activities 1/1/2009	-	319,269	319,269	-	945,773	33.8
Public Utilities Commission						
Sauk Centre Public Utilities Commission 1/1/2012	-	359,394	359,394	-	759,242	47.3
Sauk Centre Public Utilities Commission 1/1/2009	-	362,880	362,880	-	709,360	51.2

**CITY OF SAUK CENTRE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2014**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
REVENUES			
General Property Taxes	\$ 1,026,742	\$ 1,129,078	\$ 102,336
Special Assessments	600	369	(231)
Licenses and Permits	235,100	168,765	(66,335)
Intergovernmental Revenues	1,182,134	1,205,346	23,212
Charges for Services	205,065	243,795	38,730
Fines and Forfeits	37,400	37,613	213
Other Revenues	26,516	195,952	169,436
Total Revenues	<u>2,713,557</u>	<u>2,980,918</u>	<u>267,361</u>
EXPENDITURES			
General Government	751,882	763,408	11,526
Public Safety	882,576	891,777	9,201
Public Works	676,064	701,388	25,324
Culture and Recreation	359,714	423,996	64,282
Debt Service	4,000	9,820	5,820
Total Expenditures	<u>2,674,236</u>	<u>2,790,389</u>	<u>116,153</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	39,321	190,529	151,208
OTHER FINANCING SOURCES (USES)			
Transfers Out	-	(298,482)	(298,482)
Sale of Assets	-	70,400	70,400
Total Other Financing Sources	<u>-</u>	<u>(228,082)</u>	<u>(228,082)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 39,321</u>	<u>(37,553)</u>	<u>\$ (76,874)</u>
Fund Balances - Beginning of Year		<u>1,635,058</u>	
FUND BALANCES - ENDING END OF YEAR		<u>\$ 1,597,505</u>	

See accompanying Notes to Required Supplementary Information.

**CITY OF SAUK CENTRE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ARENA FUND
YEAR ENDED DECEMBER 31, 2014**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
REVENUES			
General Property Taxes	\$ -	\$ 1,087	\$ 1,087
Charges for Services	66,200	73,730	7,530
Other Revenues	-	679	679
Total Revenues	<u>66,200</u>	<u>75,496</u>	<u>9,296</u>
EXPENDITURES			
Culture and Recreation	<u>57,896</u>	<u>75,381</u>	<u>17,485</u>
NET CHANGE IN FUND BALANCES	<u>\$ 8,304</u>	115	<u>\$ (8,189)</u>
Fund Balances (Deficit) - Beginning of year		<u>113,473</u>	
FUND BALANCES (DEFICIT) - END OF YEAR		<u>\$ 113,588</u>	

See accompanying Notes to Required Supplementary Information.

**CITY OF SAUK CENTRE, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 HOSPITAL FUND
 YEAR ENDED DECEMBER 31, 2014**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
REVENUES			
Charges for Services	\$ 540,000	\$ 558,000	\$ 18,000
Other Revenues	218,000	233,968	15,968
Total Revenues	758,000	791,968	33,968
 EXPENDITURES			
Public Safety	476,500	558,870	82,370
 NET CHANGE IN FUND BALANCES	\$ 281,500	233,098	\$ (48,402)
Fund Balances (Deficit) - Beginning of year		2,630,764	
FUND BALANCES (DEFICIT) - END OF YEAR		\$ 2,863,862	

**CITY OF SAUK CENTRE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
TAX INCREMENT FINANCING FUND
YEAR ENDED DECEMBER 31, 2014**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
REVENUES			
Tax Increments	\$ 605,500	\$ 661,966	\$ 56,466
Other Revenues	7,300	9,459	2,159
Total Revenues	612,800	671,425	58,625
 EXPENDITURES			
Economic Development	105,600	291,494	185,894
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	507,200	379,931	(127,269)
 OTHER FINANCING SOURCES (USES)			
Transfers In	-	652	652
Transfers Out	(90,000)	-	90,000
Total Other Financing Sources	(90,000)	652	90,652
 NET CHANGE IN FUND BALANCES	\$ 417,200	380,583	\$ (36,617)
Fund Balances - Beginning of Year		1,440,539	
FUND BALANCES - ENDING END OF YEAR		\$ 1,821,122	

See accompanying Notes to Required Supplementary Information.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2014**

NOTE 1 LEGAL COMPLIANCE – BUDGETS

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

In the following funds, expenditures exceeded the appropriations during the year ended December 31, 2014:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Expenditures Over Appropriations</u>
General Fund	\$ 2,790,389	\$ 2,674,236	\$ 116,153
Arena Fund	75,381	57,896	17,485
Hospital Fund	558,870	476,500	82,370
Tax Increment Fund	291,494	105,600	185,894

The above overages were offset with revenues in excess of budget. The above overages were considered by the City's management to be the result of necessary expenditures critical to the operations and were approved by the Council.

SUPPLEMENTARY INFORMATION

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014**

	General	Arena	Hospital	TIF	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES								
Taxes								
Property Taxes	\$ 1,129,078	\$ 1,087	\$ -	\$ -	\$ -	\$ 343,896	\$ 138,862	\$ 1,612,923
Tax Increments	-	-	-	661,966	-	-	-	661,966
Special Assessments	369	-	-	-	-	213,314	-	213,683
Total Taxes	1,129,447	1,087	-	661,966	-	557,210	138,862	2,488,572
Licenses and Permits								
Licenses								
Beer, Liquor and Cigarettes	21,450	-	-	-	-	-	-	21,450
Cable Franchise Fee	44,980	-	-	-	-	-	-	44,980
Other	93,260	-	-	-	-	-	-	93,260
Building Permits	9,075	-	-	-	-	-	-	9,075
Total Licenses and Permits	168,765	-	-	-	-	-	-	168,765
Intergovernmental Revenues								
Federal Grants								
Other Grants	-	-	-	-	50,655	-	-	50,655
State Aids								
Local Governmental Aid	1,099,851	-	-	-	-	-	-	1,099,851
Market Value Credits	2	-	-	-	-	-	-	2
Fire State Aid	45,845	-	-	-	-	-	1,000	46,845
Police State Aid	53,365	-	-	-	-	-	-	53,365
Other Grants	-	-	-	-	-	-	17,002	17,002
PERA Aid	6,283	-	-	-	-	-	-	6,283
Total Intergovernmental Revenues	1,205,346	-	-	-	50,655	-	18,002	1,274,003
Charges for Services								
Special Police Services	788	-	-	-	-	-	-	788
Fire Contracts	-	-	-	-	-	-	165,165	165,165
Ambulance Service	-	-	-	-	-	-	398,331	398,331
Arena Rentals and Charges	-	73,730	-	-	-	-	-	73,730
Planning and Zoning Charges	70,088	-	-	-	-	-	162,336	232,424
County Highway Maintenance	3,130	-	-	-	-	-	-	3,130
Campground Charges	105,503	-	-	-	-	-	-	105,503
Rent	10,000	-	558,000	-	-	-	39,489	607,489
Other	54,286	-	-	-	-	-	49,302	103,588
Total Charges for Services	243,795	73,730	558,000	-	-	-	814,623	1,690,148
Fines and Forfeits								
	37,613	-	-	-	-	-	-	37,613
Other Revenues								
Interest	7,391	679	233,968	9,459	3,157	7,617	8,028	270,299
Donations/Contributions	791	-	-	-	24,181	-	51,213	76,185
Refunds and Reimbursements	28,864	-	-	-	-	-	13,581	42,445
Other	158,906	-	-	-	15,088	724,218	42,480	940,692
Total Other Revenues	195,952	679	233,968	9,459	42,426	731,835	115,302	1,329,621
Total Revenues	2,980,918	75,496	791,968	671,425	93,081	1,289,045	1,086,789	6,988,722

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014**

	General	Arena	Hospital	TIF	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
EXPENDITURES								
General Government								
Mayor and Council	\$ 63,060	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,060
Administration	349,906	-	-	-	-	-	-	349,906
Assessor	22,385	-	-	-	-	-	-	22,385
Finance	21,953	-	-	-	-	-	-	21,953
Legal	28,125	-	-	-	-	-	-	28,125
Planning and Zoning	141,042	-	-	-	-	-	-	141,042
Buildings and Property	74,916	-	-	-	-	-	-	74,916
Other General Government	60,419	-	-	-	-	-	43,224	103,643
Capital Outlay	1,602	-	-	-	-	-	-	1,602
Total General Government	763,408	-	-	-	-	-	43,224	806,632
Public Safety								
Police	747,079	-	-	-	-	-	13,664	760,743
Fire Department	144,326	-	-	-	-	-	112,676	257,002
Ambulance	279	-	558,870	-	-	-	288,280	847,429
Animal Control	93	-	-	-	-	-	-	93
Capital Outlay	-	-	-	-	-	-	322,240	322,240
Total Public Safety	891,777	-	558,870	-	-	-	736,860	2,187,507
Public Works								
Highways, Streets and Alleys	517,843	-	-	-	18,315	-	10,452	546,610
Sidewalk and Curb	876	-	-	-	-	-	-	876
Snow and Ice Control	16,038	-	-	-	-	-	-	16,038
Street Lighting	54,437	-	-	-	-	-	-	54,437
Other	40,700	-	-	-	-	-	-	40,700
Capital Outlay	71,494	-	-	-	272,794	-	-	344,288
Total Public Works	701,388	-	-	-	291,109	-	10,452	1,002,949
Culture and Recreation								
Arena Activities	-	57,869	-	-	-	-	-	57,869
Parks	314,479	-	-	-	-	-	-	314,479
Campground	48,923	-	-	-	-	-	-	48,923
Other	4,310	-	-	-	-	-	36,137	40,447
Capital Outlay	56,284	17,512	-	-	124,332	-	149	198,277
Total Culture and Recreation	423,996	75,381	-	-	124,332	-	36,286	659,995
Economic Development								
Other Charges	-	-	-	210,782	-	-	43,835	254,617
Capital Outlay	-	-	-	80,712	-	-	-	80,712
Total Economic Development	-	-	-	291,494	-	-	43,835	335,329
Airport								
Other	-	-	-	-	-	-	131,385	131,385
Debt Service								
Principal	9,110	-	-	-	-	1,615,000	78,339	1,702,449
Interest and Fiscal Charges	710	-	-	-	-	622,524	2,355	625,589
Total Debt Service	9,820	-	-	-	-	2,237,524	80,694	2,328,038
Total Expenditures	2,790,389	75,381	558,870	291,494	415,441	2,237,524	1,082,736	7,451,835

**CITY OF SAUK CENTRE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES (CONTINUED)
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2014**

	General	Arena	Hospital	TIF	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 190,529	\$ 115	\$ 233,098	\$ 379,931	\$ (322,360)	\$ (948,479)	\$ 4,053	\$ (463,113)
OTHER FINANCING SOURCES (USES)								
Transfers From:								
Governmental Funds	-	-	-	652	342,330	303,894	-	646,876
Transfers To:								
Governmental Funds	(298,482)	-	-	-	-	-	(348,394)	(646,876)
Sale of Assets	70,400	-	-	-	-	-	-	70,400
Insurance Proceeds	-	-	-	-	-	-	2,313	2,313
Total Other Financing Sources/(Uses)	<u>(228,082)</u>	<u>-</u>	<u>-</u>	<u>652</u>	<u>342,330</u>	<u>303,894</u>	<u>(346,081)</u>	<u>72,713</u>
NET CHANGE IN FUND BALANCES	(37,553)	115	233,098	380,583	19,970	(644,585)	(342,028)	(390,400)
Fund Balances - Beginning of Year	<u>1,635,058</u>	<u>113,473</u>	<u>2,630,764</u>	<u>1,440,539</u>	<u>564,193</u>	<u>2,159,812</u>	<u>1,427,743</u>	<u>9,971,582</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,597,505</u>	<u>\$ 113,588</u>	<u>\$ 2,863,862</u>	<u>\$ 1,821,122</u>	<u>\$ 584,163</u>	<u>\$ 1,515,227</u>	<u>\$ 1,085,715</u>	<u>\$ 9,581,182</u>

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	211	224	225	230	240	226
	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance	Sauk Centre Economic Development Authority
ASSETS						
Cash and Investments	\$ 43,984	\$ 135,473	\$ 277,307	\$ 6,194	\$ 294,613	\$ 10,934
Accounts Receivable	-	-	3,194	5,289	67,556	-
Loans Receivable	-	-	-	-	-	-
Prepaid Expenses	-	-	240	-	365	-
Due from Other Governments	765	-	592	875	-	527
Due from Component Unit	-	-	-	-	-	-
Total Assets	<u>\$ 44,749</u>	<u>\$ 135,473</u>	<u>\$ 281,333</u>	<u>\$ 12,358</u>	<u>\$ 362,534</u>	<u>\$ 11,461</u>
LIABILITIES						
Salaries/Benefits Payable	\$ 121	\$ -	\$ -	\$ -	\$ 10,901	\$ -
Accounts and Contracts Payable	486	-	7	-	272	6
Advance From Other Funds	-	-	-	-	170,000	-
Unearned Revenue	-	-	-	720	-	-
Total Liabilities	<u>607</u>	<u>-</u>	<u>7</u>	<u>720</u>	<u>181,173</u>	<u>6</u>
FUND BALANCES						
Nonspendable	-	-	240	-	365	-
Restricted	-	-	-	-	-	-
Committed	21,453	78,338	193,327	11,638	34,793	-
Assigned	22,689	57,135	87,759	-	146,203	11,455
Total Fund Balances	<u>44,142</u>	<u>135,473</u>	<u>281,326</u>	<u>11,638</u>	<u>181,361</u>	<u>11,455</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 44,749</u>	<u>\$ 135,473</u>	<u>\$ 281,333</u>	<u>\$ 12,358</u>	<u>\$ 362,534</u>	<u>\$ 11,461</u>

227	228	229	260	214	280	
Economic Development Revolving Loan	Park Dedication	Siren Dedication	Senior Center	Police Forfeiture	Storm Water Utility	Total Nonmajor Special Revenue
\$ 236,534	\$ 15,045	\$ 11,545	\$ 37,414	\$ 27,019	\$ 80,171	\$ 1,176,233
-	-	-	-	-	-	76,039
63,979	-	-	-	-	-	63,979
-	-	-	-	-	-	605
-	-	-	633	-	-	3,392
-	-	-	-	-	13,371	13,371
<u>\$ 300,513</u>	<u>\$ 15,045</u>	<u>\$ 11,545</u>	<u>\$ 38,047</u>	<u>\$ 27,019</u>	<u>\$ 93,542</u>	<u>\$ 1,333,619</u>
\$ -	\$ -	\$ -	\$ 688	\$ -	\$ -	\$ 11,710
-	-	-	119	-	410	1,300
-	-	-	-	-	-	170,000
63,979	-	-	195	-	-	64,894
<u>63,979</u>	<u>-</u>	<u>-</u>	<u>1,002</u>	<u>-</u>	<u>410</u>	<u>247,904</u>
-	-	-	-	-	-	605
236,534	15,045	11,545	-	27,019	-	290,143
-	-	-	-	-	93,132	432,681
-	-	-	37,045	-	-	362,286
<u>236,534</u>	<u>15,045</u>	<u>11,545</u>	<u>37,045</u>	<u>27,019</u>	<u>93,132</u>	<u>1,085,715</u>
<u>\$ 300,513</u>	<u>\$ 15,045</u>	<u>\$ 11,545</u>	<u>\$ 38,047</u>	<u>\$ 27,019</u>	<u>\$ 93,542</u>	<u>\$ 1,333,619</u>

CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014

	211	224	225	230	240	226
	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance	Sauk Centre Economic Development Authority
REVENUES						
Taxes						
Property Taxes	\$ 30,229	\$ -	\$ 28,026	\$ 35,233	\$ -	\$ 20,197
Intergovernmental Revenues						
State Aids						
Fire State Aid	-	-	1,000	-	-	-
Other Grants	-	-	2,500	14,502	-	-
Total Intergovernmental Revenues	-	-	3,500	14,502	-	-
Charges for Services						
Fire Contracts	-	-	165,165	-	-	-
Ambulance Service	-	-	-	-	398,331	-
Planning and Zoning Charges	-	-	-	-	-	-
Rent	-	-	-	32,844	-	-
Other	-	-	-	43,692	5,610	-
Total Charges for Services	-	-	165,165	76,536	403,941	-
Other Revenues						
Interest	266	700	1,648	250	1,952	100
Donations/Contributions	-	41,000	3,000	-	1,637	-
Refunds and Reimbursements	-	-	7,074	3,165	3,342	-
Other	25	-	12,810	1,480	-	-
Total Other Revenues	291	41,700	24,532	4,895	6,931	100
Total Revenues	30,520	41,700	221,223	131,166	410,872	20,297
EXPENDITURES						
General Government						
Other General Government	43,224	-	-	-	-	-
Public Safety						
Police	-	-	-	-	-	-
Fire Department	-	3,119	109,557	-	-	-
Ambulance	-	-	-	-	288,280	-
Capital Outlay	-	10,664	-	-	311,576	-
Total Public Safety	-	13,783	109,557	-	599,856	-
Public Works						
Highways, Streets and Alleys	-	-	-	-	-	-

227	228	229	260	214	280	Total Nonmajor Special Revenue
Economic Development Revolving Loan	Park Dedication	Siren Dedication	Senior Center	Police Forfeiture	Storm Water Utility	
\$ -	\$ -	\$ -	\$ 25,177	\$ -	\$ -	\$ 138,862
-	-	-	-	-	-	1,000
-	-	-	-	-	-	17,002
-	-	-	-	-	-	18,002
-	-	-	-	-	-	165,165
-	-	-	-	-	-	398,331
-	-	-	-	-	162,336	162,336
-	-	-	6,645	-	-	39,489
-	-	-	-	-	-	49,302
-	-	-	6,645	-	162,336	814,623
1,511	277	76	207	190	851	8,028
-	-	-	5,576	-	-	51,213
-	-	-	-	-	-	13,581
16,349	-	-	360	11,456	-	42,480
17,860	277	76	6,143	11,646	851	115,302
17,860	277	76	37,965	11,646	163,187	1,086,789
-	-	-	-	-	-	43,224
-	-	-	-	13,664	-	13,664
-	-	-	-	-	-	112,676
-	-	-	-	-	-	288,280
-	-	-	-	-	-	322,240
-	-	-	-	13,664	-	736,860
-	-	-	-	-	10,452	10,452

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014**

	211	224	225	230	240	226
	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance	Sauk Centre Economic Development Authority
EXPENDITURES (CONTINUED)						
Culture and Recreation						
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay	-	-	-	-	-	-
Total Culture and Recreation	-	-	-	-	-	-
Economic Development						
Other Charges	-	-	-	-	-	31,335
Airport						
Other	-	-	-	131,385	-	-
Debt Service						
Principal	-	-	78,339	-	-	-
Interest and Fiscal Charges	-	-	2,355	-	-	-
Total Debt Service	-	-	80,694	-	-	-
Total Expenditures	43,224	13,783	190,251	131,385	599,856	31,335
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,704)	27,917	30,972	(219)	(188,984)	(11,038)
OTHER FINANCING SOURCES (USES)						
Transfers To:						
Governmental Funds	-	-	(65,016)	(128,658)	-	-
Insurance Proceeds	1,351	-	-	-	962	-
Total Other Financing Sources (Uses)	1,351	-	(65,016)	(128,658)	962	-
NET CHANGE IN FUND BALANCES	(11,353)	27,917	(34,044)	(128,877)	(188,022)	(11,038)
Fund Balances - Beginning of Year	55,495	107,556	315,370	140,515	369,383	22,493
FUND BALANCES - END OF YEAR	\$ 44,142	\$ 135,473	\$ 281,326	\$ 11,638	\$ 181,361	\$ 11,455

227	228	229	260	214	280	
Economic Development Revolving Loan	Park Dedication	Siren Dedication	Senior Center	Police Forfeiture	Storm Water Utility	Total Nonmajor Special Revenue
\$ -	\$ -	\$ -	\$ 36,137	\$ -	\$ -	\$ 36,137
-	149	-	-	-	-	149
-	149	-	36,137	-	-	36,286
12,500	-	-	-	-	-	43,835
-	-	-	-	-	-	131,385
-	-	-	-	-	-	78,339
-	-	-	-	-	-	2,355
-	-	-	-	-	-	80,694
12,500	149	-	36,137	13,664	10,452	1,082,736
5,360	128	76	1,828	(2,018)	152,735	4,053
-	(29,500)	-	-	-	(125,220)	(348,394)
-	-	-	-	-	-	2,313
-	(29,500)	-	-	-	(125,220)	(346,081)
5,360	(29,372)	76	1,828	(2,018)	27,515	(342,028)
231,174	44,417	11,469	35,217	29,037	65,617	1,427,743
\$ 236,534	\$ 15,045	\$ 11,545	\$ 37,045	\$ 27,019	\$ 93,132	\$ 1,085,715

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING BALANCE SHEET
TAX INCREMENT FINANCING FUND
DECEMBER 31, 2014**

	255	250	251	252	254	257	259		
	Tax Increment Financing District No. 5	Tax Increment Financing District No. 1	Tax Increment Financing District No. 1 Expanded	Tax Increment Financing District No. 1-11	Tax Increment Housing District 4	Tax Increment Financing Roach Center Crossing	East River Heights Housing	Internal Eliminations	Total TIF Funds
ASSETS									
Cash and Investments	\$ -	\$ 850,306	\$ -	\$ (2,786)	\$ 47,263	\$ -	\$ -	\$ -	\$ 894,783
Taxes Receivable - Delinquent	-	53,674	-	-	-	-	-	-	53,674
Land Held for Resale	-	920,398	-	-	-	-	-	-	920,398
Due from Other Governments	-	6,781	-	-	-	-	-	-	6,781
Total Assets	<u>\$ -</u>	<u>\$ 1,831,159</u>	<u>\$ -</u>	<u>\$ (2,786)</u>	<u>\$ 47,263</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,875,636</u>
LIABILITIES									
Accounts and Contracts Payable	\$ -	\$ 840	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 840
DEFERRED INFLOWS OF RESOURCES									
Unavailable Taxes	-	53,674	-	-	-	-	-	-	53,674
FUND BALANCES (DEFICITS)									
Restricted	-	1,776,645	-	(2,786)	47,263	-	-	-	1,821,122
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ -</u>	<u>\$ 1,831,159</u>	<u>\$ -</u>	<u>\$ (2,786)</u>	<u>\$ 47,263</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,875,636</u>

CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TAX INCREMENT FINANCING FUND
YEAR ENDED DECEMBER 31, 2014

	255	250	251	252	254	257	259		
	Tax Increment Financing District No. 5	Tax Increment Financing District No. 1	Tax Increment Financing District No. 1 Expanded	Tax Increment Financing District No. 1-11	Tax Increment Housing District 4	Tax Increment Financing Roach Center Crossing	East River Heights Housing	Internal Eliminations	Total TIF Funds
REVENUES									
Taxes									
Tax Increments	\$ -	\$ 538,796	\$ 31,300	\$ 6,999	\$ 24,180	\$ 33,948	\$ 26,743	\$ -	\$ 661,966
Other Revenues									
Interest	-	7,162	1,982	4	311	-	-	-	9,459
Total Revenues	-	545,958	33,282	7,003	24,491	33,948	26,743	-	671,425
EXPENDITURES									
Economic Development									
Other Charges	652	48,353	-	7,419	18,702	87,509	48,147	-	210,782
Capital Outlay	-	80,712	-	-	-	-	-	-	80,712
Total Economic Development	652	129,065	-	7,419	18,702	87,509	48,147	-	291,494
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(652)	416,893	33,282	(416)	5,789	(53,561)	(21,404)	-	379,931
OTHER FINANCING SOURCES (USES)									
Transfers From:									
Governmental Funds	652	324,941	-	-	-	-	-	(324,941)	652
Transfers To:									
Governmental Funds	-	-	(324,941)	-	-	-	-	324,941	-
Total Other Financing Sources (Uses)	652	324,941	(324,941)	-	-	-	-	-	652
NET CHANGE IN FUND BALANCES	-	741,834	(291,659)	(416)	5,789	(53,561)	(21,404)	-	380,583
Fund Balances (Deficits) - Beginning of Year	-	1,034,811	291,659	(2,370)	41,474	53,561	21,404	-	1,440,539
FUND BALANCES (DEFICITS) - END OF YEAR	\$ -	\$ 1,776,645	\$ -	\$ (2,786)	\$ 47,263	\$ -	\$ -	\$ -	\$ 1,821,122

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUND
DECEMBER 31, 2014**

	314	316	318	326	327
	Increment Revenue Bonds of 1998 Series C	G.O. Increment Bonds of 1999B	Airport Revenue Bonds of 2000A	G.O. Improvement Bonds of 2006A	G.O. Improvement Bonds of 2007B
ASSETS					
Cash and Investments	\$ 1,716	\$ 69,586	\$ -	\$ 7,829	\$ 136,826
Special Assessments Receivable	-	-	-	-	29,529
Due from Other Governments	-	59	-	-	-
Total Assets	<u>\$ 1,716</u>	<u>\$ 69,645</u>	<u>\$ -</u>	<u>\$ 7,829</u>	<u>\$ 166,355</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Special Assessments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,529</u>
FUND BALANCES					
Restricted for Debt Service	<u>1,716</u>	<u>69,645</u>	<u>-</u>	<u>7,829</u>	<u>136,826</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 1,716</u>	<u>\$ 69,645</u>	<u>\$ -</u>	<u>\$ 7,829</u>	<u>\$ 166,355</u>

328	329	330	331	332	
2007A G.O. City Hall Bond	G.O. Improvement Bonds of 2008A	G.O. Refunding Bonds of 2009A	G.O. Improvement Bonds of 2012A	G.O. Hospital Refunding Bonds of 2005C	Total Debt Service
\$ 151,212	\$ 315,295	\$ 341,232	\$ 445,519	\$ -	\$ 1,469,215
-	196,665	212,376	176,684	-	615,254
3,668	2,727	37,166	2,392	-	46,012
<u>\$ 154,880</u>	<u>\$ 514,687</u>	<u>\$ 590,774</u>	<u>\$ 624,595</u>	<u>\$ -</u>	<u>\$ 2,130,481</u>
\$ -	\$ 196,665	\$ 212,376	\$ 176,684	\$ -	\$ 615,254
154,880	318,022	378,398	447,911	-	1,515,227
<u>\$ 154,880</u>	<u>\$ 514,687</u>	<u>\$ 590,774</u>	<u>\$ 624,595</u>	<u>\$ -</u>	<u>\$ 2,130,481</u>

CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2014

	314	316	318	326	327
	Increment Revenue Bonds of 1998 Series C	G.O. Increment Bonds of 1999B	Airport Revenue Bonds of 2000A	G.O. Improvement Bonds of 2006A	G.O. Improvement Bonds of 2007B
REVENUES					
Taxes					
Property Taxes	\$ -	\$ 178	\$ -	\$ 2	\$ -
Special Assessments	-	24,703	-	-	61,969
Total Taxes	-	24,881	-	2	61,969
Other Revenues					
Interest	11	382	-	321	739
Other	-	-	-	-	-
Total Other Revenues	11	382	-	321	739
Total Revenues	11	25,263	-	323	62,708
EXPENDITURES					
Debt Service					
Principal	-	65,000	110,000	525,000	45,000
Interest and Fiscal Charges	-	4,798	3,658	10,791	7,299
Total Expenditures	-	69,798	113,658	535,791	52,299
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11	(44,535)	(113,658)	(535,468)	10,409
OTHER FINANCING SOURCES					
Transfers From:					
Governmental Funds	-	-	113,658	-	-
NET CHANGE IN FUND BALANCES	11	(44,535)	-	(535,468)	10,409
Fund Balances - Beginning of Year	1,705	114,180	-	543,297	126,417
FUND BALANCES - END OF YEAR	<u>\$ 1,716</u>	<u>\$ 69,645</u>	<u>\$ -</u>	<u>\$ 7,829</u>	<u>\$ 136,826</u>

328	329	330	331	332	
2007A G.O. City Hall Bond	G.O. Improvement Bonds of 2008A	G.O. Refunding Bonds of 2009A	G.O. Improvement Bonds of 2012A	G.O. Hospital Refunding Bonds of 2005C	Total Debt Service
\$ 136,365	\$ 100,631	\$ 1,772	\$ 104,948	\$ -	\$ 343,896
-	37,289	50,166	39,187	-	213,314
<u>136,365</u>	<u>137,920</u>	<u>51,938</u>	<u>144,135</u>	<u>-</u>	<u>557,210</u>
503	1,593	2,344	1,724	-	7,617
-	-	-	-	724,218	724,218
<u>503</u>	<u>1,593</u>	<u>2,344</u>	<u>1,724</u>	<u>724,218</u>	<u>731,835</u>
136,868	139,513	54,282	145,859	724,218	1,289,045
120,000	75,000	370,000	-	305,000	1,615,000
71,415	42,814	5,985	56,546	419,218	622,524
<u>191,415</u>	<u>117,814</u>	<u>375,985</u>	<u>56,546</u>	<u>724,218</u>	<u>2,237,524</u>
(54,547)	21,699	(321,703)	89,313	-	(948,479)
65,016	-	-	125,220	-	303,894
10,469	21,699	(321,703)	214,533	-	(644,585)
<u>144,411</u>	<u>296,323</u>	<u>700,101</u>	<u>233,378</u>	<u>-</u>	<u>2,159,812</u>
<u>\$ 154,880</u>	<u>\$ 318,022</u>	<u>\$ 378,398</u>	<u>\$ 447,911</u>	<u>\$ -</u>	<u>\$ 1,515,227</u>

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND
DECEMBER 31, 2014**

	412	439	409	405	413	
	EDA Improvement Projects	4th Street Storm Water CIP Project	Airport 2012 CIP	Splash Pad CIP	Beacon/ Runway CIP	Total Capital Projects
ASSETS						
Cash and Investments	\$ 199,090	\$ 144,333	\$ (16,116)	\$ 228,298	\$ 13,507	\$ 569,112
Accounts Receivable	-	-	16,209	-	-	16,209
Loans Receivable	112,430	-	-	-	-	112,430
Total Assets	<u>\$ 311,520</u>	<u>\$ 144,333</u>	<u>\$ 93</u>	<u>\$ 228,298</u>	<u>\$ 13,507</u>	<u>\$ 697,751</u>
LIABILITIES						
Accounts and Contracts Payable	\$ -	\$ -	\$ -	\$ 1,158	\$ -	\$ 1,158
Unearned Revenue	112,430	-	-	-	-	112,430
Total Liabilities	<u>112,430</u>	<u>-</u>	<u>-</u>	<u>1,158</u>	<u>-</u>	<u>113,588</u>
FUND BALANCES						
Restricted for Capital Projects	199,090	144,333	93	-	13,507	357,023
Assigned for Capital Projects	-	-	-	227,140	-	227,140
Total Fund Balances	<u>199,090</u>	<u>144,333</u>	<u>93</u>	<u>227,140</u>	<u>13,507</u>	<u>584,163</u>
Total Liabilities and Fund Balances	<u>\$ 311,520</u>	<u>\$ 144,333</u>	<u>\$ 93</u>	<u>\$ 228,298</u>	<u>\$ 13,507</u>	<u>\$ 697,751</u>

CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECT FUND
YEAR ENDED DECEMBER 31, 2014

	412	439	409	405	413	
	EDA Improvement Projects	4th Street Storm Water CIP Project	Airport 2012 CIP	Splash Pad CIP	Beacon/ Runway CIP	Total Capital Projects
REVENUES						
Intergovernmental Revenues						
Other Grants	\$ -	\$ -	\$ 50,655	\$ -	\$ -	\$ 50,655
Other Revenues						
Interest	1,524	1,856	(191)	(39)	7	3,157
Donations/Contributions	-	-	-	24,181	-	24,181
Other	15,088	-	-	-	-	15,088
Total Other Revenues	<u>16,612</u>	<u>1,856</u>	<u>(191)</u>	<u>24,142</u>	<u>7</u>	<u>42,426</u>
Total Revenues	16,612	1,856	50,464	24,142	7	93,081
EXPENDITURES						
Public Works						
Highways, Streets and Alleys	-	18,315	-	-	-	18,315
Capital Outlay	-	216,365	56,429	-	-	272,794
Total Public Works	<u>-</u>	<u>234,680</u>	<u>56,429</u>	<u>-</u>	<u>-</u>	<u>291,109</u>
Culture and Recreation						
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,332</u>	<u>-</u>	<u>124,332</u>
Total Expenditures	<u>-</u>	<u>234,680</u>	<u>56,429</u>	<u>124,332</u>	<u>-</u>	<u>415,441</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	16,612	(232,824)	(5,965)	(100,190)	7	(322,360)
OTHER FINANCING SOURCES						
Transfers From:						
Governmental Funds	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>327,330</u>	<u>13,500</u>	<u>342,330</u>
NET CHANGE IN FUND BALANCES	16,612	(232,824)	(4,465)	227,140	13,507	19,970
Fund Balances - Beginning of Year	<u>182,478</u>	<u>377,157</u>	<u>4,558</u>	<u>-</u>	<u>-</u>	<u>564,193</u>
FUND BALANCES - END OF YEAR	<u>\$ 199,090</u>	<u>\$ 144,333</u>	<u>\$ 93</u>	<u>\$ 227,140</u>	<u>\$ 13,507</u>	<u>\$ 584,163</u>

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OTHER REPORTS SECTION



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**INDEPENDENT AUDITORS' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information, of the City of Sauk Centre, Minnesota (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 8, 2015. Our report includes a reference to other auditors who audited the financial statements of the Sauk Centre Housing and Redevelopment Authority (HRA), whose year-end is September 30, 2014, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

Internal Control Over Financial Reporting (Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 2014-001 and 2014-002, as described in the accompanying Schedule of Findings and Recommendations, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency 2014-003, as described in the accompanying Schedule of Findings and Recommendations, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



CliftonLarsonAllen LLP

Alexandria, Minnesota
April 8, 2015

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**CITY OF SAUK CENTRE, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2014**

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sauk Centre, Minnesota (the City), as of December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated April 8, 2015. Our report includes a reference to other auditors who audited the financial statements of the Sauk Centre Housing and Redevelopment Authority (HRA), whose year-end is September 30, 2014, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of compliance and other matters that are reported on separately by those auditors.

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

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, contains 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.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above-referenced provisions.

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



CliftonLarsonAllen LLP

Alexandria, Minnesota
April 8, 2015



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**CITY OF SAUK CENTRE, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2014**

MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:

2014-001 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 design of the internal controls over segregation of duties may result in the City's inability to prevent/detect misappropriation of assets.

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

CORRECTIVE ACTION PLAN

Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

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

Official Responsible for Ensuring CAP:

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

Planned Completion Date for CAP:

The CAP is ongoing.

Plan to Monitor Completion of CAP:

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

**CITY OF SAUK CENTRE, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED DECEMBER 31, 2014**

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

2014-002 OVERSIGHT OF THE FINANCIAL REPORTING PROCESS

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

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

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

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

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

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The City will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures and will review and approve these prior to the issuance of the annual financial statements.

Official Responsible for Ensuring CAP:

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

Planned Completion Date for CAP:

The CAP is ongoing.

Plan to Monitor Completion of CAP:

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

**CITY OF SAUK CENTRE, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED DECEMBER 31, 2014**

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

2014-003 SIGNERS ON BANK ACCOUNT

Condition: During the confirmation of bank accounts during the audit, we noted an authorized signer on one City account who was no longer employed at the City as of December 31, 2014.

Criteria: City management is responsible for establishing and maintaining internal controls over authorized signers on all bank accounts.

Cause: Turnover in City personnel.

Effect: The City is at an increased risk for unauthorized bank transactions.

Recommendation: We recommend that City management review authorized signers on all bank accounts periodically by getting a list of all authorized signers for each bank account held by the City and remove any employees who are no longer employed by the City in a timely manner.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The City will check each bank account to ensure personnel has been changed in the future.

Official Responsible for Ensuring CAP:

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

Planned Completion Date for CAP:

All of the City's bank accounts subsequently have been reviewed and updated as of the issuance of this report.

Plan to Monitor Completion of CAP:

The City's Administrator has resolved the issue and will monitor the account signers with any change in personnel in the future.

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