

CITY OF SAUK CENTRE, MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020



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**AUDIT, TAX, AND
CONSULTING**

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INTRODUCTORY SECTION

**CITY OF SAUK CENTRE, MINNESOTA
ELECTED OFFICIALS AND ADMINISTRATION
DECEMBER 31, 2020**

Elected Officials	Position	Term Expires
CITY COUNCIL		
Warren Stone	Mayor	December 31, 2022
Shalon Wilber	Council Member	December 31, 2020
Joe Fuechtmann	Council Member	December 31, 2022
Heidi Leach	Council Member	December 31, 2022
Diane Kelly	Council Member	December 31, 2020
CITY OFFICIALS		
Vicki Willer	City Administrator	Indefinite
Jacquelyn Kirckof	Accounting Specialist	Indefinite
Bryon Friedrichs	Chief of Police	Indefinite
Steve Moritz	Fire Chief	Indefinite
PUBLIC UTILITIES COMMISSION - APPOINTED		
Ted Spanier	President	December 31, 2020
John Egan	Vice-President	December 31, 2022
Mark Roberg	Commissioner	December 31, 2021
Jeff Bromenshenkel	Commissioner	December 31, 2020
Wayne Senst	Commissioner	December 31, 2022
HOUSING AND REDEVELOPMENT AUTHORITY BOARD - APPOINTED		
Don Leonard	Board President	March 31, 2023
Pat Robischon	Board Member	March 31, 2024
Mike Felling	Secretary	March 31, 2021
Diane Leukam	Board Member	March 31, 2025
Mickey Welle	Board Member	March 31, 2022
Keith Johnson*	Council Representative	Indefinite

*Resigned November 2020

FINANCIAL SECTION



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, 2020, 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.

Auditors' 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, 2020, which represents 3%, 4% and 3%, 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, 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 City'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 City'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.

Opinions

In our opinion, 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, 2020, 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 schedule of changes in the total OPEB liability, related ratios and notes, schedule of the proportionate share of the net pension liability, the schedule of pension contributions, the fire relief association schedule of changes in the net pension asset and related ratios, and budgetary comparison schedules, as listed on the table of contents, 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 (GASB), 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 GASB, 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

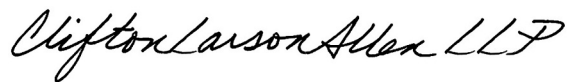
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of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

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

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 information is 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 March 29, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Alexandria, Minnesota
March 29, 2021

BASIC FINANCIAL STATEMENTS

**CITY OF SAUK CENTRE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Governmental Activities	Component Units	
		Sauk Centre Public Utilities Commission	Sauk Centre HRA
ASSETS			
Cash and Investments	\$ 12,408,602	\$ 1,568,000	\$ 204,038
Designated Cash and Investments	-	7,445,136	-
Due from Other Governments	218,191	-	-
Accounts Receivable	719,833	1,252,281	-
Notes Receivable	6,732,992	-	-
Taxes Receivable - Delinquent	58,746	-	-
Special Assessments Receivable	1,661,564	-	-
Due from Component Unit	44,753	-	-
Interest Receivable	23,343	50,766	-
Inventories	-	227,914	-
Prepaid Expenses	-	58,862	8,798
Land Held for Resale	920,322	-	-
Land Held for Investment	-	60,000	-
Net Pension Asset	183,153	-	-
Capital Assets Not Being Depreciated:			
Land	3,925,877	146,633	95,744
Construction in Process	925,359	-	40,138
Capital Assets Being Depreciated:			
Land Improvements	2,077,512	-	-
Buildings and Improvements	25,013,610	3,763,385	2,014,227
Vehicles, Machinery and Equipment	9,634,565	767,082	109,709
Infrastructure	20,445,772	27,596,385	-
Less: Accumulated Depreciation	(30,570,902)	(16,230,384)	(1,608,172)
Total Assets	<u>54,423,292</u>	<u>26,706,060</u>	<u>864,482</u>
DEFERRED OUTFLOWS OF RESOURCES			
OPEB Related	16,607	55,447	-
Pension Related	458,490	117,968	-
Total Deferred Outflows of Resources	<u>475,097</u>	<u>173,415</u>	<u>-</u>
LIABILITIES			
Salaries/Benefits Payable	112,024	146,951	6,325
Accounts and Contracts Payable	96,847	473,732	11,241
Due to Primary Government	-	44,753	-
Tenant Security Deposits	-	-	11,828
Unearned Revenue	31,432	-	1,605
Other Liabilities	-	-	4,375
Accrued Interest	132,103	27,948	-
Net Pension Liability	1,351,551	791,400	-
OPEB Liability:			
Due Within One Year	8,550	41,557	-
Due in More than One Year	219,129	124,805	-
Long-Term Debt:			
Due Within One Year	1,205,000	368,000	-
Due in More than One Year	12,910,028	3,651,000	-
Total Liabilities	<u>16,066,664</u>	<u>5,670,146</u>	<u>35,374</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related	618,263	75,846	-
OPEB Related	140,574	3,102	-
Total Deferred Inflows of Resources	<u>758,837</u>	<u>78,948</u>	<u>-</u>
NET POSITION			
Net Investment in Capital Assets	17,528,802	12,024,101	651,646
Restricted For:			
Net Pension Asset	183,153	-	-
Debt Service	4,626,594	-	-
Capital Outlay	91,841	-	-
Highway Reconstruction	525,087	-	-
Economic Development	2,257,660	-	-
Fire Service	191,770	-	-
Hospital Operations	2,323,091	-	-
Other Purposes	125,306	-	-
Unrestricted	10,219,584	9,106,280	177,462
Total Net Position	<u>\$ 38,072,888</u>	<u>\$ 21,130,381</u>	<u>\$ 829,108</u>

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Units	
					Governmental Activities	Sauk Centre Public Utilities Commission	Sauk Centre HRA
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General Government	\$ 983,861	\$ 356,298	\$ 14,866	\$ 52,364	\$ (560,333)	\$ -	\$ -
Public Safety	2,647,381	1,116,777	132,848	-	(1,397,756)	-	-
Public Works	1,659,905	190,615	-	1,222,553	(246,737)	-	-
Culture and Recreation	512,925	193,959	-	-	(318,966)	-	-
Economic Development	345,270	238	294,044	-	(50,988)	-	-
Airport	237,874	84,085	-	53,671	(100,118)	-	-
Debt Service	340,702	618,673	-	-	277,971	-	-
Total Governmental Activities	<u>6,727,918</u>	<u>2,560,645</u>	<u>441,758</u>	<u>1,328,588</u>	<u>(2,396,927)</u>	<u>-</u>	<u>-</u>
COMPONENT UNITS							
Housing Activity	273,092	167,564	78,764	-	-	-	(26,764)
Public Utilities Commission	<u>6,259,615</u>	<u>7,723,857</u>	<u>1,496</u>	<u>40,009</u>	<u>-</u>	<u>1,505,747</u>	<u>-</u>
Total Component Units	<u>\$ 6,532,707</u>	<u>\$ 7,891,421</u>	<u>\$ 80,260</u>	<u>\$ 40,009</u>	<u>-</u>	<u>1,505,747</u>	<u>(26,764)</u>
GENERAL REVENUES							
Property Taxes					1,943,202	-	-
City Sales Tax					524,227	-	-
Tax Increments					54,933	-	-
Grants and Contributions Not Restricted to a Specific Program					1,256,261	-	-
Interest and Investment Earnings					549,570	150,728	610
Miscellaneous Revenues					<u>102,351</u>	<u>27,035</u>	<u>62</u>
Total General Revenues					<u>4,430,544</u>	<u>177,763</u>	<u>672</u>
CHANGES IN NET POSITION					2,033,617	1,683,510	(26,092)
Net Position - Beginning of Year					<u>36,039,271</u>	<u>19,446,871</u>	<u>855,200</u>
NET POSITION - END OF YEAR					<u>\$ 38,072,888</u>	<u>\$ 21,130,381</u>	<u>\$ 829,108</u>

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

	Special Revenue			
	General	Arena	Hospital	Tax Increment Financing
ASSETS				
Cash and Investments	\$ 2,021,856	\$ -	\$ 3,442,404	\$ 726,260
Taxes Receivable - Delinquent	43,345	-	-	-
Special Assessments Receivable	87,554	-	-	-
Accounts Receivable	80,432	26,000	159,909	5,000
Loans Receivable	-	-	-	-
Notes Receivable	-	-	6,732,992	-
Interest Receivable	3,743	-	6,413	1,385
Land Held for Resale	-	-	-	920,322
Due from Other Governments	11,470	208	-	-
Due from Component Unit	-	-	-	-
Due from Other Funds	15,861	-	-	-
Advances to Other Funds	-	-	725,000	-
	-	-	725,000	-
Total Assets	\$ 2,264,261	\$ 26,208	\$ 11,066,718	\$ 1,652,967
LIABILITIES				
Salaries/Benefits Payable	\$ 87,717	\$ 1,907	\$ -	\$ -
Accounts and Contracts Payable	43,896	6,626	-	4,410
Due to Other Funds	-	6,599	-	-
Advances from Other Funds	-	-	-	-
Unearned Revenue	22,282	-	-	-
Total Liabilities	153,895	15,132	-	4,410
DEFERRED INFLOWS OF RESOURCES				
Unavailable Taxes	43,345	-	-	-
Unavailable Loans Receivable	-	-	-	-
Unavailable Notes Receivable	-	-	6,732,992	-
Unavailable Special Assessments	87,554	-	-	-
Total Deferred Inflows of Resources	130,899	-	6,732,992	-
FUND BALANCES				
Restricted	91,841	-	2,323,091	1,650,827
Committed	698,967	11,076	-	-
Assigned	-	-	2,010,635	-
Unassigned	1,188,659	-	-	(2,270)
Total Fund Balances	1,979,467	11,076	4,333,726	1,648,557
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,264,261	\$ 26,208	\$ 11,066,718	\$ 1,652,967

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

<u>Special Revenue</u>				
<u>2020 CIP Repayment</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 64,182	\$ 18,565	\$ 3,512,726	\$ 2,622,609	\$ 12,408,602
-	-	15,401	-	58,746
342,707	-	1,219,419	11,884	1,661,564
-	97,988	-	109,215	478,544
-	-	-	241,289	241,289
-	-	-	-	6,732,992
121	141	6,602	4,938	23,343
-	-	-	-	920,322
-	-	4,549	201,964	218,191
-	-	-	44,753	44,753
-	-	-	-	15,861
-	-	-	-	725,000
<u>\$ 407,010</u>	<u>\$ 116,694</u>	<u>\$ 4,758,697</u>	<u>\$ 3,236,652</u>	<u>\$ 23,529,207</u>
\$ -	\$ -	\$ -	\$ 22,400	\$ 112,024
-	23,337	-	18,578	96,847
-	9,262	-	-	15,861
725,000	-	-	-	725,000
-	-	-	9,150	31,432
<u>725,000</u>	<u>32,599</u>	<u>-</u>	<u>50,128</u>	<u>981,164</u>
-	-	15,401	-	58,746
-	-	-	241,289	241,289
-	-	-	-	6,732,992
342,707	-	1,219,419	11,884	1,661,564
<u>342,707</u>	<u>-</u>	<u>1,234,820</u>	<u>253,173</u>	<u>8,694,591</u>
-	-	3,523,877	1,195,823	8,785,459
-	-	-	532,819	1,242,862
-	84,095	-	1,208,578	3,303,308
(660,697)	-	-	(3,869)	521,823
<u>(660,697)</u>	<u>84,095</u>	<u>3,523,877</u>	<u>2,933,351</u>	<u>13,853,452</u>
<u>\$ 407,010</u>	<u>\$ 116,694</u>	<u>\$ 4,758,697</u>	<u>\$ 3,236,652</u>	<u>\$ 23,529,207</u>

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2020**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 13,853,452

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	62,022,695
Less: Accumulated Depreciation	(30,570,902)

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

Net Pension Asset	183,153
Net Pension Liability	(1,351,551)
Deferred Outflows of Resources - Pension Related	458,490
Deferred Inflows of Resources - Pension Related	(618,263)

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

OPEB Liability	(227,679)
Deferred Outflows of Resources - OPEB Related	16,607
Deferred Inflows of Resources - OPEB Related	(140,574)

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	(14,115,028)
Accrued Interest Payable	(132,103)

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

Delinquent Property Taxes	58,746
Unavailable Special Assessments Receivable	1,661,564

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

6,974,281

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 38,072,888

CITY OF SAUK CENTRE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	Special Revenue			
	General	Arena	Hospital	Tax Increment Financing
REVENUES				
Taxes	\$ 1,318,560	\$ 24,967	\$ -	\$ 54,933
Special Assessments	20,285	-	-	-
Licenses and Permits	342,106	-	-	-
Intergovernmental Revenues	1,753,789	-	-	-
Charges for Services	184,471	69,001	96,000	-
Fines and Forfeits	28,261	-	-	-
Other Revenues	143,759	124	397,910	14,017
Total Revenues	<u>3,791,231</u>	<u>94,092</u>	<u>493,910</u>	<u>68,950</u>
EXPENDITURES				
General Government	887,489	-	-	-
Public Safety	1,258,752	-	82,498	-
Public Works	537,037	-	-	-
Culture and Recreation	390,697	106,702	-	-
Economic Development	294,864	-	-	46,835
Airport	-	-	-	-
Debt Service				
Principal	4,000	-	-	-
Interest and Fiscal Charges	-	-	-	-
Capital Outlay	309,466	-	-	-
Total Expenditures	<u>3,682,305</u>	<u>106,702</u>	<u>82,498</u>	<u>46,835</u>
EXCESS (DEFICIENCY) OF REVENUES	108,926	(12,610)	411,412	22,115
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	108,926	(12,610)	411,412	22,115
Fund Balances - Beginning of Year	<u>1,870,541</u>	<u>23,686</u>	<u>3,922,314</u>	<u>1,626,442</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 1,979,467</u></u>	<u><u>\$ 11,076</u></u>	<u><u>\$ 4,333,726</u></u>	<u><u>\$ 1,648,557</u></u>

See accompanying Notes to Financial Statements.

CITY OF SAUK CENTRE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

<u>Special Revenue</u>				
2020 CIP Repayment	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 509,721	\$ 614,180	\$ 2,522,361
64,087	-	137,766	-	222,138
-	-	-	-	342,106
-	-	-	105,917	1,859,706
-	-	-	1,113,638	1,463,110
-	-	-	8,174	36,435
216	779,820	656,342	139,086	2,131,274
<u>64,303</u>	<u>779,820</u>	<u>1,303,829</u>	<u>1,980,995</u>	<u>8,577,130</u>
-	-	-	29,320	916,809
-	-	-	590,331	1,931,581
-	-	-	7,372	544,409
-	-	-	31,448	528,847
-	-	-	13,571	355,270
-	-	-	119,004	119,004
-	-	1,150,000	-	1,154,000
-	-	370,765	-	370,765
-	1,533,485	-	141,547	1,984,498
<u>-</u>	<u>1,533,485</u>	<u>1,520,765</u>	<u>932,593</u>	<u>7,905,183</u>
64,303	(753,665)	(216,936)	1,048,402	671,947
-	725,000	1,002,700	-	1,727,700
<u>(725,000)</u>	<u>(818,863)</u>	<u>-</u>	<u>(183,837)</u>	<u>(1,727,700)</u>
<u>(725,000)</u>	<u>(93,863)</u>	<u>1,002,700</u>	<u>(183,837)</u>	<u>-</u>
(660,697)	(847,528)	785,764	864,565	671,947
<u>-</u>	<u>931,623</u>	<u>2,738,113</u>	<u>2,068,786</u>	<u>13,181,505</u>
<u>\$ (660,697)</u>	<u>\$ 84,095</u>	<u>\$ 3,523,877</u>	<u>\$ 2,933,351</u>	<u>\$ 13,853,452</u>

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 671,947

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	1,484,399
Depreciation Expense	(1,580,064)
Disposal of Assets - Net Book Value	(12,599)

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	1,154,000
Amortization of Bond Discount	(928)
Amortization of Bond Premium	25,620
Change in Accrued Interest	5,371

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

82,219

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

4,376

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

(16,224)

Delinquent property taxes, notes receivable, and special assessments will be collected subsequent to year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are unavailable in the governmental funds. Property taxes receivable decreased by \$722, notes receivable decreased by \$20,851, and special assessments increased by \$237,073.

215,500

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,033,617

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Financial Reporting Entity

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

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

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

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

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

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

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020.

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

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

C. Basic Financial Statement Presentation

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

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

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

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

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

E. Fund Accounting

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

Governmental Funds

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

Arena Special Revenue Fund – The Arena Special Revenue Fund is used to account for the proceeds of charges for services that are committed to expenditures for the functions of the arena.

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

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

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 2020, the City's adopted budget was consistent with U.S. GAAP.

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

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Use of Estimates

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

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

1. Cash and Cash Equivalents

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

2. Accounts Receivable

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, 2020, the allowance is \$104,324.

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.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

Committed fund balance is required to be established, modified, or rescinded by resolution of the City Council prior to each year-end. Based on resolution of the City Council, the City Administrator/Clerk/Treasurer has the authority to establish or modify assigned fund balance. When 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.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Fund Balance/Net Position (Continued)

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

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 any balances remaining by October 15.

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

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

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Property Taxes Calendar (Continued)

Current year property tax revenues represent the tax levy certified to the County Auditor in December 2019 which was collected during the year ended December 31, 2020. Any adjustments or abatements to either the current, or any prior year, levy are adjusted through the current year general property tax revenues. Property taxes not collected by the County and remitted to the City within 60 days of year-end are classified as delinquent and not considered measurable and available and are fully offset by deferred inflows of resources in the governmental fund financial statements. Delinquent taxes receivable represent the past years of uncollected tax years. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material. During the current year, the County collected taxes levied for the subsequent period. These taxes will be recognized as revenue in the year for which they were levied and are reported as property taxes levied for subsequent year.

8. Special Assessments

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

9. Due from Other Governments

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

10. Short-Term Interfund Receivables / Payables

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

11. Capital Assets

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Capital Assets (Continued)

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

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

12. Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period. The City will not recognize the related outflow until a future event occurs.

13. Net Pension Liability (Asset)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

14. Long-Term Obligations

In the government-wide financial statements, and in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, and statements of net 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.

15. Long-Term Interfund Receivables / Payables

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

16. Compensated Absences

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

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

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

17. Deferred Inflows of Resources

In addition to liabilities, 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 or fund balance that applies to a future period.

H. Revenues, Expenditures, and Expenses

1. Revenues

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

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

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

2. Expenditures

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

3. Expenses

Government wide financial statements recognize expenses when they are incurred.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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. There was no council approved budget for the 2020 CIP Repayment Fund. The budget presented in this report along with the budget to actual is presented in accordance with accounting principles generally accepted in the United States of America.

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

Expenditures in Excess of Appropriations

Expenditures exceeded the appropriations during the year ended December 31, 2020 in the following funds:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Expenditures Over Appropriations</u>
General Fund	\$ 3,682,305	\$ 3,592,669	\$ 89,636

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

Deficit Fund Balance

The following funds have a deficit fund balance as of December 31, 2020:

<u>Deficit Fund Balance</u>	<u>Amount</u>
Tax Increment Financing District No. 1-13	\$ (2,270)
2020 CIP Repayment	(660,697)

Deficit fund balances are due to expenditures exceeding revenues in the current year and will be recovered through future tax increment collections or special assessments.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

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

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

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

The City's deposits in excess of the \$250,000 Federal Deposit Insurance Corporation limits are covered by collateral held in a Federal Reserve Pledge account or by an agent for the City and thus no custodial credit risk exists. As of December 31, 2020, all City deposits were covered by insurance or collateral.

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

Investments

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The City had the following investments at December 31, 2020:

Investment	Credit Risk		Concentration	Interest Rate Risk		Carrying Value
	Rating	Agency	Risk % of Portfolio	Maturity Date	Interest Rate	
Minnesota Municipal Money Market Fund:						\$ 495
4M Plus Fund	N/R	N/A	N/A	N/A	N/A	20,843
4M Fund	N/R	N/A	N/A	N/A	N/A	2,541,429
Multi-Bank Securities:						
Negotiable Certificate of Deposit	N/R	N/A	N/A	See Below	Various	4,810,579
Total Investments						<u>\$ 7,373,346</u>
Deposits					Bank Value	Carrying Value
Cash and Cash Equivalents					\$ 2,457,975	\$ 2,434,682
Savings Accounts					778,954	778,954
Certificates of Deposit					1,821,620	1,821,620
Total Deposits					<u>\$ 5,035,256</u>	
Total Deposits and Investments - Governmental Funds						<u>\$ 12,408,602</u>

Fair Value Measurements

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

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

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

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

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

Investments are measured as follows:

	12/31/2020	Fair Value Measurements Using		
		Level I	Level II	Level III
Investments by Fair Value Level:				
Certificates of Deposit	\$ 4,810,579	\$ -	\$ 4,810,579	\$ -
Total Investments by Fair Value Level	4,810,579	\$ -	\$ 4,810,579	\$ -
Investments Measured at				
Amortized Cost:				
Money Market Funds	2,562,767			
Total Investments	\$ 7,373,346			

The City’s external investment pool investment is with the 4M Fund which is regulated by Minnesota Statutes and the board of directors of the League of Minnesota Cities. The 4M Fund is an unrated pool and reported at amortized cost. The 4M Fund does not restrict or limit withdrawals made by the City.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and Cash Equivalents – Sauk Centre Public Utilities Commission

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

	<u>Sauk Centre Public Utility Commission</u>
Cash on Hand	\$ 600
Cash in Checking	1,567,400
Designated Current Assets:	
Capital Replacement Deposits	1,982,716
Operations and Maintenance Deposits	400,000
Designated Noncurrent Assets:	
Capital Replacement Deposits	4,546,058
OPEB Deposits	166,362
Debt Retirement Deposits	<u>350,000</u>
Total Cash and Investments	9,013,136
 Less: Designated Cash and Investments	 <u>(7,445,136)</u>
Total Cash and Investments	 <u><u>\$ 1,568,000</u></u>

NOTE 4 NOTES RECEIVABLE

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 is as follows:

GOVERNMENTAL ACTIVITIES	January 1, 2020 Balance	Additions	Disposals	December 31, 2020 Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 3,925,877	\$ -	\$ -	\$ 3,925,877
Construction in Progress	3,122,678	925,353	3,122,672	925,359
Total Capital Assets, Not Being Depreciated	7,048,555	925,353	3,122,672	4,851,236
Capital Assets, Being Depreciated:				
Land Improvements	1,916,396	161,116	-	2,077,512
Buildings and Improvements	24,973,266	40,344	-	25,013,610
Vehicles, Machinery, and Equipment	9,383,676	313,198	62,309	9,634,565
Infrastructure	17,278,712	3,167,060	-	20,445,772
Total Capital Assets, Being Depreciated	53,552,050	3,681,718	62,309	57,171,459
Total Capital Assets	60,600,605	4,607,071	3,184,981	62,022,695
Less: Accumulated Depreciation	(29,040,548)	(1,580,064)	(49,710)	(30,570,902)
Capital Assets, Net	<u>\$ 31,560,057</u>	<u>\$ 3,027,007</u>	<u>\$ 3,135,271</u>	<u>\$ 31,451,793</u>

Depreciation expense was charge to functions/programs as follows:

Governmental Activities:	
General Government	\$ 96,778
Public Safety	740,401
Public Works	505,528
Culture and Recreation	68,146
Airport	169,211
Total Depreciation Expense, Governmental Activities	<u>\$ 1,580,064</u>

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 CAPITAL ASSETS (CONTINUED)

COMPONENT UNIT SAUK CENTRE PUBLIC UTILITIES COMMISSION	January 1, 2020 Balance	Additions	Disposals	December 31, 2020 Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 146,633	\$ -	\$ -	\$ 146,633
Capital Assets, Being Depreciated:				
Station Equipment	532,713	-	-	532,713
Distribution System	25,456,145	736,287	-	26,192,432
General Plant	3,367,438	67,811	4,008	3,431,241
Load Management	233,411	958	-	234,369
Treatment Facility	1,736,097	-	-	1,736,097
Total Capital Assets, Being Depreciated	<u>31,325,804</u>	<u>805,056</u>	<u>4,008</u>	<u>32,126,852</u>
Total Capital Assets	31,472,437	805,056	4,008	32,273,485
Less: Accumulated Depreciation	<u>(15,380,387)</u>	<u>(854,005)</u>	<u>(4,008)</u>	<u>(16,230,384)</u>
Capital Assets, Net	<u>\$ 16,092,050</u>	<u>\$ (48,949)</u>	<u>\$ -</u>	<u>\$ 16,043,101</u>

COMPONENT UNIT HOUSING AND REDEVELOPMENT AUTHORITY OF SAUK CENTRE	October 1, 2019 Balance	Additions	Disposals	September 30, 2020 Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land and Improvements	\$ 95,744	\$ -	\$ -	\$ 95,744
Construction in Progress	-	40,138	-	40,138
Total Capital Assets Not Being Depreciated	<u>95,744</u>	<u>40,138</u>	<u>-</u>	<u>135,882</u>
Capital Assets, Being Depreciated:				
Buildings	2,016,275	2,127	4,175	2,014,227
Equipment and Other	109,595	-	(114)	109,709
Total Capital Assets Being Depreciated	<u>2,125,870</u>	<u>2,127</u>	<u>4,061</u>	<u>2,123,936</u>
Less: Accumulated Depreciation	<u>(1,537,266)</u>	<u>(74,900)</u>	<u>(3,994)</u>	<u>(1,608,172)</u>
Total Capital Assets Being Depreciated, Net	<u>588,604</u>	<u>(72,773)</u>	<u>67</u>	<u>515,764</u>
Capital Assets, Net	<u>\$ 684,348</u>	<u>\$ (32,635)</u>	<u>\$ 67</u>	<u>\$ 651,646</u>

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended December 31, 2020:

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020	Amounts Due in One Year
General Obligation Improvement Bonds	\$ 6,720,000	\$ -	\$ 615,000	\$ 6,105,000	\$ 665,000
Premium on Bonds	238,124	-	25,620	212,504	-
Discount on Bonds	(3,707)	-	(928)	(2,779)	-
Other Long-Term Debt	4,000	-	4,000	-	-
Revenue Bonds	8,135,000	-	535,000	7,600,000	540,000
Compensated Absences	184,079	103,594	87,370	200,303	-
Total Long-Term Debt	<u>\$ 15,277,496</u>	<u>\$ 103,594</u>	<u>\$ 1,266,062</u>	<u>\$ 14,115,028</u>	<u>\$ 1,205,000</u>

General Obligation Bonds

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

	Balance Outstanding
General Obligation Improvement Bonds:	
\$1,245,000 of General Obligation Improvement Bonds, Series 2012A, interest from 2.00% to 2.20%, matures February 1, 2029.	\$ 770,000
\$2,185,000 of General Obligation Refunding Bonds, Series 2015B, interest at 2.00%, matures February 1, 2025.	1,220,000
\$1,440,000 of General Obligation Bonds, Series 2015A, interest from 1.50% to 3.00%, matures February 1, 2026.	910,000
\$3,350,000 of General Obligation Bonds, Series 2018A, interest from 3.00% to 3.25%, matures February 1, 2034.	3,205,000
Total General Obligation Improvement Bonds	<u>6,105,000</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.	925,000
\$8,845,000 of General Obligation Hospital Refunding Bonds, Series 2015C, interest from 2.00% to 3.00%, due September 1, 2033.	6,675,000
Total Revenue Bonds	<u>7,600,000</u>
Plus Premium/(Discount) on Bonds	209,725
Compensated Absences	<u>200,303</u>
Total Long-Term Debt	<u>\$ 14,115,028</u>

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Long-term debt maturities are as follows:

<u>Year Ending December 31,</u>	<u>Total Principal Maturities</u>	<u>Total Interest Maturities</u>
2021	\$ 1,205,000	\$ 342,316
2022	1,225,000	315,698
2023	1,255,000	288,141
2024	1,285,000	259,691
2025	1,210,000	231,148
2026-2030	4,720,000	775,144
2031-2034	2,805,000	174,494
Total	13,705,000	2,386,632
Plus: Premium/(Discount)	209,725	-
Total	\$ 13,914,725	\$ 2,386,632

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.

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

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

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 –Sauk Centre Public Utilities Commission

The following is a summary of bond information for the component units for the year ended December 31, 2020.

<u>Long-Term Debt - Sauk Centre Public Utilities Commission - Component Unit</u>	<u>Balance Outstanding</u>
General Obligation Clean Water Revenue Note - \$7,058,050, 2010 Issue, Interest 1.911%, due August 2030 -	
Direct Borrowings	\$ 4,019,000
Less: Current Maturities	(368,000)
Total Long-Term Debt, Less Current Maturities	\$ 3,651,000

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 LONG-TERM DEBT (CONTINUED)

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

Sauk Centre Public Utilities Commission

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 368,000	\$ 76,804	\$ 444,804
2022	376,000	69,770	445,770
2023	383,000	62,586	445,586
2024	390,000	55,266	445,266
2025	397,000	47,814	444,814
2026-2030	2,105,000	122,210	2,227,210
Total	<u>\$ 4,019,000</u>	<u>\$ 434,450</u>	<u>\$ 4,453,450</u>

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

Long-term debt activity for the year ended December 31, 2020 consists of the following:

Sauk Centre Public Utilities Commission

	<u>Balance January 1, 2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance December 31, 2020</u>
G.O. Bonds	<u>\$ 4,381,000</u>	<u>\$ -</u>	<u>\$ 362,000</u>	<u>\$ 4,019,000</u>

The Utility's outstanding note from direct borrowings related to proprietary fund debt of \$4,019,000 contain (1) a provision that if the Utility is unable to make a payment when due, an interest penalty may be imposed and one or more of the following remedies may be exercised: (a) withhold approval of any disbursement request, (b) reject any pending application by the Utility for financial assistance, (c) to the extent permitted by law, demand immediate payment of the note in full and upon such demand, the outstanding principal amount will be immediately due and payable with interest accrued thereon to the date of the payment, (d) exercise any other remedy available under law, and (2) a provision that if the Utility fails to comply with any other provision within the note agreement an immediate increase in the interest rate on the loan by eliminating all interest rate discounts that were originally applied, in addition, the default remedies for failure to make a payment as listed above may be exercised.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

Funding Policy

Employees of the City after 25 years of employment can stay on the Plan and the City will pay 25% of the single rate. In addition, 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 and 59, with 20 years of service, shall receive employer-paid single medical insurance at the rate of \$706 per month until the age of 60. When those retirees reach the age of 60 or when eligible employees retire at the age of 60 years or older, they shall receive employer-paid single medical insurance at the rate of \$860 per month until the age of 65 or when eligible for Medicare. The employee shall be responsible for any premiums over the \$706 or \$860.

Employees Covered by Benefit Terms

At December 31, 2020, the City had 20 active plan members and no retirees receiving benefit payments. The Sauk Centre Public Utilities Commission had 13 active plan members and five retirees receiving benefit payments. There are no inactive employees entitled to benefits but not yet receiving them.

Actuarial Methods and Assumptions

The City's OPEB liability was measured as of January 1, 2020, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2020.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary	Service graded table
Health Care Trend Rates	6.50% Decreasing to 5.00% Over 6 Years Then 4.00% over next 48 years

City mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2019 to December 31, 2019.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

The discount rate used to measure the total OPEB liability was 2.9%. The discount rate is equal to the 20-Year Municipal Bond Yield.

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

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

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and employee classification.
- The discount rate was changed from 3.80% to 2.90%.

Changes in the Total OPEB Liability

	Governmental Funds	Sauk Centre Public Utilities Commission	Total
Balance as of January 1, 2020	\$ 362,145	\$ 185,973	\$ 548,118
Changes for the Year:			
Service Cost	12,630	5,210	17,840
Interest	13,926	6,373	20,299
Assumption Changes	9,400	3,422	12,822
Differences Between Expected and Actual Experience	(153,676)	12,784	(140,892)
Benefit Payments	<u>(16,746)</u>	<u>(47,400)</u>	<u>(64,146)</u>
Net Change in Total OPEB Liability	<u>(134,466)</u>	<u>(19,611)</u>	<u>(154,077)</u>
Balance as of December 31, 2020	<u>\$ 227,679</u>	<u>\$ 166,362</u>	<u>\$ 394,041</u>

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

	1% Decrease (1.90%)	Discount Rate (2.90%)	1% Increase (3.90%)
Total OPEB Liability - City	\$ 244,949	\$ 227,679	\$ 211,258
Total OPEB Liability - Utility	176,255	166,362	156,987

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability (Continued)

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

Medical Trend Rate	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability - City	\$ 202,326	\$ 227,679	\$ 257,531
Total OPEB Liability - Utility	154,971	166,362	180,269

For the year ended December 31, 2020, the City and the Utility recognized OPEB expense of \$4,174 and \$13,123, respectively.

At December 31, 2020 and 2019, the City and Utility reported deferred inflows of resources, and deferred outflows of resources related to OPEB from the following sources:

Description	City of Sauk Centre		Sauk Centre Public Utility Commission	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 8,057	\$ 8,852	\$ 2,933	\$ 3,102
Contributions Subsequent to the Measurement Date	8,550	-	41,557	-
Difference Between Expected and Actual Liability	-	131,722	10,957	-
Total	<u>\$ 16,607</u>	<u>\$ 140,574</u>	<u>\$ 55,447</u>	<u>\$ 3,102</u>

The \$8,550 and \$41,557 reported by the City and Utility, respectively as deferred outflows of resources resulting from contributions subsequent to the measurement date, which will be recognized as a reduction of the OPEB liability in the year ending December 31, 2021.

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

<u>Year Ending December 31,</u>	City Pension Expense Amount	Utility Pension Expense Amount
2021	\$ (22,382)	\$ 1,540
2022	(22,382)	1,540
2023	(22,382)	1,540
2024	(22,382)	1,542
2025	(22,379)	2,316
Thereafter	(20,610)	2,310

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 COMPONENTS OF FUND BALANCE

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

	General Fund	Arena Fund	Hospital Fund	TIF Fund	2020 CIP Repayment Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds
Fund Balances:								
Restricted:								
Fire Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 191,770
Economic Development	-	-	-	1,650,827	-	-	-	-
Debt Service	-	-	-	-	-	-	3,523,877	-
EDA Improvement Projects	-	-	-	-	-	-	-	96,183
Economic Development Loan	-	-	-	-	-	-	-	327,475
Park Capital Outlay	-	-	-	-	-	-	-	1,898
Sales Tax	-	-	-	-	-	-	-	525,087
Police Forfeiture Operations	-	-	-	-	-	-	-	15,341
Hospital Operations	-	-	2,323,091	-	-	-	-	-
Street Improvements	91,841	-	-	-	-	-	-	-
Small City Development	-	-	-	-	-	-	-	38,069
Committed For:								
Library Operations	-	-	-	-	-	-	-	21,453
Fire Protection Capital Outlay	-	-	-	-	-	-	-	51,097
Ambulance Operations	-	-	-	-	-	-	-	34,793
Airport Capital Outlay	-	-	-	-	-	-	-	35,215
Storm Water Utility	-	-	-	-	-	-	-	390,261
Arena Operations	-	11,076	-	-	-	-	-	-
Park Land	19,000	-	-	-	-	-	-	-
Police Department Severance	18,793	-	-	-	-	-	-	-
Street Improvements	237,022	-	-	-	-	-	-	-
Campground	250,163	-	-	-	-	-	-	-
MnDOT Signs	5,764	-	-	-	-	-	-	-
Build A Forest	7,640	-	-	-	-	-	-	-
Parks	143,504	-	-	-	-	-	-	-
Splash Pad	17,081	-	-	-	-	-	-	-
Assigned:								
Hospital Operations	-	-	2,010,635	-	-	-	-	-
Senior Center Operations	-	-	-	-	-	-	-	32,866
Fire Department Equipment	-	-	-	-	-	-	-	119,364
Ambulance Services	-	-	-	-	-	-	-	573,742
Economic Development	-	-	-	-	-	-	-	117,572
Airport Operations	-	-	-	-	-	-	-	261,053
Small City Development	-	-	-	-	-	-	-	103,981
Capital Projects	-	-	-	-	-	84,095	-	-
Unassigned:	1,188,659	-	-	(2,270)	(660,697)	-	-	(3,869)
Total Fund Balances	\$ 1,979,467	\$ 11,076	\$ 4,333,726	\$ 1,648,557	\$ (660,697)	\$ 84,095	\$ 3,523,877	\$ 2,933,351

NOTE 9 PENSION PLANS

Plan Description

The City and Sauk Centre Public Utilities Commission participate in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes Chapters 353 and 356. PERA's defined benefit pension plans are tax-qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by PERA. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 9 PENSION PLANS (CONTINUED)

Plan Description (Continued)

Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employee Plan Benefits

General Employees Plan 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%.

Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 9 PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

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

Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employee Plan Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2020 and the City and the Sauk Centre Public Utility Commission was required to contribute 7.50% for Coordinated Plan members. The City's and the Sauk Centre Public Utility Commission's contributions to the General Employees Fund for the year ended December 31, 2020, were \$66,806 and 74,445, respectively. The City's and the Sauk Centre Public Utility Commission's contributions were equal to the required contributions as set by state statute.

Police and Fire Plan Contributions

Police and Fire member's contribution rates increased from 11.3% of pay to 11.8% and employer rates increased from 16.95% to 17.70% on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$99,778. The City's contributions were equal to the required contributions as set by state statute.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 9 PENSION PLANS (CONTINUED)

Pension Costs

General Employees Plan Pension Costs

At December 31, 2020, the City reported a liability of \$725,450 for its proportionate share of the General Employees Fund's net pension liability. The City net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$22,419. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0121% at the end of the measurement period and 0.0119% for the beginning of the period.

At December 31, 2020, the Sauk Centre Public Utilities Commission reported a liability of \$791,400 for its proportionate share of the General Employee's Plan net pension liability. The Utility's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2020. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the Utility totaled \$24,391. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utility's proportion of the net pension liability was based on the Utility's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The Utility's proportionate share was 0.0132% at the end of the measurement period and 0.012% for the beginning of the period.

City of Sauk Centre

City's Proportionate Share of the Net Pension Liability	\$ 725,450
State of Minnesota's Proportionate Share of the Net Pension Liability with the City	22,419
Total	\$ 747,869

Sauk Centre Public Utility Commission

Utility's Proportionate Share of the Net Pension Liability	\$ 791,400
State of Minnesota's Proportionate Share of the Net Pension Liability with the Utility	24,391
Total	\$ 815,791

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 9 PENSION PLANS (CONTINUED)

Pension Costs (Continued)

General Employees Plan Pension Costs (Continued)

For the year ended December 31, 2020, the City recognized pension expense of \$16,506 for its proportionate share of the General Employee Pension Plan's pension expense. The Sauk Centre Public Utility Commission recognized pension expense of \$22,936 for its proportionate share of the General Employee Pension Plan's pension expense. In addition, the City and Sauk Centre Public Utility Commission recognized an additional \$1,951 and \$2,123, respectively, as pension expense (and grant revenue) for their proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2020, the proportionate share of the General Employee Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources is as follows:

Description	City of Sauk Centre		Sauk Centre Public Utility Commission	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	Differences Between Expected and Actual Economic Experience	\$ 6,614	\$ 2,745	\$ 7,216
Changes in Actuarial Assumptions	-	26,895	-	29,341
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	12,533	-	13,672	-
Changes in Proportion	9,556	28,003	57,335	43,511
Contributions Subsequent to the Measurement Date	33,650	-	39,745	-
Total	<u>\$ 62,353</u>	<u>\$ 57,643</u>	<u>\$ 117,968</u>	<u>\$ 75,846</u>

\$33,650 and \$39,745 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date for the City and for the Sauk Centre Public Utility Commission, respectively, will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	City Pension Expense Amount	Utility Pension Expense Amount
2021	\$ (51,951)	\$ (49,048)
2022	(11,494)	(1,853)
2023	16,978	34,158
2024	17,527	19,120

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 9 PENSION PLANS (CONTINUED)

Pension Costs (Continued)

Police and Fire Pension Costs

At December 31, 2020, the City reported a liability of \$626,101 for its proportionate share of the Police and Fire Fund's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$4.5 million. The state of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$14,774. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0475% at the end of the measurement period and 0.0494% for the beginning of the period.

The state of Minnesota contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

As a result, the state of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid.

Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements.

For the year ended December 31, 2020, the City recognized pension expense of \$88,218 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$4,545 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$9 million to the Police and Fire Fund during calendar year ended December 31, 2020.

The state of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$4,275 for the year ended December 31, 2020 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the Police and Fire Fund.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 9 PENSION PLANS (CONTINUED)

Pension Costs (Continued)

Police and Fire Pension Costs (Continued)

At December 31, 2020, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 27,665	\$ 29,733
Changes in Actuarial Assumptions	209,819	390,477
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	19,018	-
Changes in Proportion	80,386	29,024
City Contributions Subsequent to the Measurement Date	48,749	-
Total	<u>\$ 385,637</u>	<u>\$ 449,234</u>

\$48,749 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2021	\$ (30,061)
2022	(157,403)
2023	43,525
2024	36,583
2025	(4,990)

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2020 was \$111,220.

The total pension expense for all plans recognized by the Sauk Centre Public Utility for the year ended December 31, 2020 was \$25,059.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 9 PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.25% per Year for General Employees Plan
	2.50% per Year for Police and Fire
Active Member Payroll Growth	3.00% per Year
Interest Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan and 1.0% per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire Plan was completed in 2020. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 9 PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

General Employees Fund (Continued)

Changes in Actuarial Assumptions (Continued):

- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	35.5 %	5.10 %
International Stock	17.5	5.30
Bonds	20	0.75
Alternative Assets	25	5.90
Cash	2	-
Total	<u>100 %</u>	

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 9 PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

<u>Description</u>	<u>1% Decrease in Discount Rate (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase in Discount Rate (8.50%)</u>
City's Proportionate Share of the General Employee Plan Net Pension Liability	\$ 1,162,645	\$ 725,450	\$ 364,800
Utility's Proportionate Share of the General Employee Plan Net Pension Liability	\$ 1,268,340	\$ 791,400	\$ 397,963

<u>Description</u>	<u>1% Decrease in Discount Rate (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase in Discount Rate (8.50%)</u>
City's Proportionate Share of the Police and Fire Plan Net Pension Liability	\$ 1,247,909	\$ 626,101	\$ 111,663

Pension Plan Fiduciary Net Position

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 9 PENSION PLANS (CONTINUED)

Summary

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

Description	General Employees Plan	Police and Fire Plan	Fire Relief Association	Total
Net Pension Asset	\$ -	\$ -	\$ 183,153	\$ 183,153
Net Pension Liability	725,450	626,101	-	1,351,551
Deferred Outflows of Resources	62,353	385,637	10,500	458,490
Related to Pensions				
Deferred Inflows of Resources	57,643	449,234	111,386	618,263
Related to Pensions				
Pension Expense	18,457	92,763	(11,014)	100,206

NOTE 10 PENSION PLANS – FIRE RELIEF ASSOCIATION

Plan Description

Firefighters of the City of Sauk Centre are members of the Sauk Centre Firefighters Relief Association (the Association). The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2020, membership includes 29 active participants and 1 deferred member entitled to benefit but not yet receiving them. The plan issues a stand-alone financial statement.

Benefits Provided

Authority for payment of pension benefits is established in Minnesota Statutes §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 10 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of \$2,200 for each year of active Fire Department service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 10 PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Benefits Provided (Continued)

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$2,200 for each year the member was an active member of the Sauk Centre Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

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

Contributions

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

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

The plan is funded in part by fire state aid and, if necessary, City contributions. The state of Minnesota distributed to the City \$54,554 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2020. Required employer contributions are calculated annually based on statutory provisions. For the year ended December 31, 2020, there was no statutorily-required City contribution to the plan.

Pension Costs

At December 31, 2020, the City reported a net pension asset of \$183,153 for the Association's net pension asset. The net pension asset/liability was measured as of January 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 10 PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Pension Costs (Continued)

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$(11,014) for the year ended December 1, 2020. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ -	\$ 39,429
Changes in Actuarial Assumptions	-	23,716
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	48,241
City Contributions Subsequent to the Measurement Date	10,500	-
Total	<u>\$ 10,500</u>	<u>\$ 111,386</u>

The City contributions to the Association subsequent to the measurement date, \$10,500 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to the Association's pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2021	\$ (25,202)
2022	(23,358)
2023	(14,139)
2024	(26,361)
2025	(10,205)
Thereafter	(12,121)

Actuarial Assumptions

The actuarial total pension liability was determined as of January 1, 2020, using the following actuarial assumption, applied to all period included in the measurement:

Valuation Date	1/1/20
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Actuarial Assumptions:	
Discount Rate	5.25%
Investment Rate of Return	5.25%
20-Year Municipal Bond Yield	3.50%
Age of Service Retirement	50

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 10 PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Actuarial Assumptions (Continued)

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

Best estimates of geometric real rates of return for each major asset class included in the pension plan’s asset allocation as of December 31, 2020 are summarized in the following table:

Asset Class	Allocation at December 31, 2020	Long-Term Expected Real Rate of Return
Cash	25.00%	2.25%
Fixed Income	22.00%	3.80%
Equities	53.00%	7.30%
Total Portfolio	<u>100.00%</u>	<u>5.25%</u>

Discount Rate

The discount rate used to measure the total pension liability was 5.25%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Pension Liability Sensitivity

The following presents the City of Sauk Centre’s proportionate share of the net pension liability (asset) of the Association, calculated using the discount rate of 5.25%, as well as what the Association’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.25%) or one percentage point higher (6.25%) than the current rate:

	1% Decrease in Discount Rate (4.25%)	Current Discount Rate (5.25%)	1% Increase in Discount Rate (6.25%)
Net Pension Liability (Asset)	\$ (171,951)	\$ (183,153)	\$ (193,867)

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 10 PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Plan Fiduciary Net Position

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

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 2020.

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 2020 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 13 OPERATING LEASES

Lessee

The City of Sauk Centre, Minnesota entered into two separate contracts for the lease of two squad cars during 2018. One of the two leases were paid in full during 2020. The squad car operating leases are for a period of 2-3 years. The 2020 payments on the squad car operating leases totaled \$17,285. Future payments on the operating leases will be as follows:

	Squad Car
2021	\$ 5,894

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 nonprofit 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 which were refunded in 2015 with General Obligation Hospital Refunding Bonds, Series 2015C. The amount of assets leased is \$23,910,986 with accumulated depreciation of \$16,948,018. Minimum lease payments and a summary of the capital assets being leased at December 31, 2020 are as follows:

	CentraCare Health System Lease		Capital Assets
2021	\$ 614,873	Land	\$ 529,595
2022	615,973	Land Improvements	262,441
2023	616,873	Buildings	18,199,513
2024	617,573	Moveable and Fixed Equipment	4,919,437
2025	617,835	Total Capital Assets	23,910,986
2026-2030	3,089,608	Less: Accumulated Depreciation	(16,948,018)
2031-2033	1,850,750	Capital Assets, Net	\$ 6,962,968
Total	\$ 8,023,485		

NOTE 14 INTERFUND TRANSACTIONS

Interfund Advances

At December 31, 2020, advances from and to other funds were as follows:

	Advances To 2020 CIP Repayment Fund	
Advances From Hospital Fund	\$ 725,000	Purpose Loan for Street Construction Project

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

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 14 INTERFUND TRANSACTIONS (CONTINUED)

Interfund Transfers

Interfund transfers for the year ended December 31, 2020 included the following:

<u>Transfer In</u>	<u>Transfer Out</u>		<u>Purpose</u>
	<u>2020 CIP Repayment Fund</u>	<u>Other Governmental Funds</u>	
Capital Projects Fund	\$ 725,000	\$ -	To Fund Capital Projects
Debt Service Fund	-	1,002,700	To Cover Principal and Interest
Total	<u>\$ 725,000</u>	<u>\$ 1,002,700</u>	

Interfund Receivable and Payable

The composition of interfund payables and receivables as of December 31, 2020 is as follows:

<u>Due To</u>	<u>Due From</u>		<u>Total</u>	<u>Purpose</u>
	<u>Arena Fund</u>	<u>Capital Projects Funds</u>		
General Fund	<u>\$ 6,599</u>	<u>\$ 9,262</u>	<u>\$ 15,861</u>	To Eliminate Deficit Cash Balances

NOTE 15 DISCRETELY PRESENTED COMPONENT UNIT

Housing and Redevelopment Authority of Sauk Centre (Organization)

Deposits

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

At September 30, 2020, the bank amount of the Organization's deposits was \$200,569. 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.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 16 COMMITMENTS AND CONTINGENCIES

Tax Increment Districts

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

Construction Commitments

The City had major contractual commitments related to various capital projects at December 31, 2020. At December 31, 2020, the City had spent \$925,353 on these projects and had remaining contractor commitments with contractors of \$127,836.

NOTE 17 TAX ABATEMENTS

The City has three pay-as-you-go tax increment financing districts with a local business to promote economic development within the City as authorized under Minnesota Statutes §469.174. The City is currently collecting tax increments that are paid through the property tax collection process. The districts stop collection in 2021, 2029, and 2031. The requirements for the businesses to receive the excess tax increments from the City are to perform improvements on the owned property, purchase property to increase tax base, and create jobs. The increment taxes are based on the increase of the property value after the improvements are made. The agreements call for 90% of the property tax increments collected to be returned to the developers. For the year ended December 31, 2020, the City paid excess tax increment in the amount of \$31,658. No other commitments were made by the City as a part of these agreements.

The City has a property tax abatement agreement with a developer to develop a market rate residential housing rental facility and increase the tax base as authorized under Minnesota Statutes Section 469.1812 to 469.1815. The agreement calls for the City to provide a subsidy consisting of land, administrative costs, and assessments totaling \$149,415. The goals of the subsidy are to secure development and to maintain improvements for a period of 10 years. The City will be reimbursed for the cost of the subsidy through tax collections on the real property improvements over a period of ten years, commencing August 1, 2019. Total abated taxes under this agreement in 2020 were \$18,503. No other commitments were made by the City as part of that agreement.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>Measurement Date</u> <u>January 1, 2020</u>	<u>Measurement Date</u> <u>January 1, 2019</u>	<u>Measurement Date</u> <u>January 1, 2018</u>
Total OPEB Liability			
<u>City</u>			
Service Cost	\$ 12,630	\$ 14,539	\$ 15,575
Interest	13,926	12,199	11,943
Assumption Changes	9,400	(12,394)	-
Differences Between Expected and Actual Experience	(153,676)	-	-
Benefit Payments	<u>(16,746)</u>	<u>(14,531)</u>	<u>(22,882)</u>
Net Change in Total OPEB Liability	(134,466)	(187)	4,636
Total OPEB Liability - Beginning	362,145	362,332	357,696
Total OPEB Liability - Ending	<u>\$ 227,679</u>	<u>\$ 362,145</u>	<u>\$ 362,332</u>
 Covered Employee Payroll	 \$ 1,251,203	 \$ 1,224,351	 \$ 1,188,690
 City's OPEB Liability as a Percentage of Covered Employee Payroll	 18%	 30%	 30%
<u>Sauk Centre Public Utility Commission</u>			
Service Cost	\$ 5,210	\$ 4,533	\$ 4,911
Interest	6,373	6,885	8,177
Assumption Changes	3,422	(4,654)	-
Differences Between Expected and Actual Experience	12,784	-	-
Benefit Payments	<u>(47,400)</u>	<u>(49,384)</u>	<u>(54,307)</u>
Net Change in Total OPEB Liability	(19,611)	(42,620)	(41,219)
Total OPEB Liability - Beginning	185,973	228,593	269,812
Total OPEB Liability - Ending	<u>\$ 166,362</u>	<u>\$ 185,973</u>	<u>\$ 228,593</u>
 Covered Employee Payroll	 \$ 937,706	 \$ 921,747	 \$ 894,900
 Utility's OPEB Liability as a Percentage of Covered Employee Payroll	 18%	 20%	 26%

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

Note 2: No assets are accumulated in a trust.

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

	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
PERA						
City - General Employee Plan						
City's Proportion of the Net Pension Liability	0.012%	0.012%	0.013%	0.013%	0.013%	0.014%
City's Proportionate Share of the Net Pension Liability	\$ 725,450	\$ 657,924	\$ 710,092	\$ 827,107	\$ 1,047,416	\$ 448,486
State's Proportionate Share of the Net Pension Liability Associated with the City	22,419	20,332	23,257	10,306	13,713	-
Total Proportionate Share of the Net Pension Liability Associated with the City	\$ 747,869	\$ 678,256	\$ 733,349	\$ 837,413	\$ 1,061,129	\$ 448,486
City's Covered Payroll	\$ 857,312	\$ 840,176	\$ 858,708	\$ 811,693	\$ 795,985	\$ 795,189
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	87.23%	80.73%	85.40%	103.17%	133.31%	56.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.10%	80.20%	79.50%	75.90%	68.91%	78.20%
Sauk Centre Public Utilities Commission - General Employee Plan						
Utility's Proportion of the Net Pension Liability	0.013%	0.012%	0.014%	0.014%	0.014%	0.014%
Utility's Proportionate Share of the Net Pension Liability	\$ 791,400	\$ 663,453	\$ 737,829	\$ 861,831	\$ 1,120,492	\$ 746,283
State's Proportionate Share of the Net Pension Liability Associated with the Utility	24,391	20,499	24,138	10,875	14,655	-
Total Proportionate Share of the Net Pension Liability Associated with the Utility	\$ 815,791	\$ 683,952	\$ 761,967	\$ 872,706	\$ 1,135,147	\$ 746,283
Utility's Covered Payroll	\$ 941,134	\$ 908,919	\$ 889,219	\$ 872,681	\$ 858,049	\$ 864,745
Utility's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	86.68%	75.25%	85.69%	100.00%	132.29%	86.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.10%	80.20%	79.50%	75.90%	68.91%	78.20%
Police and Fire Plan						
City's Proportion of the Net Pension Liability	0.048%	0.049%	0.042%	0.042%	0.042%	0.043%
City's Proportionate Share of the Net Pension Liability	\$ 626,101	\$ 525,913	\$ 1,012,410	\$ 567,050	\$ 1,685,533	\$ 153,554
State's Proportionate Share of the Net Pension Liability Associated with the City	14,774	-	-	-	-	-
Total Proportionate Share of the Net Pension Liability Associated with the City	\$ 640,875	\$ 525,913	\$ 1,012,410	\$ 567,050	\$ 1,685,533	\$ 153,554
City's Covered Payroll	\$ 536,491	\$ 520,838	\$ 466,471	\$ 432,708	\$ 407,160	\$ 392,976
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	116.70%	100.97%	217.04%	131.05%	413.97%	39.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.19%	89.30%	88.80%	85.43%	63.88%	86.60%
Fire Relief Association						
	Measurement Date December 31, 2019	Measurement Date December 31, 2018	Measurement Date December 31, 2017	Measurement Date December 31, 2016	Measurement Date December 31, 2015	Measurement Date December 31, 2014
City's Proportion of the Net Pension Liability (Asset)	100%	100%	100%	100%	100%	100%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ (183,153)	\$ (102,712)	\$ (155,629)	\$ (114,076)	\$ (20,809)	\$ (18,815)
City's Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

See accompanying Notes to Required Supplementary Information.

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

	2020	2019	2018	2017	2016
City - General Employee Plan					
Statutorily Required Contribution	\$ 66,806	\$ 66,169	\$ 62,788	\$ 63,267	\$ 60,877
Contributions in Relation to the Statutorily Required Contribution	(66,806)	(66,169)	(62,788)	(63,267)	(60,877)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 890,747	\$ 882,253	\$ 837,173	\$ 843,560	\$ 811,693
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%
Sauk Centre Public Utilities Commission - General Employee Plan					
Statutorily Required Contribution	\$ 74,445	\$ 68,169	\$ 64,435	\$ 66,691	\$ 64,123
Contributions in Relation to the Statutorily Required Contribution	(74,445)	(68,169)	(64,435)	(66,691)	(64,123)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's Covered Payroll	\$ 992,596	\$ 908,919	\$ 859,144	\$ 889,219	\$ 854,983
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%
Police and Fire Plan					
Statutorily Required Contribution	\$ 99,778	\$ 89,741	\$ 81,741	\$ 71,436	\$ 67,974
Contributions in Relation to the Statutorily Required Contribution	(99,778)	(89,741)	(81,741)	(71,436)	(67,974)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 563,718	\$ 553,957	\$ 504,574	\$ 440,963	\$ 419,593
Contributions as a Percentage of Covered Payroll	17.70%	16.20%	16.20%	16.20%	16.20%
Fire Relief Association					
Statutorily Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contribution	10,500	7,000	7,500	6,000	5,000
Contribution Deficiency (Excess)	<u>\$ (10,500)</u>	<u>\$ (7,000)</u>	<u>\$ (7,500)</u>	<u>\$ (6,000)</u>	<u>\$ (5,000)</u>
City's Covered Payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

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

<u>2015</u>	<u>2014</u>
\$ 60,515	\$ 55,551
<u>(60,515)</u>	<u>(55,551)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 806,867	\$ 766,221
7.50%	7.25%
\$ 64,855	\$ 60,774
<u>(64,855)</u>	<u>(60,774)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 864,733	\$ 838,262
7.50%	7.25%
\$ 64,949	\$ 59,101
<u>(64,949)</u>	<u>(59,101)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 400,920	\$ 386,281
16.20%	15.30%
\$ -	\$ -
4,500	4,500
<u>\$ (4,500)</u>	<u>\$ (4,500)</u>
N/A	N/A
N/A	N/A

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

	December 31, 2019 Measurement Date	December 31, 2018 Measurement Date	December 31, 2017 Measurement Date	December 31, 2016 Measurement Date	December 31, 2015 Measurement Date
Total Pension Liability					
Service Cost	\$ 25,265	\$ 27,436	\$ 25,429	\$ 18,613	\$ 19,203
Interest	34,918	34,595	30,866	34,556	34,168
Differences Between Expected and Actual Experience	-	(9,609)	-	(52,906)	-
Changes of Assumptions	-	-	-	(39,528)	-
Changes of Benefit Terms	-	-	-	40,988	-
Benefit Payments, Including Member Contribution Refunds	(152,608)	-	(42,008)	(1,183)	(129,292)
Plan Changes	35,158	32,202	33,730	-	-
Net Change in Total Pension Liability	<u>(57,267)</u>	<u>84,624</u>	<u>48,017</u>	<u>540</u>	<u>(75,921)</u>
Total Pension Liability - Beginning	<u>716,138</u>	<u>631,514</u>	<u>583,497</u>	<u>582,957</u>	<u>658,878</u>
Total Pension Liability - Ending (a)	<u>658,871</u>	<u>716,138</u>	<u>631,514</u>	<u>583,497</u>	<u>582,957</u>
Plan Fiduciary Net Position					
Municipal Contributions	7,000	6,500	6,000	5,500	4,500
State Contributions	54,764	50,633	50,631	50,596	53,333
Projected Investment Return	40,416	42,642	36,798	-	-
Net Investment Income	80,781	(61,112)	46,094	45,332	2,528
Benefit Payments	(152,608)	-	(42,008)	(1,183)	(129,292)
Administrative Expenses	(7,179)	(6,956)	(7,945)	(6,438)	(4,996)
Net Change in Fiduciary Net Position	<u>23,174</u>	<u>31,707</u>	<u>89,570</u>	<u>93,807</u>	<u>(73,927)</u>
Fiduciary Net Position - Beginning	<u>818,850</u>	<u>787,143</u>	<u>697,573</u>	<u>603,766</u>	<u>677,693</u>
Fiduciary Net Position - Ending (b)	<u>842,024</u>	<u>818,850</u>	<u>787,143</u>	<u>697,573</u>	<u>603,766</u>
Association's Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ (183,153)</u>	<u>\$ (102,712)</u>	<u>\$ (155,629)</u>	<u>\$ (114,076)</u>	<u>\$ (20,809)</u>
Fiduciary Net Position as a Percentage of the Total Pension Liability	127.80%	114.34%	124.64%	119.55%	103.57%
Covered Payroll	N/A	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

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

December 31,
 2014
 Measurement
 Date

\$ 18,735
 40,479
 -
 -
 -
 (126,539)
 -
 (67,325)
 726,203
 658,878

4,500
 48,845
 -
 48,859
 (126,539)
 (5,029)
 (29,364)

707,057
 677,693

\$ (18,815)

102.86%

N/A

N/A

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

	Original and Final Budget	Actual	Variances with Budget Over (Under)
REVENUES			
Taxes	\$ 1,289,420	\$ 1,280,266	\$ (9,154)
Special Assessments	20,000	20,285	285
Other Taxes	55,000	38,294	(16,706)
Licenses and Permits	358,200	342,106	(16,094)
Intergovernmental Revenues	1,310,909	1,753,789	442,880
Charges for Services	174,300	184,471	10,171
Fines and Forfeits	46,800	28,261	(18,539)
Other Revenues	53,250	143,759	90,509
Total Revenues	<u>3,307,879</u>	<u>3,791,231</u>	<u>483,352</u>
EXPENDITURES			
General Government	870,179	940,000	69,821
Public Safety	1,200,423	1,280,299	79,876
Public Works	804,142	723,542	(80,600)
Culture and Recreation	713,925	439,600	(274,325)
Economic Development	-	294,864	294,864
Debt Service	4,000	4,000	-
Total Expenditures	<u>3,592,669</u>	<u>3,682,305</u>	<u>89,636</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(284,790)	108,926	393,716
OTHER FINANCING SOURCES (USES)			
Transfers In	388,000	-	(388,000)
Transfers Out	(388,000)	-	388,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (284,790)</u>	108,926	<u>\$ 393,716</u>
Fund Balance - Beginning of Year		<u>1,870,541</u>	
FUND BALANCE - END OF YEAR		<u>\$ 1,979,467</u>	

See accompanying Notes to Required Supplementary Information.

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

	Original and Final Budget	Actual	Variances with Budget Over (Under)
REVENUES			
Taxes	\$ 25,000	\$ 24,967	\$ (33)
Charges for Services	64,000	69,001	5,001
Other Revenues	500	124	(376)
Total Revenues	89,500	94,092	4,592
 EXPENDITURES			
Culture and Recreation	139,852	106,702	(33,150)
 NET CHANGE IN FUND BALANCE	\$ (50,352)	(12,610)	\$ 37,742
 Fund Balance - Beginning of year		23,686	
 FUND BALANCE - END OF YEAR		\$ 11,076	

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

	Original and Final Budget	Actual	Variances with Budget Over (Under)
REVENUES			
Charges for Services	\$ 130,000	\$ 96,000	\$ (34,000)
Other Revenues	335,000	397,910	62,910
Total Revenues	465,000	493,910	28,910
EXPENDITURES			
Public Safety	130,695	82,498	(48,197)
EXCESS OF REVENUES OVER EXPENDITURES	334,305	411,412	77,107
OTHER FINANCING SOURCES (USES)			
Transfer Out	(1,100,000)	-	1,100,000
NET CHANGE IN FUND BALANCE	\$ (765,695)	411,412	\$ 1,177,107
Fund Balance - Beginning of year		3,922,314	
FUND BALANCE - END OF YEAR		\$ 4,333,726	

See accompanying Notes to Required Supplementary Information.

**CITY OF SAUK CENTRE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
TAX INCREMENT FINANCING FUND
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
REVENUES			
Tax Increments	\$ 54,000	\$ 54,933	\$ 933
Other Revenues	7,700	14,017	6,317
Total Revenues	61,700	68,950	7,250
EXPENDITURES			
Economic Development	82,250	46,835	(35,415)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(20,550)	22,115	42,665
OTHER FINANCING SOURCES (USES)			
Transfers Out	(5,000)	-	5,000
NET CHANGE IN FUND BALANCE	\$ (25,550)	22,115	\$ 47,665
Fund Balance - Beginning of Year		1,626,442	
FUND BALANCE - END OF YEAR		\$ 1,648,557	

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020**

NOTE 1 LEGAL COMPLIANCE – BUDGETS

The General, Arena, Hospital, 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. There was no council approved budget for the 2020 CIP Repayment Fund.

Expenditures exceeded the appropriations during the year ended December 31, 2020 in the following funds:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Expenditures Over Appropriations</u>
General Fund	\$ 3,682,305	\$ 3,592,669	\$ 89,636

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

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

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

General Employees Fund

2020

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020**

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

General Employees Fund (Continued)

2020

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

2019

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5 % per year thereafter.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020**

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

General Employees Fund (Continued)

2016

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Police and Fire Fund

2020

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed postretirement benefit increase was changed from 1.0% per year through 2064 and 2.5% per year thereafter to 1.0% per year for all years with no trigger.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020**

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

Police and Fire Fund (Continued)

2017

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

2016

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**CITY OF SAUK CENTRE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020**

NOTE 3 OTHER POSTEMPLOYMENT BENEFITS

2020

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

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

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and employee classification.
- The discount rate was changed from 3.80% to 2.90%.

2019

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

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

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

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2014 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel)
- The discount rate was changed from 3.3% to 3.80%.
- The withdrawal and retirement tables for all employees were updated.
- The percentage of future retirees and spouses of retirees eligible for a subsidy who are assumed to continue on one of the City's medical plans postemployment was decreased from 100% to 90%.

SUPPLEMENTARY INFORMATION

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

	General	Arena	Hospital	TIF	2020 CIP Repayment	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES									
Taxes:									
Property Taxes	\$ 1,280,266	\$ 24,967	\$ -	\$ -	\$ -	\$ -	\$ 509,721	\$ 89,953	\$ 1,904,907
Tax Increments	-	-	-	54,933	-	-	-	-	54,933
City Sales Tax	-	-	-	-	-	-	-	524,227	524,227
Other Taxes	38,294	-	-	-	-	-	-	-	38,294
Total Taxes	1,318,560	24,967	-	54,933	-	-	509,721	614,180	2,522,361
Special Assessments	20,285	-	-	-	64,087	-	137,766	-	222,138
Licenses and Permits:									
Licenses:									
Beer, Liquor and Cigarettes	16,889	-	-	-	-	-	-	-	16,889
Electricity Franchise Fee	136,421	-	-	-	-	-	-	-	136,421
Cable Franchise Fee	54,299	-	-	-	-	-	-	-	54,299
Gas Franchise Fee	53,800	-	-	-	-	-	-	-	53,800
Other	631	-	-	-	-	-	-	-	631
Building Permits	80,066	-	-	-	-	-	-	-	80,066
Total Licenses and Permits	342,106	-	-	-	-	-	-	-	342,106
Intergovernmental Revenues:									
Federal Grants	422,747	-	-	-	-	-	-	41,746	464,493
State Aids:									
Local Governmental Aid	1,184,807	-	-	-	-	-	-	-	1,184,807
Fire State Aid	54,554	-	-	-	-	-	-	-	54,554
Police State Aid	72,743	-	-	-	-	-	-	-	72,743
Other Grants	10,388	-	-	-	-	-	-	64,171	74,559
PERA Aid	8,550	-	-	-	-	-	-	-	8,550
Total Intergovernmental Revenues	1,753,789	-	-	-	-	-	-	105,917	1,859,706
Charges for Services:									
Fire Contracts	-	-	-	-	-	-	-	260,761	260,761
Ambulance Service	-	-	-	-	-	-	-	585,254	585,254
Arena Rentals and Charges	-	69,001	-	-	-	-	-	-	69,001
Planning and Zoning Charges	6,310	-	-	-	-	-	-	-	6,310
Storm Water Utility Charges	-	-	-	-	-	-	-	181,198	181,198
County Highway Maintenance	13,405	-	-	-	-	-	-	-	13,405
Campground Charges	159,206	-	-	-	-	-	-	-	159,206
Rent	5,550	-	96,000	-	-	-	-	86,425	187,975
Total Charges for Services	184,471	69,001	96,000	-	-	-	-	1,113,638	1,463,110
Fines and Forfeits	28,261	-	-	-	-	-	-	8,174	36,435
Other Revenues:									
Interest Income	53,385	124	397,910	9,017	216	17,981	37,669	33,268	549,570
Donations/Contributions	49,776	-	-	-	-	222,500	-	56,168	328,444
Refunds and Reimbursements	15,322	-	-	5,000	-	539,339	-	42,222	601,883
Other	25,276	-	-	-	-	-	618,673	7,428	651,377
Total Other Revenues	143,759	124	397,910	14,017	216	779,820	656,342	139,086	2,131,274
Total Revenues	3,791,231	94,092	493,910	68,950	64,303	779,820	1,303,829	1,980,995	8,577,130

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

	General	Arena	Hospital	TIF	2020 CIP Repayment	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
EXPENDITURES									
General Government									
Mayor and Council	\$ 73,349	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,349
Administration	401,071	-	-	-	-	-	-	-	401,071
Assessor	23,685	-	-	-	-	-	-	-	23,685
Finance	33,025	-	-	-	-	-	-	-	33,025
Legal	34,273	-	-	-	-	-	-	-	34,273
Planning and Zoning	181,958	-	-	-	-	-	-	-	181,958
Buildings and Property	73,871	-	-	-	-	-	-	-	73,871
Other General Government	66,257	-	-	-	-	-	-	29,320	95,577
Capital Outlay	52,511	-	-	-	-	-	-	-	52,511
Total General Government	940,000	-	-	-	-	-	-	29,320	969,320
Public Safety									
Police	1,052,398	-	-	-	-	-	-	7,923	1,060,321
Fire Department	202,698	-	-	-	-	-	-	146,896	349,594
Ambulance	3,178	-	82,498	-	-	-	-	435,512	521,188
Animal Control	478	-	-	-	-	-	-	-	478
Capital Outlay	21,547	-	-	-	-	-	-	136,443	157,990
Total Public Safety	1,280,299	-	82,498	-	-	-	-	726,774	2,089,571
Public Works									
Highways, Streets and Alleys	468,416	-	-	-	-	-	-	7,372	475,788
Sidewalk and Curb	4,503	-	-	-	-	-	-	-	4,503
Snow and Ice Control	12,937	-	-	-	-	-	-	-	12,937
Street Lighting	32,509	-	-	-	-	-	-	-	32,509
Other	18,672	-	-	-	-	-	-	-	18,672
Capital Outlay	186,505	-	-	-	-	1,524,001	-	5,104	1,715,610
Total Public Works	723,542	-	-	-	-	1,524,001	-	12,476	2,260,019
Culture and Recreation									
Arena Activities	-	106,702	-	-	-	-	-	-	106,702
Parks	300,248	-	-	-	-	-	-	-	300,248
Campground	74,796	-	-	-	-	-	-	-	74,796
Other	15,653	-	-	-	-	-	-	31,448	47,101
Capital Outlay	48,903	-	-	-	-	-	-	-	48,903
Total Culture and Recreation	439,600	106,702	-	-	-	-	-	31,448	577,750
Economic Development									
Other	294,864	-	-	46,835	-	-	-	13,571	355,270
Airport									
Other	-	-	-	-	-	-	-	119,004	119,004
Capital Outlay	-	-	-	-	-	9,484	-	-	9,484
Total Airport	-	-	-	-	-	9,484	-	119,004	128,488
Debt Service									
Principal	4,000	-	-	-	-	-	1,150,000	-	1,154,000
Interest and Fiscal Charges	-	-	-	-	-	-	370,765	-	370,765
Total Debt Service	4,000	-	-	-	-	-	1,520,765	-	1,524,765
Total Expenditures	3,682,305	106,702	82,498	46,835	-	1,533,485	1,520,765	932,593	7,905,183

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

	General	Arena	Hospital	TIF	2020 CIP Repayment	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 108,926	\$ (12,610)	\$ 411,412	\$ 22,115	\$ 64,303	\$ (753,665)	\$ (216,936)	\$ 1,048,402	\$ 671,947
OTHER FINANCING SOURCES (USES)									
Transfer In	-	-	-	-	-	725,000	1,002,700	-	1,727,700
Transfer Out	-	-	-	-	(725,000)	(818,863)	-	(183,837)	(1,727,700)
Total Other Financing Sources (Uses)	-	-	-	-	(725,000)	(93,863)	1,002,700	(183,837)	-
NET CHANGE IN FUND BALANCES	108,926	(12,610)	411,412	22,115	(660,697)	(847,528)	785,764	864,565	671,947
Fund Balances - Beginning of Year	1,870,541	23,686	3,922,314	1,626,442	-	931,623	2,738,113	2,068,786	13,181,505
FUND BALANCES - END OF YEAR	\$ 1,979,467	\$ 11,076	\$ 4,333,726	\$ 1,648,557	\$ (660,697)	\$ 84,095	\$ 3,523,877	\$ 2,933,351	\$ 13,853,452

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	202	211	224	225	230	240	226
	Small Cities	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance	Sauk Centre Economic Development Authority
ASSETS							
Cash and Investments	\$ 141,782	\$ 19,416	\$ 119,139	\$ 239,102	\$ 206,286	\$ 537,848	\$ 117,184
Special Assessments Receivable	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	5,559	-	103,656	-
Loans Receivable	236,289	-	-	-	-	-	-
Interest Receivable	268	37	225	451	389	1,015	221
Due from Other Governments	-	207	-	-	99,510	-	167
Due from Component Unit	-	-	-	-	-	-	-
Total Assets	<u>\$ 378,339</u>	<u>\$ 19,660</u>	<u>\$ 119,364</u>	<u>\$ 245,112</u>	<u>\$ 306,185</u>	<u>\$ 642,519</u>	<u>\$ 117,572</u>
LIABILITIES							
Salaries/Benefits Payable	\$ -	\$ 202	\$ -	\$ 359	\$ -	\$ 20,765	\$ -
Accounts and Contracts Payable	-	1,874	-	1,886	767	13,219	-
Unearned Revenue	-	-	-	-	9,150	-	-
Total Liabilities	-	2,076	-	2,245	9,917	33,984	-
DEFERRED INFLOWS OF RESOURCES							
Unavailable Loans Receivable	236,289	-	-	-	-	-	-
Unavailable Special Assessments	-	-	-	-	-	-	-
Total Inflows of Resources	236,289	-	-	-	-	-	-
FUND BALANCES (DEFICIT)							
Restricted	38,069	-	-	191,770	-	-	-
Committed	-	21,453	-	51,097	35,215	34,793	-
Assigned	103,981	-	119,364	-	261,053	573,742	117,572
Unassigned	-	(3,869)	-	-	-	-	-
Total Fund Balances	<u>142,050</u>	<u>17,584</u>	<u>119,364</u>	<u>242,867</u>	<u>296,268</u>	<u>608,535</u>	<u>117,572</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 378,339</u>	<u>\$ 19,660</u>	<u>\$ 119,364</u>	<u>\$ 245,112</u>	<u>\$ 306,185</u>	<u>\$ 642,519</u>	<u>\$ 117,572</u>

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2020**

227	223	228	260	214	280	285		Total Nonmajor Special Revenue
Economic Development Revolving Loan	EDA Projects	Park Dedication	Senior Center	Police Forfeiture	Storm Water Utility	Local Option Sales Tax	Internal Eliminations	
\$ 326,870	\$ 96,002	\$ 1,894	\$ 34,499	\$ 15,312	\$ 344,857	\$ 422,418	\$ -	\$ 2,622,609
-	11,884	-	-	-	-	-	-	11,884
-	-	-	-	-	-	-	-	109,215
5,000	-	-	-	-	-	-	-	241,289
605	181	4	65	29	651	797	-	4,938
-	-	-	208	-	-	101,872	-	201,964
-	-	-	-	-	44,753	-	-	44,753
<u>\$ 332,475</u>	<u>\$ 108,067</u>	<u>\$ 1,898</u>	<u>\$ 34,772</u>	<u>\$ 15,341</u>	<u>\$ 390,261</u>	<u>\$ 525,087</u>	<u>\$ -</u>	<u>\$ 3,236,652</u>
\$ -	\$ -	\$ -	\$ 1,074	\$ -	\$ -	\$ -	\$ -	\$ 22,400
-	-	-	832	-	-	-	-	18,578
-	-	-	-	-	-	-	-	9,150
-	-	-	1,906	-	-	-	-	50,128
5,000	-	-	-	-	-	-	-	241,289
-	11,884	-	-	-	-	-	-	11,884
5,000	11,884	-	-	-	-	-	-	253,173
327,475	96,183	1,898	-	15,341	-	525,087	-	1,195,823
-	-	-	-	-	390,261	-	-	532,819
-	-	-	32,866	-	-	-	-	1,208,578
-	-	-	-	-	-	-	-	(3,869)
<u>327,475</u>	<u>96,183</u>	<u>1,898</u>	<u>32,866</u>	<u>15,341</u>	<u>390,261</u>	<u>525,087</u>	<u>-</u>	<u>2,933,351</u>
<u>\$ 332,475</u>	<u>\$ 108,067</u>	<u>\$ 1,898</u>	<u>\$ 34,772</u>	<u>\$ 15,341</u>	<u>\$ 390,261</u>	<u>\$ 525,087</u>	<u>\$ -</u>	<u>\$ 3,236,652</u>

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

	202	211	224	225	230	240	226
	Small Cities	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance	Sauk Centre Economic Development Authority
REVENUES							
Taxes							
Property Taxes	\$ -	\$ 24,940	\$ -	\$ 3	\$ 20,010	\$ -	\$ 20,009
City Sales Tax	-	-	-	-	-	-	-
Total Taxes	-	24,940	-	3	20,010	-	20,009
Intergovernmental Revenues							
Federal Grants	-	-	-	2,500	30,000	9,246	-
State Aids:							
Other Grants	-	-	-	5,000	53,671	5,500	-
Total Intergovernmental Revenues	-	-	-	7,500	83,671	14,746	-
Charges for Services							
Fire Contracts	-	-	-	260,761	-	-	-
Ambulance Service	-	-	-	-	-	585,254	-
Storm Water Utility	-	-	-	-	-	-	-
Rent	-	-	-	-	83,860	-	1,205
Total Charges for Services	-	-	-	260,761	83,860	585,254	1,205
Fines and Forfeits							
	-	-	-	-	-	-	-
Other Revenues							
Interest Income (Loss)	1,678	179	1,524	3,251	2,617	5,605	1,495
Donations/Contributions	-	-	52,725	100	-	1,250	-
Refunds and Reimbursements	13,301	-	-	4,683	225	2,409	-
Other	-	-	-	610	2,046	4,497	-
Total Other Revenues	14,979	179	54,249	8,644	4,888	13,761	1,495
Total Revenues	14,979	25,119	54,249	276,908	192,429	613,761	22,709
EXPENDITURES							
General Government							
Other General Government	-	29,320	-	-	-	-	-
Public Safety							
Police	-	-	-	-	-	-	-
Fire Department	-	-	6,081	140,815	-	-	-
Ambulance	-	-	-	-	-	435,512	-
Capital Outlay	-	-	76,943	59,500	-	-	-
Total Public Safety	-	-	83,024	200,315	-	435,512	-
Public Works							
Highways, Streets and Alleys	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
Total Public Works	-	-	-	-	-	-	-

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

227	223	228	260	214	280	285		Total Nonmajor Special Revenue
Economic Development Revolving Loan	EDA Projects	Park Dedication	Senior Center	Police Forfeiture	Storm Water Utility	Local Option Sales Tax	Internal Eliminations	
\$ -	\$ -	\$ -	\$ 24,991	\$ -	\$ -	\$ -	\$ -	\$ 89,953
-	-	-	-	-	-	524,227	-	524,227
-	-	-	24,991	-	-	524,227	-	614,180
-	-	-	-	-	-	-	-	41,746
-	-	-	-	-	-	-	-	64,171
-	-	-	-	-	-	-	-	105,917
-	-	-	-	-	-	-	-	260,761
-	-	-	-	-	-	-	-	585,254
-	-	-	-	-	181,198	-	-	181,198
-	-	-	1,360	-	-	-	-	86,425
-	-	-	1,360	-	181,198	-	-	1,113,638
-	-	-	-	8,174	-	-	-	8,174
8,236	1,009	23	329	184	4,696	2,442	-	33,268
-	-	-	2,093	-	-	-	-	56,168
15,959	2,225	-	3,420	-	-	-	-	42,222
-	-	-	275	-	-	-	-	7,428
24,195	3,234	23	6,117	184	4,696	2,442	-	139,086
24,195	3,234	23	32,468	8,358	185,894	526,669	-	1,980,995
-	-	-	-	-	-	-	-	29,320
-	-	-	-	7,923	-	-	-	7,923
-	-	-	-	-	-	-	-	146,896
-	-	-	-	-	-	-	-	435,512
-	-	-	-	-	-	-	-	136,443
-	-	-	-	7,923	-	-	-	726,774
-	-	-	-	-	7,182	190	-	7,372
-	-	-	-	-	5,104	-	-	5,104
-	-	-	-	-	12,286	190	-	12,476

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

	202	211	224	225	230	240	226
	Small Cities	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance	Sauk Centre Economic Development Authority
EXPENDITURES (CONTINUED)							
Culture and Recreation Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Economic Development Other	137	-	-	-	-	-	2,934
Airport Other	-	-	-	-	119,004	-	-
Total Expenditures	137	29,320	83,024	200,315	119,004	435,512	2,934
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	14,842	(4,201)	(28,775)	76,593	73,425	178,249	19,775
OTHER FINANCING SOURCES (USES)							
Transfer In	-	-	-	-	-	-	-
Transfer Out	-	-	-	(58,837)	-	-	(18,503)
Total Other Financing Sources (Uses)	-	-	-	(58,837)	-	-	(18,503)
NET CHANGE IN FUND BALANCES	14,842	(4,201)	(28,775)	17,756	73,425	178,249	1,272
Fund Balances - Beginning of Year	127,208	21,785	148,139	225,111	222,843	430,286	116,300
FUND BALANCES - END OF YEAR	\$ 142,050	\$ 17,584	\$ 119,364	\$ 242,867	\$ 296,268	\$ 608,535	\$ 117,572

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

227	223	228	260	214	280	285		Total Nonmajor Special Revenue
Economic Development Revolving Loan	EDA Projects	Park Dedication	Senior Center	Police Forfeiture	Storm Water Utility	Local Option Sales Tax	Internal Eliminations	
\$ -	\$ -	\$ -	\$ 31,448	\$ -	\$ -	\$ -	\$ -	\$ 31,448
10,500	-	-	-	-	-	-	-	13,571
-	-	-	-	-	-	-	-	119,004
10,500	-	-	31,448	7,923	12,286	190	-	932,593
13,695	3,234	23	1,020	435	173,608	526,479	-	1,048,402
-	18,503	-	-	-	-	-	(18,503)	-
-	-	-	-	-	(125,000)	-	18,503	(183,837)
-	18,503	-	-	-	(125,000)	-	-	(183,837)
13,695	21,737	23	1,020	435	48,608	526,479	-	864,565
313,780	74,446	1,875	31,846	14,906	341,653	(1,392)	-	2,068,786
<u>\$ 327,475</u>	<u>\$ 96,183</u>	<u>\$ 1,898</u>	<u>\$ 32,866</u>	<u>\$ 15,341</u>	<u>\$ 390,261</u>	<u>\$ 525,087</u>	<u>\$ -</u>	<u>\$ 2,933,351</u>

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING BALANCE SHEET
TAX INCREMENT FINANCING FUND
DECEMBER 31, 2020**

	250	252	253	255	
	Tax	Tax	Tax	Tax	
	Increment	Increment	Increment	Increment	
	Financing	Financing	Financing	Financing	
	District	District	District	District	Total
	No. 1	No. 1-11	No. 1-12	No. 1-13	TIF Funds
ASSETS					
Cash and Investments	\$ 712,969	\$ 633	\$ 19,914	\$ (7,256)	\$ 726,260
Accounts Receivable	-	-	-	5,000	5,000
Interest Receivable	1,346	1	38	-	1,385
Land Held for Resale	920,322	-	-	-	920,322
Total Assets	<u>\$ 1,634,637</u>	<u>\$ 634</u>	<u>\$ 19,952</u>	<u>\$ (2,256)</u>	<u>\$ 1,652,967</u>
LIABILITIES					
Accounts and Contracts Payable	\$ 4,396	\$ -	\$ -	14	\$ 4,410
FUND BALANCES					
Restricted	1,630,241	634	19,952	-	1,650,827
Unassigned	-	-	-	(2,270)	(2,270)
Total Fund Balances	<u>1,630,241</u>	<u>634</u>	<u>19,952</u>	<u>(2,270)</u>	<u>1,648,557</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,634,637</u>	<u>\$ 634</u>	<u>\$ 19,952</u>	<u>\$ (2,256)</u>	<u>\$ 1,652,967</u>

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
TAX INCREMENT FINANCING FUND
YEAR ENDED DECEMBER 31, 2020**

	250	252	253	255	
	Tax Increment Financing District No. 1	Tax Increment Financing District No. 1-11	Tax Increment Financing District No. 1-12	Tax Increment Financing District No. 1-13	Total TIF Funds
REVENUES					
Taxes					
Tax Increments	\$ -	\$ 13,647	\$ 41,286	\$ -	\$ 54,933
Other Revenues					
Interest Income (Loss)	8,893	47	131	(54)	9,017
Refunds and Reimbursements	-	-	-	5,000	5,000
Total Other Revenues	8,893	47	131	4,946	14,017
Total Revenues	8,893	13,694	41,417	4,946	68,950
EXPENDITURES					
Economic Development					
Other Charges	6,852	13,540	19,227	7,216	46,835
Total Expenditures	6,852	13,540	19,227	7,216	46,835
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	2,041	154	22,190	(2,270)	22,115
Fund Balances (Deficit) - Beginning of Year	1,628,200	480	(2,238)	-	1,626,442
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 1,630,241	\$ 634	\$ 19,952	\$ (2,270)	\$ 1,648,557

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUND
DECEMBER 31, 2020**

	331	333	334	335	336	
	G.O. Improvement Bonds of 2012A	2015A G.O. Improvement Street Reconstruction	2015B G.O. Refunding 07A & 08A	2015 G.O. Hospital Refunding Bonds	2018A G.O. Improvement Bond	Total Debt Service
ASSETS						
Cash and Investments	\$ 686,865	\$ 442,969	\$ 496,282	\$ 667,410	\$ 1,219,200	\$ 3,512,726
Taxes Receivable - Delinquent	2,250	3,586	5,874	-	3,691	15,401
Special Assessments Receivable	97,964	45,545	54,232	-	1,021,678	1,219,419
Interest Receivable	1,287	834	920	1,260	2,301	6,602
Due from Other Governments	222	959	1,534	-	1,834	4,549
Total Assets	<u>\$ 788,588</u>	<u>\$ 493,893</u>	<u>\$ 558,842</u>	<u>\$ 668,670</u>	<u>\$ 2,248,704</u>	<u>\$ 4,758,697</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Taxes	\$ 2,250	\$ 3,586	\$ 5,874	-	\$ 3,691	\$ 15,401
Unavailable Special Assessments	97,964	45,545	54,232	-	1,021,678	1,219,419
Total Inflows of Resources	100,214	49,131	60,106	-	1,025,369	1,234,820
FUND BALANCES						
Restricted for Debt Service	688,374	444,762	498,736	668,670	1,223,335	3,523,877
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 788,588</u>	<u>\$ 493,893</u>	<u>\$ 558,842</u>	<u>\$ 668,670</u>	<u>\$ 2,248,704</u>	<u>\$ 4,758,697</u>

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2020**

	331	333	334	335	336	
	G.O. Improvement Bonds of 2012A	2015A G.O. Improvement Street Reconstruction	2015B G.O. Refunding 07A & 08A	2015 G.O. Hospital Refunding Bonds	2018A G.O. Improvement Bond	Total Debt Service
REVENUES						
Taxes						
Property Taxes	\$ 25,853	\$ 115,069	\$ 145,504	\$ -	\$ 223,295	\$ 509,721
Special Assessments	16,011	10,230	24,966	-	86,559	137,766
Other Revenues						
Interest Income	10,041	5,189	9,754	7,591	5,094	37,669
Other	-	-	-	618,673	-	618,673
Total Other Revenues	<u>10,041</u>	<u>5,189</u>	<u>9,754</u>	<u>626,264</u>	<u>5,094</u>	<u>656,342</u>
Total Revenues	51,905	130,488	180,224	626,264	314,948	1,303,829
EXPENDITURES						
Debt Service						
Principal	175,000	140,000	250,000	440,000	145,000	1,150,000
Interest and Fiscal Charges	37,153	26,543	27,804	178,675	100,590	370,765
Total Debt Service	<u>212,153</u>	<u>166,543</u>	<u>277,804</u>	<u>618,675</u>	<u>245,590</u>	<u>1,520,765</u>
Total Expenditures	<u>212,153</u>	<u>166,543</u>	<u>277,804</u>	<u>618,675</u>	<u>245,590</u>	<u>1,520,765</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(160,248)	(36,055)	(97,580)	7,589	69,358	(216,936)
OTHER FINANCING SOURCES (USES)						
Transfer In	125,000	-	58,837	-	818,863	1,002,700
NET CHANGE IN FUND BALANCES	(35,248)	(36,055)	(38,743)	7,589	888,221	785,764
Fund Balances - Beginning of Year	<u>723,622</u>	<u>480,817</u>	<u>537,479</u>	<u>661,081</u>	<u>335,114</u>	<u>2,738,113</u>
FUND BALANCES - END OF YEAR	<u>\$ 688,374</u>	<u>\$ 444,762</u>	<u>\$ 498,736</u>	<u>\$ 668,670</u>	<u>\$ 1,223,335</u>	<u>\$ 3,523,877</u>

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING BALANCE SHEET
CAPITAL PROJECT FUND
DECEMBER 31, 2020**

	415	444	445	446	447
	Airport 2018 Entrance Road	2018 Capital Projects	Challenge Course Project	2020 Street Improvement Project	Asphalt Rehab Project
ASSETS					
Cash and Investments	\$ -	\$ -	\$ (59,649)	\$ 18,565	\$ 59,649
Accounts Receivable	-	-	70,000	27,988	-
Interest Receivable	-	-	-	35	106
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,351</u>	<u>\$ 46,588</u>	<u>\$ 59,755</u>
LIABILITIES					
Accounts and Contracts Payable	\$ -	\$ -	\$ 130	\$ 13,724	\$ 9,483
Due to Other Funds	-	-	9,262	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>9,392</u>	<u>13,724</u>	<u>9,483</u>
FUND BALANCES					
Assigned for Capital Projects	<u>-</u>	<u>-</u>	<u>959</u>	<u>32,864</u>	<u>50,272</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,351</u>	<u>\$ 46,588</u>	<u>\$ 59,755</u>

**CITY OF SAUK CENTRE, MINNESOTA
 COMBINING BALANCE SHEET
 CAPITAL PROJECT FUND (CONTINUED)
 DECEMBER 31, 2020**



Internal Eliminations	Total Capital Projects
\$ -	\$ 18,565
-	97,988
-	141
<u>\$ -</u>	<u>\$ 116,694</u>
\$ -	\$ 23,337
-	9,262
-	<u>32,599</u>
-	<u>84,095</u>
<u>\$ -</u>	<u>\$ 116,694</u>

**CITY OF SAUK CENTRE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
CAPITAL PROJECT FUND
YEAR ENDED DECEMBER 31, 2020**

	415	444	445	446	447
	Airport 2018 Entrance Road	2018 Capital Projects	Challenge Course Project	2020 Street Improvement Project	Asphalt Rehab Project
REVENUES					
Other Revenues					
Interest Income	\$ 76	\$ 19,111	\$ (543)	\$ (3,321)	\$ 2,658
Donations/Contributions	-	-	222,500	-	-
Refunds and Reimbursements	-	-	-	539,339	-
Total Other Revenues	<u>76</u>	<u>19,111</u>	<u>221,957</u>	<u>536,018</u>	<u>2,658</u>
Total Revenues	76	19,111	221,957	536,018	2,658
EXPENDITURES					
Public Works					
Capital Outlay	-	124,957	224,509	1,174,535	-
Airport					
Capital Outlay	-	-	-	-	9,484
Total Expenditures	<u>-</u>	<u>124,957</u>	<u>224,509</u>	<u>1,174,535</u>	<u>9,484</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	76	(105,846)	(2,552)	(638,517)	(6,826)
OTHER FINANCING SOURCES (USES)					
Transfers From:					
Transfer In	-	-	-	725,000	8,794
Transfer Out	<u>(8,794)</u>	<u>(818,863)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(8,794)</u>	<u>(818,863)</u>	<u>-</u>	<u>725,000</u>	<u>8,794</u>
NET CHANGE IN FUND BALANCES	(8,718)	(924,709)	(2,552)	86,483	1,968
Fund Balances (Deficit) - Beginning of Year	<u>8,718</u>	<u>924,709</u>	<u>3,511</u>	<u>(53,619)</u>	<u>48,304</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 959</u>	<u>\$ 32,864</u>	<u>\$ 50,272</u>

**CITY OF SAUK CENTRE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT FUND (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020**



<u>Internal Eliminations</u>	<u>Total Capital Projects</u>
\$ -	\$ 17,981
-	222,500
-	539,339
-	<u>779,820</u>
-	779,820
-	1,524,001
<u>-</u>	<u>9,484</u>
-	<u>1,533,485</u>
-	(753,665)
(8,794)	725,000
<u>8,794</u>	<u>(818,863)</u>
<u>-</u>	<u>(93,863)</u>
-	(847,528)
<u>-</u>	<u>931,623</u>
<u>\$ -</u>	<u>\$ 84,095</u>

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



**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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 31, 2020. 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, 2020, 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as items 2020-001 and 2020-002 that we consider to be material weaknesses.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



CliftonLarsonAllen LLP

Alexandria, Minnesota
March 29, 2021



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sauk Centre, Minnesota (the City), as of December 31, 2020, 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 March 29, 2021. 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, 2020, 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 or 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 (Utility) and Sauk Centre Housing and Redevelopment Authority (HRA). Our audit described below did not include the operations of the Utility and HRA because the component units engaged for their own separate audits in accordance with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*.

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Alexandria, Minnesota
March 29, 2021

**CITY OF SAUK CENTRE, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2020**

FINANCIAL STATEMENT FINDINGS

2020-001 LACK OF SEGREGATION OF DUTIES

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

Condition: The City has a limited number of office personnel and, accordingly, does not have adequate internal controls in certain areas because of lack of segregation of duties. The City is making an effort to perform more electronic processing.

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

Cause: Because of the lack of segregation of duties, one individual regularly handles transactions from inception to completion. Due to the electronic process, physical evidence of review of journal entries and bank reconciliations do not exist.

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

Repeat Finding: Yes

Recommendation: While we recognize the City's office staff may not be large enough to permit an adequate segregation of duties in all respects for an effective internal control structure, it is important that the City be aware of this condition. We also recommend that the City update their processes for electronic processing to include adequate evidence of review by an appropriate level of management.

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

**CITY OF SAUK CENTRE, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

FINANCIAL STATEMENT FINDINGS (CONTINUED)

2020-002 OVERSIGHT OF THE FINANCIAL REPORTING PROCESS

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

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 U.S. GAAP.

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

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

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

Repeat Finding: Yes

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

Views of Responsible Officials: 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.

