

**CITY OF SAUK CENTRE, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2015**





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## **INTRODUCTORY SECTION**





**CITY OF SAUK CENTRE, MINNESOTA  
ELECTED OFFICIALS AND ADMINISTRATION  
DECEMBER 31, 2015**

Elected Officials	Position	Term Expires
<b>CITY COUNCIL</b>		
Warren Stone	Mayor	December 31, 2018
David Thomas	Council Member	December 31, 2016
Keith Johnson	Council Member	December 31, 2018
Heidi Leach	Council Member	December 31, 2018
Diane Kelly	Council Member	December 31, 2016
<b>CITY OFFICIALS</b>		
Vicki Willer	City Administrator	Indefinite
Jacquelyn Kirckof	Accounting Specialist	Indefinite
Bryon Friedrichs	Chief of Police	Indefinite
John Egan	Fire Chief	Indefinite
<b>PUBLIC UTILITIES COMMISSION - APPOINTED</b>		
Dennis Rykken	Chairperson	December 31, 2016
Ted Spanier	Vice-Chairperson	December 31, 2017
Roy Walz	Commissioner	December 31, 2015
David Thomas	Commissioner	December 31, 2016
Michael Bick	Commissioner	December 31, 2017
<b>HOUSING AND REDEVELOPMENT AUTHORITY BOARD - APPOINTED</b>		
Mickey Welle	Chairperson	March 31, 2017
Michael Felling	Board Member	March 31, 2016
Robert Polipnick	Board Member	March 31, 2019
Don Leonard	Board Member	March 31, 2018
Diane Leukam	Board Member	March 31, 2020
David Thomas	Council Representative	Indefinite

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## **FINANCIAL SECTION**





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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sauk Centre, Minnesota (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing and Redevelopment Authority of Sauk Centre, whose year-end is September 30, 2015, which represents 4%, 7%, 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 of Sauk Centre, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

### **Opinion**

In our opinion, based on our audit, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2015, 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.

### **Emphasis of a Matter**

During the year ended December 31, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the City reported a restatement for the change in accounting principle (see Note 18). Our auditors' opinion was not modified with respect to the restatement.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the schedules of funding progress, schedule of the proportionate share of the net pension liability, the schedule of 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

#### *Other Information*

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

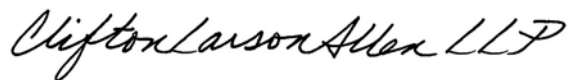
***Other Matters (Continued)***

***Other Information (Continued)***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
April 15, 2016

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## **BASIC FINANCIAL STATEMENTS**



**CITY OF SAUK CENTRE, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015**

	Governmental Activities	Component Units	
		Sauk Centre Public	
		Utilities Commission	Sauk Centre HRA
<b>ASSETS</b>			
Cash and Investments	\$ 8,558,319	\$ 426,847	\$ 144,521
Cash with Escrow Agent	2,194,790	-	-
Designated Cash and Investments	-	5,779,168	-
Due from Other Governments	64,635	-	-
Accounts Receivable	525,218	575,198	-
Loans Receivable	93,579	-	-
Notes Receivable	6,732,992	-	-
Taxes Receivable - Delinquent	87,388	-	-
Special Assessments Receivable	570,405	-	-
Due from Component Unit	11,913	-	-
Due from Primary Government	-	20,000	-
Interest Receivable	21,801	17,439	-
Inventories	-	320,258	-
Prepaid Expenses	30,733	35,227	7,308
Land Held for Resale	1,428,604	-	-
Land Held for Investment	-	60,000	-
Net Pension Asset	18,815	-	-
Capital Assets Not Being Depreciated			
Land	4,097,473	129,633	95,745
Construction in Process	1,226,218	135,238	-
Capital Assets Being Depreciated			
Land Improvements	2,316,145	-	-
Buildings and Improvements	25,072,004	1,523,772	1,890,201
Vehicles, Machinery and Equipment	8,322,021	745,114	47,003
Infrastructure	12,186,814	24,671,698	-
Less: Accumulated Depreciation	(24,348,972)	(12,436,103)	(1,155,962)
Total Assets	49,210,895	22,003,489	1,028,816
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	217,734	103,532	-
<b>LIABILITIES</b>			
Salaries/Benefits Payable	70,201	105,771	3,812
Accounts and Contracts Payable	105,133	458,287	8,045
Due to Primary Government	-	11,913	-
Due to Other Governments	-	-	7,601
Tenant Security Deposits	-	-	6,302
Unearned Revenue	10,346	-	10
Accrued Interest	90,475	45,789	-
Net Pension Liability	1,188,221	746,283	-
OPEB Liability	169,083	435,068	-
Long-Term Obligations			
Due Within One Year	3,084,110	431,539	-
Due in More than One Year	14,837,428	5,720,000	-
Total Liabilities	19,554,997	7,954,650	25,770
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	154,575	86,949	-
<b>NET POSITION</b>			
Net Investment in Capital Assets	11,089,186	8,617,813	876,987
Restricted For:			
Debt Service	4,633,469	-	-
Capital Outlay	963,685	-	-
Economic Development	2,140,626	-	-
Fire Service	122,084	-	-
Hospital Operations	2,395,734	-	-
Other Purposes	15,534	-	-
Unassigned	8,358,739	5,447,609	126,059
Total Net Position	\$ 29,719,057	\$ 14,065,422	\$ 1,003,046

See accompanying Notes to Financial Statements.

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**CITY OF SAUK CENTRE, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2015**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Sauk Centre Public Utilities Commission	Sauk Centre HRA
<b>PRIMARY GOVERNMENT</b>							
<b>GOVERNMENTAL ACTIVITIES</b>							
General Government	\$ 923,104	\$ 258,399	\$ -	\$ -	\$ (664,705)	\$ -	\$ -
Public Safety	2,974,804	1,514,524	12,258	43,000	(1,405,022)	-	-
Public Works	976,815	162,492	55,714	322,462	(436,147)	-	-
Culture and Recreation	551,208	175,223	33,079	-	(342,906)	-	-
Economic Development	142,698	202,447	-	-	59,749	-	-
Airport	214,682	97,667	-	-	(117,015)	-	-
Debt Service	818,882	723,678	-	-	(95,204)	-	-
Total Governmental Activities	<u>6,602,193</u>	<u>3,134,430</u>	<u>101,051</u>	<u>365,462</u>	<u>(3,001,250)</u>	<u>-</u>	<u>-</u>
<b>COMPONENT UNITS</b>							
Housing Activity	269,605	120,295	100,041	4,978	-	-	(44,291)
Public Utilities Commission	6,957,264	7,111,204	12,993	30,760	-	197,693	-
Total Component Units	<u>\$ 7,226,869</u>	<u>\$ 7,231,499</u>	<u>\$ 113,034</u>	<u>\$ 35,738</u>	<u>-</u>	<u>197,693</u>	<u>(44,291)</u>
<b>GENERAL REVENUES</b>							
Property Taxes					1,536,786	-	-
Other Taxes						-	-
Tax Increments Received					28,855	-	-
Intergovernmental Revenues					1,246,831	-	-
Interest and Investments Earnings					415,252	47,625	471
Gain on Disposal of Assets					-	-	1,000
Miscellaneous Revenues					141,553	29,145	-
Total General Revenues					<u>3,369,277</u>	<u>76,770</u>	<u>1,471</u>
<b>CHANGES IN NET POSITION</b>					368,027	274,463	(42,820)
Net Position - Beginning of Year					30,449,218	14,502,689	1,045,866
Change in Accounting Principle (See Note 18)					(1,098,188)	(711,730)	-
Net Position - Beginning of Year, as Restated					<u>29,351,030</u>	<u>13,790,959</u>	<u>1,045,866</u>
<b>NET POSITION - END OF YEAR</b>					<u>\$ 29,719,057</u>	<u>\$ 14,065,422</u>	<u>\$ 1,003,046</u>

See accompanying Notes to Financial Statements.

**CITY OF SAUK CENTRE, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	Special Revenue			
	General	Arena	Hospital	Tax Increment Financing
<b>ASSETS</b>				
Cash and Investments	\$ 1,563,574	\$ 122,567	\$ 2,390,409	\$ 377,295
Cash with Escrow Agent	-	-	-	-
Taxes Receivable - Delinquent	59,876	-	-	27,512
Special Assessments Receivable	142,359	-	-	-
Accounts Receivable	69,820	3,780	229,868	-
Loans Receivable	-	-	-	-
Notes Receivable	-	-	6,732,992	-
Interest Receivable	3,027	297	8,109	1,228
Prepaid Items	30,733	-	-	-
Land Held for Resale	-	-	-	1,428,604
Due from Other Governments	44,985	85	-	9,954
Due from Component Unit	-	-	-	-
Advances to Other Funds	137,333	-	-	-
Total Assets	\$ 2,051,707	\$ 126,729	\$ 9,361,378	\$ 1,844,593
<b>LIABILITIES</b>				
Salaries/Benefits Payable	\$ 55,776	\$ -	\$ -	\$ -
Accounts and Contracts Payable	30,236	4,625	-	9,032
Advances from Other Funds	-	-	-	-
Unearned Revenue	7,295	-	-	-
Total Liabilities	93,307	4,625	-	9,032
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Taxes	59,876	-	-	27,512
Unavailable Loans Receivable	-	-	-	-
Unavailable Notes Receivable	-	-	6,732,992	-
Unavailable Special Assessments	142,359	-	-	-
Total Deferred Inflows of Resources	202,235	-	6,732,992	27,512
<b>FUND BALANCES</b>				
Nonspendable	168,066	-	-	-
Restricted	55,711	-	2,395,734	1,808,049
Committed	361,164	122,104	-	-
Assigned	-	-	232,652	-
Unassigned	1,171,224	-	-	-
Total Fund Balances	1,756,165	122,104	2,628,386	1,808,049
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,051,707	\$ 126,729	\$ 9,361,378	\$ 1,844,593

See accompanying Notes to Financial Statements.

Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 762,839	\$ 2,108,182	\$ 1,233,453	\$ 8,558,319
-	2,194,790	-	2,194,790
-	-	-	87,388
-	428,046	-	570,405
107,988	-	113,812	525,268
53,621	-	39,958	93,579
-	-	-	6,732,992
1,885	3,637	3,568	21,751
-	-	-	30,733
-	-	-	1,428,604
-	7,539	2,072	64,635
-	-	11,913	11,913
-	-	-	137,333
<u>\$ 926,333</u>	<u>\$ 4,742,194</u>	<u>\$ 1,404,776</u>	<u>\$ 20,457,710</u>
\$ -	\$ -	\$ 14,425	\$ 70,201
30,020	18,250	12,970	105,133
-	-	137,333	137,333
-	-	3,051	10,346
<u>30,020</u>	<u>18,250</u>	<u>167,779</u>	<u>323,013</u>
-	-	-	87,388
53,621	-	39,958	93,579
-	-	-	6,732,992
-	428,046	-	570,405
<u>53,621</u>	<u>428,046</u>	<u>39,958</u>	<u>7,484,364</u>
-	-	-	168,066
842,692	4,295,898	414,386	9,812,470
-	-	493,239	976,507
-	-	289,414	522,066
-	-	-	1,171,224
<u>842,692</u>	<u>4,295,898</u>	<u>1,197,039</u>	<u>12,650,333</u>
<u>\$ 926,333</u>	<u>\$ 4,742,194</u>	<u>\$ 1,404,776</u>	<u>\$ 20,457,710</u>

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**CITY OF SAUK CENTRE, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2015**

**FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 12,650,333

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	53,220,675
Less: Accumulated Depreciation	(24,348,972)

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	18,815
Net Pension Liability	(1,188,221)
Deferred Outflows of Resources - Pension Related	217,734
Deferred Inflows of Resources - Pension Related	(154,575)

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	(17,921,538)
OPEB Liability	(169,083)
Accrued Interest Payable	(90,475)

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

Delinquent Property Taxes	87,388
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Unavailable notes receivables are not available to pay for current expenditures and, therefore, are deferred in the funds.

Unavailable Special Assessments Receivable	570,405
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Loans receivable will be collected subsequent to year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are deferred in the funds.

<u>6,826,571</u>
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**NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 29,719,057

**CITY OF SAUK CENTRE, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2015**

	Special Revenue			
	General	Arena	Hospital	Tax Increment Financing
<b>REVENUES</b>				
Taxes	\$ 1,170,109	\$ 468	\$ -	\$ -
Tax Increments	-	-	-	28,855
Special Assessments	3,013	-	-	-
Licenses and Permits	126,518	-	-	-
Intergovernmental Revenues	1,301,242	-	-	-
Charges for Services	215,532	72,280	612,000	-
Fines and Forfeits	45,623	-	-	-
Other Revenues	229,228	1,078	406,881	4,455
Total Revenues	3,091,265	73,826	1,018,881	33,310
<b>EXPENDITURES</b>				
General Government	832,027	-	-	-
Public Safety	917,515	-	539,357	-
Public Works	557,743	-	-	-
Culture and Recreation	388,496	56,519	-	-
Economic Development	-	-	-	49,169
Airport	-	-	-	-
Debt Service				
Principal	9,111	-	-	-
Interest and Fiscal Charges	709	-	-	-
Capital Outlay	246,304	8,791	-	-
Total Expenditures	2,951,905	65,310	539,357	49,169
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	139,360	8,516	479,524	(15,859)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	19,300	-	-	2,786
Transfers Out	-	-	(715,000)	-
Bond Proceeds	-	-	-	-
Payment to Escrow Agent	-	-	-	-
Premium on Bonds	-	-	-	-
Total Other Financing Sources (Uses)	19,300	-	(715,000)	2,786
<b>NET CHANGE IN FUND BALANCES</b>	158,660	8,516	(235,476)	(13,073)
Fund Balances - Beginning of Year	1,597,505	113,588	2,863,862	1,821,122
<b>FUND BALANCES - END OF YEAR</b>	\$ 1,756,165	\$ 122,104	\$ 2,628,386	\$ 1,808,049

See accompanying Notes to Financial Statements.

Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 340,699	\$ 110,288	\$ 1,621,564
-	-	-	28,855
-	419,798	-	422,811
-	-	-	126,518
91,779	-	46,461	1,439,482
-	-	827,184	1,726,996
-	-	-	45,623
42,218	742,223	135,734	1,561,817
<u>133,997</u>	<u>1,502,720</u>	<u>1,119,667</u>	<u>6,973,666</u>
-	-	28,970	860,997
-	-	438,100	1,894,972
2,134	-	3,904	563,781
21,969	-	38,868	505,852
-	-	10,206	59,375
-	-	111,274	111,274
-	805,000	-	814,111
46,949	766,166	3,400	817,224
1,620,163	-	180,813	2,056,071
<u>1,691,215</u>	<u>1,571,166</u>	<u>815,535</u>	<u>7,683,657</u>
(1,557,218)	(68,446)	304,132	(709,991)
461,764	1,047,607	-	1,531,457
(142,199)	(481,450)	(192,808)	(1,531,457)
1,434,537	11,035,463	-	12,470,000
-	(8,875,456)	-	(8,875,456)
61,645	122,953	-	184,598
<u>1,815,747</u>	<u>2,849,117</u>	<u>(192,808)</u>	<u>3,779,142</u>
258,529	2,780,671	111,324	3,069,151
584,163	1,515,227	1,085,715	9,581,182
<u>\$ 842,692</u>	<u>\$ 4,295,898</u>	<u>\$ 1,197,039</u>	<u>\$ 12,650,333</u>

**CITY OF SAUK CENTRE, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
YEAR ENDED DECEMBER 31, 2015**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 3,069,151

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	2,032,207
Depreciation Expense	(1,685,587)
Disposal of Assets - Net Book Value	(14,435)

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	9,564,000
Amortization of Bond Discount	(4,626)
Premium on Bonds Issued in 2015	(184,598)
Amortization of Bond Premium	5,101
Change in Accrued Interest	115,977
Proceeds on Bonds	(12,470,000)

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 and the related deferred inflows and outflows of resources. (8,059)

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Principal payments on capital leases are reported as expenditures in the governmental funds. In the statement of net position, however, the repayment of principal reduces the liability. 5,111

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

Change in Other Postemployment Benefits	(31,874)
Change in Compensated Absences	14,488

Delinquent property taxes, notes receivable, and special assessments will be collected subsequent to year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are deferred in the governmental funds. Property taxes receivable decreased by \$31,461, notes receivable increased by \$93,579, and special assessments decreased by \$100,947. (38,829)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 368,027

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Basis of Presentation

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

B. Financial Reporting Entity

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

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

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

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

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

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

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

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**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, 2015.

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

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

C. Basic Financial Statement Presentation

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

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

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

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 THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**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, liabilities, fund equity, and revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

**Governmental Funds**

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

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Fund Accounting (Continued)

**Governmental Funds (Continued)**

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

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

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

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

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

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

GASB Statement No. 34 also requires that budget vs. actual information be presented for the general fund and all budgeted major special revenue funds. For 2015, the City's adopted budget was consistent with U.S. generally accepted accounting principles.

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

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

F. Use of Estimates

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



**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2015, the allowance for uncollectible accounts was \$53,621.

3. Investments

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

4. Inventories

Inventories are reported at cost using the weighted average method.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

5. 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 restricted and unrestricted fund balance is available for expenditure, it is the City's policy to first use restricted fund balance, and then unrestricted resources as they are needed. When committed, assigned, and unassigned fund balance is available for expenditure, it is the City's policy to use committed, assigned, and then unassigned fund balance.

Net position represents the differences between assets 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 long-term debt used to build or acquire capital assets. Net position is reported as restricted in government-wide financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**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

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

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

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

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

Within 30 days after the May settlement, the County Treasurer is required to pay 70% 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.

Current year property tax revenues represent the tax levy certified to the County Auditor in December of 2014 which was collected during the year ended December 31, 2015, respectively. Any adjustments or abatements to either the current, or any prior year, levy are adjusted through the current year general property tax revenues. Property taxes not collected by the County and remitted to the City within 60 days of year end are classified as delinquent and not considered measurable and available and are fully offset by deferred inflows of resources in the governmental fund financial statements. Delinquent taxes receivable represent the past years of uncollected tax years. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**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)

8. Special Assessments

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

9. Due from Other Governments

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

10. Short-Term Interfund Receivables / Payables

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

11. Capital Assets

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

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

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

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**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)

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.

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.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**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)

16. Compensated Absences

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

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

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

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.

**CITY OF SAUK CENTRE, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. Revenues, Expenditures, and Expenses (Continued)

2. Expenditures

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

3. Expenses

Government wide financial statements recognize expenses when they are incurred.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budget**

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

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

**Expenditures in Excess of Appropriations**

In the following funds, expenditures exceeded the appropriations during the year ended December 31, 2015:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Expenditures Over Appropriations</u>
General Fund	\$ 2,951,905	\$ 2,815,187	\$ 136,718
Hospital Fund	539,357	504,000	35,357
Tax Increment Fund	49,169	35,800	13,369

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 operations and were approved by the Council.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**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 FDIC limits are covered by collateral held in a Federal Reserve Pledge account or by an agent for the City and thus no custodial credit risk exists. As of December 31, 2015, all City deposits were covered by insurance or collateral.

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



**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investment Policies**

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

The City had the following investments at December 31, 2015:

Investment	Credit Risk		Concentration	Interest Rate Risk		Carrying Fair Value
	Rating	Agency	Risk % of Portfolio	Maturity Date	Interest Rate	
Minnesota Municipal Money Market Fund						
4M Fund	N/R	N/A	N/A	N/A	N/A	\$ 2,194,790
4M Plus Fund	N/R	N/A	N/A	N/A	N/A	471
Smith Barney						
Certificate of Deposit	N/R	N/A	N/A	2/16/2016	N/A	101,000
Money Market Fund	N/R	N/A	N/A	N/A	N/A	5,554
Multi-Bank Securities						
Transferable Certificate of Deposit	N/R	N/A	N/A	See Below	Various	3,769,000
Central Minnesota Credit Union						
Member Stock Share	N/R	N/A	N/A	N/A	N/A	269
Total Investments						<u>\$ 6,071,084</u>
			Less Than 1 Year	1 to 2 Years	3 to 5 Years	Total
Multi-Bank Securities			\$ 645,000	\$ 498,000	\$ 2,626,000	\$ 3,769,000
Deposits					Bank Value	Carrying Value
Checking Accounts					\$ 1,007,281	\$ 757,314
Savings Accounts					2,184,731	2,184,731
Certificates of Deposit					1,739,980	1,739,980
Total Deposits					<u>\$ 4,682,025</u>	
Total Deposits and Investments - Governmental Funds						<u>\$ 10,753,109</u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

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	426,247
Designated Assets:	
Operations and Maintenance Deposits	400,000
Capital Replacement Deposits	4,594,100
Postemployment Benefits Deposits	435,068
Debt Retirement Deposits	<u>350,000</u>
Total Cash and Investments	6,206,015
Less: Noncurrent Designated Cash and Investments and Assets Under Bond Indenture Agreements	<u>(5,779,168)</u>
Total Cash and Investments	<u><u>\$ 426,847</u></u>

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

**NOTE 4 NOTES RECEIVABLE**

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

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015 is as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	January 1, 2015 Balance	Additions	Disposals	December 31, 2015 Balance
Capital Assets, Not Being Depreciated				
Land	\$ 3,910,132	\$ 187,341	\$ -	\$ 4,097,473
Construction in Progress	-	1,226,218	-	1,226,218
Total Capital Assets, Not Being Depreciated	3,910,132	1,413,559	-	5,323,691
Capital Assets, Being Depreciated				
Land Improvements	2,065,690	250,455	-	2,316,145
Buildings and Improvements	25,072,004	-	-	25,072,004
Vehicles, Machinery and Equipment	8,079,676	368,193	125,848	8,322,021
Infrastructure	12,186,814	-	-	12,186,814
Total Capital Assets, Being Depreciated	47,404,184	618,648	125,848	47,896,984
Total Capital Assets	51,314,316	2,032,207	125,848	53,220,675
Less: Accumulated Depreciation	(22,774,798)	(1,685,587)	(111,413)	(24,348,972)
Capital Assets, Net	<u>\$ 28,539,518</u>	<u>\$ 346,620</u>	<u>\$ 14,435</u>	<u>\$ 28,871,703</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 110,444
Public Safety	1,090,741
Public Works	397,291
Culture and Recreation	87,111
Total Depreciation Expense, Governmental Activities	<u>\$ 1,685,587</u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

**COMPONENT UNIT**

**SAUK CENTRE PUBLIC UTILITIES  
COMMISSION**

	January 1, 2015 Balance	Additions	Disposals	December 31, 2015 Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 129,633	\$ -	\$ -	\$ 129,633
Construction in Progress	264,750	40,309	169,821	135,238
Total Capital Assets, Not Being Depreciated	<u>394,383</u>	<u>40,309</u>	<u>169,821</u>	<u>264,871</u>
Capital Assets, Being Depreciated:				
Station Equipment	536,393	-	3,326	533,067
Distribution System	23,327,530	-	59,785	23,267,745
General Plant	952,232	581,270	9,730	1,523,772
Load Management	897,731	211,173	896,857	212,047
Treatment Facility	1,331,561	72,392	-	1,403,953
Total Capital Assets, Being Depreciated	<u>27,045,447</u>	<u>864,835</u>	<u>969,698</u>	<u>26,940,584</u>
Total Capital Assets	27,439,830	905,144	1,139,519	27,205,455
Less: Accumulated Depreciation	<u>(12,430,245)</u>	<u>(975,556)</u>	<u>969,698</u>	<u>(12,436,103)</u>
Capital Assets, Net	<u>\$ 15,009,585</u>	<u>\$ (70,412)</u>	<u>\$ 169,821</u>	<u>\$ 14,769,352</u>

**COMPONENT UNIT**

**HOUSING AND REDEVELOPMENT AUTHORITY  
OF SAUK CENTRE**

	September 30, 2014 Balance	Additions	Adjustments/ Disposals	September 30, 2015 Balance
Capital Assets, Not Being Depreciated				
Land and Improvements	\$ 95,745	\$ -	\$ -	\$ 95,745
Construction in Progress	11,600	-	(11,600)	-
Total Capital Assets not being Depreciated	<u>107,345</u>	<u>-</u>	<u>(11,600)</u>	<u>95,745</u>
Capital Assets, Being Depreciated				
Buildings	1,800,079	90,122	-	1,890,201
Equipment and Other	47,004	-	(1)	47,003
Total Capital Assets being Depreciated	<u>1,847,083</u>	<u>90,122</u>	<u>(1)</u>	<u>1,937,204</u>
Less: Accumulated Depreciation	<u>(1,058,512)</u>	<u>(97,450)</u>	<u>-</u>	<u>(1,155,962)</u>
Total Capital Assets being Depreciated, Net	<u>788,571</u>	<u>(7,328)</u>	<u>(1)</u>	<u>781,242</u>
Capital Assets, Net	<u>\$ 895,916</u>	<u>\$ (7,328)</u>	<u>\$ (11,601)</u>	<u>\$ 876,987</u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 6 LONG-TERM DEBT**

The following is a summary of debt transactions of the City for the year ended December 31, 2015:

	Balance January 1, 2015	New Issues	Retired	Balance December 31, 2015	Amounts Due in One Year
General Obligation Tax Increment Bonds	\$ 70,000	\$ -	\$ 70,000	\$ -	\$ -
General Obligation Improvement Bonds	3,975,000	3,625,000	320,000	7,280,000	2,515,000
Premium on Bonds	66,310	184,598	5,101	245,807	-
Discount on Bonds	(23,137)	-	(4,626)	(18,511)	-
Other Long-Term Debt	24,000	-	4,000	20,000	4,000
Revenue Bonds	10,570,000	8,845,000	9,170,000	10,245,000	560,000
Compensated Absences	153,509	98,629	113,117	139,021	-
Capital Leases	15,332	-	5,111	10,221	5,110
Total Long-Term Debt	<u>\$ 14,851,014</u>	<u>\$ 12,753,227</u>	<u>\$ 9,682,703</u>	<u>\$ 17,921,538</u>	<u>\$ 3,084,110</u>

**General Obligation Bonds**

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

	<u>Balance Outstanding</u>
General Obligation Improvement Bonds	
\$2,430,000 General Obligation Capital Improvement Plan Refunding Bonds, Series 2007A, interest from 3.75% to 4.20%, matures February 1, 2025.	\$ 1,545,000
\$415,000 General Obligation Improvement Bonds, Series 2007B, interest from 3.65% to 4.10%, matures February 1, 2017.	100,000
\$1,265,000 of General Obligation Improvement Bonds, Series 2008A, interest from 3.50% to 4.75%, matures February 1, 2024. Includes a discount of \$12,987.	840,000
\$1,245,000 of General Obligation Improvement Bonds, Series 2012A, interest from 2.00% to 2.20%, matures February 1, 2029. Includes a premium of \$34,430.	1,170,000
\$2,185,000 of General Obligation Refunding Bonds, Series 2015B, interest at 2.00%, matures February 1, 2025. Includes a premium of \$40,605.	2,185,000
\$1,440,000 of General Obligation Bonds, Series 2015A, interest from 1.50% to 3.00%, matures February 1, 2026. Includes a premium of \$61,645.	<u>1,440,000</u>
Total General Obligation Improvement Bonds	\$ 7,280,000

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

	<u>Balance Outstanding</u>
Other Long-Term Debt	
\$80,000 City purchase of Public Utilities Property of 2000, Interest at 0.00% matures September 20, 2020.	\$ 20,000
Revenue Bonds - Expected to be repaid from charges for services	
\$1,495,000 of General Obligation Revenue Bonds, Series 2012A, interest from 2.00% to 2.20%, matures February 1, 2029. Includes a premium of \$42,082.	1,400,000
\$8,845,000 of General Obligation Hospital Refunding Bonds, Series 2015C, interest from 2.00% to 3.00%, due September 1, 2033.	<u>8,845,000</u>
Total Revenue Bonds	10,245,000
Capital Leases	
\$25,552 of Capital lease for a copier machine, interest at 4.8% and due May 2017.	10,221
Plus Premium/(Discount) on Bonds	227,296
Compensated Absences	<u>139,021</u>
Total Long-Term Debt	<u><u>\$ 17,921,538</u></u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

Long-term debt maturities are as follows:

<u>Year Ended December 31,</u>	<u>Total Principal Maturities</u>	<u>Total Interest Maturities</u>
2016	\$ 3,079,000	\$ 751,068
2017	989,000	700,282
2018	974,000	666,896
2019	994,000	633,332
2020	1,009,000	597,713
2021-2025	5,190,000	2,400,886
2026-2030	3,565,000	1,356,431
2031-2033	1,745,000	288,830
Total	17,545,000	7,395,438
Plus: Premium/(Discount)	227,296	-
Total	<u>\$ 17,772,296</u>	<u>\$ 7,395,438</u>

The following is a summary of bond information for the component units for the year ended December 31, 2015.

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

<u>Component Unit</u>	<u>Balance Outstanding</u>
Wastewater Treatment General Obligation Bonds - \$1,407,000, 1995 Issue, Interest at 3.20%, due August 2016.	\$ 93,539
Drinking Water General Obligation Revenue Bonds - \$2,121,231, 1998 Issue, Interest at 3.54%, due August 2018.	434,000
General Obligation Clean Water Revenue Note - \$7,058,050, 2010 Issue, Interest 1.911%, due August 2030.	5,624,000
Total	<u>6,151,539</u>
Less: Current Maturities	<u>(431,539)</u>
Total Long-Term Debt	<u>\$ 5,720,000</u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

**Long-Term Debt –Sauk Centre Public Utilities Commission**

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

**Sauk Centre Public Utilities Commission**

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 431,539	\$ 125,089	\$ 556,628
2017	487,000	114,098	601,098
2018	497,000	102,430	599,430
2019	355,000	90,505	445,505
2020	362,000	83,721	445,721
2021-2025	1,914,000	312,238	2,226,238
2026-2030	2,105,000	122,208	2,227,208
Total	<u>\$ 6,151,539</u>	<u>\$ 950,289</u>	<u>\$ 7,101,828</u>

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

The 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 4<sup>th</sup> Street Storm Water Construction project.

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

Long-term debt at December 31, 2015 consists of the following:

	<u>Balance January 1, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance December 31, 2015</u>
G.O. Bonds	<u>\$ 6,621,154</u>	<u>\$ -</u>	<u>\$ 469,615</u>	<u>\$ 6,151,539</u>



**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS**

GASB 45 requires that local governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions.

**Plan Description**

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

**Funding Policy**

The City does not provide healthcare coverage for retired employees. Rather, they allow employees who separate from City employment due to retirement or disability, access to the coverage; however, that coverage is paid for at the former employees' expense. Sauk Centre Public Utilities Commission provides healthcare coverage for eligible retired employees. Eligible employees who retire between the ages of 55 – 59 shall receive Employer paid single medical insurance at the rate of \$648 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 \$800 per month until the age of 65 or when eligible for Medicare. The employee shall be responsible for any premiums over the \$648 or \$800.

**Annual OPEB Cost and Net OPEB Obligation**

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

	Governmental Funds	Sauk Centre Public Utilities Commission	Total
Annual Required Contribution	\$ 52,167	\$ -	\$ 52,167
Interest on Net OPEB Obligation	5,488	18,246	23,734
Amortization of Net OPEB Obligation	(8,158)	-	(8,158)
Annual OPEB Cost (Expense)	49,497	18,246	67,743
Contributions Made	(17,623)	(39,332)	(56,955)
Increase (Decrease) in Net OPEB Obligation	31,874	(21,086)	10,788
Net OPEB Obligation - Beginning of Year	137,209	456,154	593,363
Net OPEB Obligation - End of Year	<u>\$ 169,083</u>	<u>\$ 435,068</u>	<u>\$ 604,151</u>
Net OPEB Designated Assets	<u>\$ -</u>	<u>\$ 435,068</u>	<u>\$ 435,068</u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Annual OPEB Cost and Net OPEB Obligation (Continued)**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending December 31, 2015 and the two preceding years were as follows:

	Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Governmental Funds	12/31/2015	\$ 49,497	\$ 17,623	35.6 %	\$ 169,083
Sauk Centre Public Utilities Commission	12/31/2015	18,246	39,332	215.6	435,068
Governmental Funds	12/31/2014	33,601	11,641	34.6	137,209
Sauk Centre Public Utilities Commission	12/31/2014	28,921	26,560	91.8	456,154
Governmental Funds	12/31/2013	34,054	10,544	31.0	115,249
Sauk Centre Public Utilities Commission	12/31/2013	28,484	18,778	65.9	453,793

**Funded Status and Funding Progress**

As of January 1, 2015 the most recent actuarial valuation date, the City had no assets deposited to fund the plan.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
Governmental Activities						
1/1/2015	\$ -	\$ 454,072	\$ 454,072	- %	\$ 1,078,451	42.1 %
Sauk Centre Public Utilities Commission						
1/1/2015	-	327,010	327,010	-	793,266	41.2

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

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Actuarial Methods and Assumptions**

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

In the January 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a rate of the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 7.25%, reduced by decrements to an ultimate rate of 5% over nine years. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis over a 30 year period. The Sauk Centre Public Utilities Commission did not choose to amortize, but instead recorded the entire liability as of December 31, 2009.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 8 COMPONENTS OF FUND BALANCE**

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

	General Fund	Arena Fund	Hospital Fund	TIF Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds
Fund Balances:							
Nonspendable:							
Prepaid items	\$ 168,066	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:							
Fire Protection Capital Outlay	-	-	-	-	-	-	122,084
Economic Development	-	-	-	1,808,049	-	-	-
Debt Service	-	-	-	-	-	4,295,898	-
EDA Improvement Projects	-	-	-	-	201,116	-	-
Economic Development Loan Payments	-	-	-	-	-	-	265,107
Park Capital Outlay	-	-	-	-	-	-	15,197
Siren Capital Outlay	-	-	-	-	-	-	11,661
Police Forfeiture Operations	-	-	-	-	-	-	337
Hospital Operations	-	-	2,395,734	-	-	-	-
Capital Improvement Projects	-	-	-	-	641,576	-	-
Street Improvements	55,711	-	-	-	-	-	-
Committed For:							
Library Operations	-	-	-	-	-	-	21,453
Fire Department Equipment Purchases	-	-	-	-	-	-	102,172
Fire Protection Capital Outlay	-	-	-	-	-	-	186,327
Ambulance Operations	-	-	-	-	-	-	34,793
Airport Capital Outlay	-	-	-	-	-	-	35,215
Storm Water Utility	-	-	-	-	-	-	113,279
Arena Operations	-	122,104	-	-	-	-	-
Park Land	19,000	-	-	-	-	-	-
Police Department Severance	17,658	-	-	-	-	-	-
Street Improvements	106,929	-	-	-	-	-	-
Campground	75,602	-	-	-	-	-	-
MnDOT Signs	5,426	-	-	-	-	-	-
Build A Forest	7,178	-	-	-	-	-	-
Park Mower	81,440	-	-	-	-	-	-
Splash Pad	16,900	-	-	-	-	-	-
Compensation Plan	31,031	-	-	-	-	-	-
Assigned:							
Hospital Operations	-	-	232,652	-	-	-	-
Library Operations	-	-	-	-	-	-	24,125
Senior Center Operations	-	-	-	-	-	-	37,475
Fire Department Equipment Purchases	-	-	-	-	-	-	57,486
Ambulance Services	-	-	-	-	-	-	120,088
Economic Development	-	-	-	-	-	-	28,510
Airport Operations	-	-	-	-	-	-	21,730
Unassigned:	1,171,224	-	-	-	-	-	-
Total Fund Balances	<u>\$ 1,756,165</u>	<u>\$ 122,104</u>	<u>\$ 2,628,386</u>	<u>\$ 1,808,049</u>	<u>\$ 842,692</u>	<u>\$ 4,295,898</u>	<u>\$ 1,197,039</u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**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.

1. General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund (PEPFF)

The PEPFF, 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 PEPFF 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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

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

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 9 PENSION PLANS (CONTINUED)**

**Benefits Provided (Continued)**

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year 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. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

2. PEPFF Benefits

Benefits for the PEPFF 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 PEPFF 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 PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**Contributions**

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

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City and Sauk Centre Public Utilities Commission contributions to the GERF for the year ended December 31, 2015, were \$60,515 and \$64,855, respectively. The City and the Sauk Centre Public Utilities Commission contributions were equal to the required contributions as set by state statute.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 9 PENSION PLANS (CONTINUED)**

**Contributions (Continued)**

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City contributions to the PEPFF for the year ended December 31, 2015, were \$64,949. The City contributions were equal to the required contributions as set by state statute.

**Pension Costs**

1. GERF Pension Costs

At December 31, 2015, the City reported a liability of \$699,640 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City proportion was 0.0135%.

At December 31, 2015, the Sauk Centre Public Utilities Commission reported a liability of \$746,283 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the Utility's proportion was 0.0144%.

For the year ended December 31, 2015, the City recognized pension expense of \$82,691 for its proportionate share of the GERF's pension expense. The Sauk Centre Public Utility recognized pension expense of \$81,076 for its proportionate share of the GERF's pension expense.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 9 PENSION PLANS (CONTINUED)**

**Pension Costs (Continued)**

1. **GERF Pension Costs (Continued)**

At December 31, 2015, the proportionate share of the GERF'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	\$ -	\$ 35,274	\$ -	\$ 37,625
Changes in Actuarial Assumptions	-	-	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	66,233	-	70,647	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	31,708	-	49,324
Contributions Subsequent to the Measurement Date	29,564	-	32,882	-
Total	<u>\$ 95,797</u>	<u>\$ 66,982</u>	<u>\$ 103,529</u>	<u>\$ 86,949</u>

\$62,446 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	City Pension Expense Amount	Utility Pension Expense Amount
2016	\$ (5,769)	\$ (11,321)
2017	(5,769)	(11,321)
2018	(5,769)	(11,321)
2019	16,558	17,661

2. **PEPFF Pension Costs**

At December 31, 2015, the City reported a liability of \$488,581 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City proportion was 0.043%.



**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 9 PENSION PLANS (CONTINUED)**

**Pension Costs (Continued)**

2. PEPFF Pension Costs (Continued)

For the year ended December 31, 2015, the City recognized pension expense of \$84,194 for its proportionate share of the PEPFF's pension expense. The City also recognized \$3,870 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2015, the City reported its proportionate share of the PEPFF'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	\$ -	\$ 79,232
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	85,127	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-	-
City Contributions Subsequent to the Measurement Date	32,310	-
Total	<u>\$ 117,437</u>	<u>\$ 79,232</u>

\$32,310 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 ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expense Amount
2016	\$ 5,435
2017	5,435
2018	5,435
2019	5,435
2020	(15,845)

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 9 PENSION PLANS (CONTINUED)**

**Actuarial Assumptions**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per Year
Salary Increases	3.50%, Average, Including Inflation
Investment Rate of Return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1<sup>st</sup> through 2026 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2015: the discount rate was changed from 8.0% through June 30, 2017 and 8.5% thereafter to 8.0% for all years, the inflation assumption was changed from 3.0% to 2.75%, the payroll growth assumption was changed from 3.75% to 3.5%, assumed increases in member salaries were decreased by 0.25% at all ages and the assumed postretirement benefit increase rate was changed from 1.0% per year through 2026 and 2.5% thereafter to 1.0% per year through 2034 and 2.5% per year thereafter.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic 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	45 %	5.50 %
International Equity	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Cash	<u>2</u>	0.50
Total	<u><u>100</u></u>	

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 9 PENSION PLANS (CONTINUED)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.9% for GERF and PEPFF. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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:

Description	1% Decrease in Discount Rate (6.90%)	Current Discount Rate (7.90%)	1% Increase in Discount Rate (8.90%)
City's Proportionate Share of the GERF Net Pension Liability	\$ 1,100,083	\$ 699,640	\$ 368,936
Utility's Proportionate Share of the GERF Net Pension Liability	1,173,422	746,283	393,532
City's Proportionate Share of the PEPFF Net Pension Liability	952,249	488,581	105,510

**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](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**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 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, 2014, membership includes 30 active participants and 2 terminated employees 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 \$1,775 (increased to \$1,825 in 2015) 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.

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$1,775 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.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 10 PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)**

**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 \$45,845 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2014. Required employer contributions are calculated annually based on statutory provisions. For the year ended December 31, 2014, there was no statutorily-required City contribution to the plan.

**Pension Costs**

At December 31, 2015, the City reported an asset of \$18,815 for the Association’s net pension asset. The net pension asset/liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$23,745 for the year ended December 31, 2015. At December 31, 2015, 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	\$ -	\$ -
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	8,361
City Contributions Subsequent to the Measurement Date	4,500	-
Total	\$ 4,500	\$ 8,361

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 10 PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)**

**Pension Costs (Continued)**

The City contributions to the Association subsequent to the measurement date, \$4,500 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to the Association's pension will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ (2,091)
2017	(2,091)
2018	(2,091)
2019	(2,088)

**Actuarial Assumptions**

The actuarial total pension liability was determined as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	12/31/14
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
	Closed
Actuarial Assumptions:	
Discount Rate	5.75%
Investment Rate of Return	5.75%
20-Year Municipal Bond Yield	3.50%
Age of Service Retirement	50

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.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 10 PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)**

**Actuarial Assumptions (Continued)**

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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Allocation at December 31, 2014</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	19.00%	2.00%
Fixed Income	21.00%	3.75%
Equities	57.00%	7.75%
Real Estate	3.00%	6.00%
Total Portfolio	<u>100.00%</u>	<u>5.75%</u>

**Discount Rate**

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

**Pension Liability Sensitivity**

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

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Net Pension Liability (Asset)	\$ (11,436)	\$ (18,815)	\$ (25,946)
Discount Rate	4.75%	5.75%	6.75%

**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.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**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 2015.

**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 2015 is estimated to be immaterial based on workers' compensation rates and salaries for the year.



**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 13 OPERATING LEASES**

**Lessee**

The City of Sauk Centre, Minnesota entered into a contract for the lease of two squad cars. The squad car operating leases are for a period of two years. The 2015 payments on the operating lease beginning in 2013 totaled \$12,779. The payments during 2015 on a new squad car operating lease were \$5,331. Future payments on this new operating lease will be \$9,140 and \$3,808 for 2016 and 2017, respectively.

**Lessor**

The City of Sauk Centre entered into a contract for the lease of the St. Michael's Hospital and Nursing Home and equipment with CentraCare Health System, a Minnesota non-profit corporation, for a period of 23 years. The payments for the lease began in 2013 and are restricted for payments related to principal and interest payments on the 2005C General Obligation Crossover Refunding Hospital Revenue Bonds which were refunded in 2015 with General Obligation Hospital Refunding Bonds, Series 2015C. The amount of assets leased is \$23,910,987 with accumulated depreciation of \$13,557,425. Minimum lease payments and a summary of the capital assets being leased at December 31, 2015 are as follows:

	CentraCare Health System Lease		Capital Assets
2016	\$ 616,660	Land	\$ 529,585
2017	618,973	Land Improvements	262,441
2018	615,673	Buildings	18,199,528
2019	617,273	Moveable and Fixed Equipment	4,919,433
2020	618,673	Total Capital Assets	23,910,987
2021-2025	3,083,125	Less: Accumulated Depreciation	(13,557,425)
2026-2030	3,089,608	Capital Assets, Net	<u>\$ 10,353,562</u>
2031-2034	1,850,750		
Total	<u>\$ 11,110,735</u>		

**NOTE 14 CAPITAL LEASES**

The City of Sauk Centre, Minnesota has entered a contract for the lease of three Konica Bizhub copiers. This lease agreement is for a period of 60 months. The related assets are carried at a cost of \$25,552 with accumulated depreciation of \$15,330. Future minimum lease payments are as follows:

	Principal	Interest	Total
2016	5,110	710	5,820
2017	5,111	708	5,819
Total	<u>\$ 10,221</u>	<u>\$ 1,418</u>	<u>\$ 11,639</u>

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 15 INTERFUND TRANSACTIONS**

At December 31, 2015, advances from and to other funds were as follows:

Advances From	Advances To Ambulance Fund	Purpose
General Fund	\$ 137,333	Loan for new facility purchase

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

The composition of interfund transfers as of December 31, 2015 is as follows:

Transfers Out	Transfers In				Total
	General Fund	TIF Fund	Capital Projects Fund	Debt Service Fund	
Hospital Fund	\$ -	\$ -	\$ -	\$ 715,000	\$ 715,000
Capital Projects Fund	-	-	-	142,199	142,199
Debt Service Fund	16,900	2,786	461,764	-	481,450
Other Governmental Funds	2,400	-	-	190,408	192,808
Total	\$ 19,300	\$ 2,786	\$ 461,764	\$ 1,047,607	\$ 1,531,457

Transfers are used to 1) fund capital projects, 2) allocate administrative fees, 3) account for issuance of refunding hospital debt, and 4) close out debt service funds.

**CITY OF SAUK CENTRE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 16 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, 2015, the bank carrying amount of the Organization's deposits was \$144,521. The entire amount of the bank carrying value was covered by Federal Depository Insurance Corporation (FDIC) insurance or by collateral held by the Organization's agent in the Organization's name.

**Investments**

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

**Capital Assets**

Capital asset activity for the year ended September 30, 2015 is as follows:

<b>COMPONENT UNIT HOUSING AND REDEVELOPMENT AUTHORITY OF SAUK CENTRE</b>	September 30, 2014 Balance	Additions	Adjustments/ Disposals	September 30, 2015 Balance
Capital Assets, Not Being Depreciated				
Land and Improvements	\$ 95,745	\$ -	\$ -	\$ 95,745
Construction in Progress	11,600	-	(11,600)	-
Total Capital Assets not being Depreciated	107,345	-	(11,600)	95,745
Capital Assets, Being Depreciated				
Buildings	1,800,079	90,122	-	1,890,201
Equipment and Other	47,004	-	(1)	47,003
Total Capital Assets being Depreciated	1,847,083	90,122	(1)	1,937,204
Less: Accumulated Depreciation	(1,058,512)	(97,450)	-	(1,155,962)
Total Capital Assets being Depreciated, Net	788,571	(7,328)	(1)	781,242
Capital Assets, Net	<u>\$ 895,916</u>	<u>\$ (7,328)</u>	<u>\$ (11,601)</u>	<u>\$ 876,987</u>

**CITY OF SAUK CENTRE, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2015**

**NOTE 17 COMMITMENTS AND CONTINGENCIES**

**Tax Increment Districts**

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

**NOTE 18 RESTATEMENTS FOR A CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended December 31, 2015, the City and the Sauk Centre Public Utilities Commission adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. These pronouncements require the restatement of the December 31, 2014, net position of as follows:

	Governmental Activities	Sauk Centre Public Utilities Commission
Net Position, December 31, 2014, as Previously Reported	\$ 30,449,218	\$ 14,502,689
Cumulative Affect of Application of GASB 68, Net Pension Liability	(1,160,004)	(742,205)
Cumulative Affect of Application of GASB 71, Deferred Outflows of Resources for Contributions Made to the Plan After the Measurement Period	61,816	30,475
Net Position, December 31, 2014, as Restated	\$ 29,351,030	\$ 13,790,959

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF SAUK CENTRE, MINNESOTA  
SCHEDULE OF FUNDING PROGRESS  
YEAR ENDED DECEMBER 31, 2015**

**Other Postemployment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
City						
Governmental Activities 1/1/2015	\$ -	\$ 454,072	\$ 454,072	- %	\$ 1,078,451	42.1 %
Governmental Activities 1/1/2012	-	294,682	294,682	-	916,999	32.1
Governmental Activities 1/1/2009	-	319,269	319,269	-	945,773	33.8
Public Utilities Commission						
Sauk Centre Public Utilities Commission 1/1/2015	\$ -	\$ 327,010	\$ 327,010	- %	\$ 793,266	41.2 %
Sauk Centre Public Utilities Commission 1/1/2012	-	359,394	359,394	-	759,242	47.3
Sauk Centre Public Utilities Commission 1/1/2009	-	362,880	362,880	-	709,360	51.2

See accompanying Notes to Required Supplementary Information.

**CITY OF SAUK CENTRE, MINNESOTA**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**YEAR ENDED DECEMBER 31, 2015**

	Measurement Date June 30, 2015
<b>City - GERS</b>	
City's Proportion of the Net Pension Liability	0.014%
City's Proportionate Share of the Net Pension Liability	\$ 699,640
City's Covered-Employee Payroll	\$ 795,189
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	87.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.20%
<b>Sauk Centre Public Utilities Commission - GERS</b>	
Utility's Proportion of the Net Pension Liability	0.014%
Utility's Proportionate Share of the Net Pension Liability	\$ 746,283
Utility's Covered-Employee Payroll	\$ 864,745
Utility's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	86.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.20%
<b>PEPFF</b>	
City's Proportion of the Net Pension Liability	0.043%
City's Proportionate Share of the Net Pension Liability	\$ 488,581
City's Covered-Employee Payroll	\$ 392,976
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	124.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.60%
<b>Fire Relief Association</b>	
	Measurement Date December 31, 2014
City's Proportion of the Net Pension Liability (Asset)	100%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ (18,815)
City's Covered-Employee Payroll	N/A
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	102.86%

See accompanying Notes to Required Supplementary Information.



**CITY OF SAUK CENTRE, MINNESOTA  
SCHEDULE OF CONTRIBUTIONS  
LAST TWO YEARS**

	<u>2015</u>	<u>2014</u>
<b>City - GERF</b>		
Contractually Required Contribution	\$ 60,515	\$ 55,551
Contributions in Relation to the Contractually Required Contribution	<u>(60,515)</u>	<u>(55,551)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 806,867	\$ 766,221
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.25%
<b>Sauk Centre Public Utilities Commission - GERF</b>		
Contractually Required Contribution	\$ 64,855	\$ 60,774
Contributions in Relation to the Contractually Required Contribution	<u>(64,855)</u>	<u>(60,774)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Utility's Covered-Employee Payroll	\$ 864,733	\$ 838,262
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.25%
<b>PEPFF</b>		
Contractually Required Contribution	\$ 64,949	\$ 59,101
Contributions in Relation to the Contractually Required Contribution	<u>(64,949)</u>	<u>(59,101)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 400,920	\$ 386,281
Contributions as a Percentage of Covered Employee Payroll	16.20%	15.30%
<b>Fire Relief Association</b>		
Statutorily Required Contribution	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contribution	<u>4,500</u>	<u>4,500</u>
Contribution Deficiency (Excess)	<u>\$ (4,500)</u>	<u>\$ (4,500)</u>
City's Covered-Employee Payroll	N/A	N/A
Contributions as a Percentage of Covered Employee Payroll	N/A	N/A

Note: Information prior to 2014 is unavailable.

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

	<u>December 31, 2014</u> <u>(Measurement Date)</u>
<b>Total Pension Liability</b>	
Service Cost	\$ 18,735
Interest	40,479
Benefit Payments, Including Member Contribution Refunds	<u>(126,539)</u>
<b>Net Change in Total Pension Liability</b>	<u>(67,325)</u>
<b>Total Pension Liability - Beginning</b>	<u>726,203</u>
<b>Total Pension Liability - Ending (a)</b>	<u>658,878</u>
<b>Plan Fiduciary Net Position</b>	
Municipal Contributions	4,500
State Contributions	48,845
Net Investment Income	48,859
Benefit Payments	(126,539)
Administrative Expenses	<u>(5,029)</u>
<b>Net Change in Fiduciary Net Position</b>	<u>(29,364)</u>
<b>Fiduciary Net Position - Beginning</b>	<u>707,057</u>
<b>Fiduciary Net Position - Ending (b)</b>	<u>677,693</u>
<b>Association's Net Pension Liability/(Asset) - Ending (a) - (b)</b>	<u><u>\$ (18,815)</u></u>
<b>Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	102.86%
<b>Covered-Employee Payroll</b>	N/A
<b>Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll</b>	N/A

See accompanying Notes to Required Supplementary Information.

**CITY OF SAUK CENTRE, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2015**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
<b>REVENUES</b>			
Taxes	\$ 1,088,204	\$ 1,115,982	\$ 27,778
Special Assessments	550	3,013	2,463
Other Taxes	48,000	54,127	6,127
Licenses and Permits	255,050	126,518	(128,532)
Intergovernmental Revenues	1,203,458	1,301,242	97,784
Charges for Services	179,240	215,532	36,292
Fines and Forfeits	42,350	45,623	3,273
Other Revenues	76,917	229,228	152,311
Total Revenues	<u>2,893,769</u>	<u>3,091,265</u>	<u>197,496</u>
<b>EXPENDITURES</b>			
General Government	761,957	832,027	70,070
Public Safety	901,493	921,315	19,822
Public Works	725,730	755,071	29,341
Culture and Recreation	422,007	433,672	11,665
Debt Service	4,000	9,820	5,820
Total Expenditures	<u>2,815,187</u>	<u>2,951,905</u>	<u>136,718</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	78,582	139,360	60,778
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	100,000	19,300	(80,700)
Transfers Out	(100,000)	-	100,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>19,300</u>	<u>19,300</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 78,582</u>	158,660	<u>\$ 80,078</u>
Fund Balance - Beginning of Year		<u>1,597,505</u>	
<b>FUND BALANCE - ENDING END OF YEAR</b>		<u>\$ 1,756,165</u>	

See accompanying Notes to Required Supplementary Information.

**CITY OF SAUK CENTRE, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
ARENA FUND  
YEAR ENDED DECEMBER 31, 2015**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
<b>REVENUES</b>			
Taxes	\$ -	\$ 468	\$ 468
Charges for Services	66,200	72,280	6,080
Other Revenues	-	1,078	1,078
Total Revenues	<u>66,200</u>	<u>73,826</u>	<u>7,626</u>
<b>EXPENDITURES</b>			
Culture and Recreation	<u>68,150</u>	<u>65,310</u>	<u>(2,840)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (1,950)</u>	8,516	<u>\$ 10,466</u>
Fund Balance - Beginning of year		<u>113,588</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 122,104</u>	

**CITY OF SAUK CENTRE, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
HOSPITAL FUND  
YEAR ENDED DECEMBER 31, 2015**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
<b>REVENUES</b>			
Charges for Services	\$ 540,000	\$ 612,000	\$ 72,000
Other Revenues	218,000	406,881	188,881
Total Revenues	758,000	1,018,881	260,881
<b>EXPENDITURES</b>			
Public Safety	504,000	539,357	35,357
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	254,000	479,524	225,524
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer Out	-	(715,000)	(715,000)
<b>NET CHANGE IN FUND BALANCE</b>	\$ 254,000	(235,476)	\$ (489,476)
Fund Balance - Beginning of year		2,863,862	
<b>FUND BALANCE - END OF YEAR</b>		\$ 2,628,386	

**CITY OF SAUK CENTRE, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
TAX INCREMENT FINANCING FUND  
YEAR ENDED DECEMBER 31, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variances with Budget Over (Under)</u>
<b>REVENUES</b>			
Tax Increments	\$ 29,500	\$ 28,855	\$ (645)
Other Revenues	500	4,455	3,955
Total Revenues	<u>30,000</u>	<u>33,310</u>	<u>3,310</u>
 <b>EXPENDITURES</b>			
Economic Development	<u>35,800</u>	<u>49,169</u>	<u>13,369</u>
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	 (5,800)	 (15,859)	 (10,059)
 <b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	2,786	2,786
Transfers Out	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>2,786</u>	<u>12,786</u>
 <b>NET CHANGE IN FUND BALANCE</b>	 <u>\$ (15,800)</u>	 (13,073)	 <u>\$ 2,727</u>
Fund Balance - Beginning of Year		<u>1,821,122</u>	
<b>FUND BALANCE - ENDING END OF YEAR</b>		<u>\$ 1,808,049</u>	

**CITY OF SAUK CENTRE, MINNESOTA  
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED DECEMBER 31, 2015**

**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.

In the following funds, expenditures exceeded the appropriations during the year ended December 31, 2015:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Expenditures Over Appropriations</u>
General Fund	\$ 2,951,905	\$ 2,815,187	\$ 136,718
Hospital Fund	539,357	504,000	35,357
Tax Increment Fund	49,169	35,800	13,369

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.

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## **SUPPLEMENTARY INFORMATION**



**CITY OF SAUK CENTRE, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2015**

	General	Arena	Hospital	TIF	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>								
Taxes								
Property Taxes	\$ 1,115,982	\$ 468	\$ -	\$ -	\$ -	\$ 340,699	\$ 110,288	\$ 1,567,437
Tax Increments	-	-	-	28,855	-	-	-	28,855
Other Taxes	54,127	-	-	-	-	-	-	54,127
Special Assessments	3,013	-	-	-	-	419,798	-	422,811
Total Taxes	1,173,122	468	-	28,855	-	760,497	110,288	2,073,230
Licenses and Permits								
Licenses								
Beer, Liquor and Cigarettes	21,625	-	-	-	-	-	-	21,625
Cable Franchise Fee	48,893	-	-	-	-	-	-	48,893
Gas Franchise Fee	53,260	-	-	-	-	-	-	53,260
Other	1,190	-	-	-	-	-	-	1,190
Building Permits	1,550	-	-	-	-	-	-	1,550
Total Licenses and Permits	126,518	-	-	-	-	-	-	126,518
Intergovernmental Revenues								
Federal Grants	-	-	-	-	86,980	-	-	86,980
State Aids								
Local Governmental Aid	1,119,175	-	-	-	-	-	-	1,119,175
Market Value Credits	7	-	-	-	-	-	-	7
Fire State Aid	49,333	-	-	-	-	-	3,000	52,333
Police State Aid	55,987	-	-	-	-	-	-	55,987
Other Grants	66,587	-	-	-	4,799	-	43,461	114,847
PERA Aid	10,153	-	-	-	-	-	-	10,153
Total Intergovernmental Revenues	1,301,242	-	-	-	91,779	-	46,461	1,439,482
Charges for Services								
Special Police Services	1,330	-	-	-	-	-	-	1,330
Fire Contracts	-	-	-	-	-	-	190,834	190,834
Ambulance Service	-	-	-	-	-	-	401,950	401,950
Arena Rentals and Charges	-	72,280	-	-	-	-	-	72,280
Planning and Zoning Charges	88,901	-	-	-	-	-	147,781	236,682
County Highway Maintenance	3,268	-	-	-	-	-	-	3,268
Campground Charges	111,108	-	-	-	-	-	-	111,108
Rent	6,000	-	612,000	-	-	-	41,822	659,822
Other	4,925	-	-	-	-	-	44,797	49,722
Total Charges for Services	215,532	72,280	612,000	-	-	-	827,184	1,726,996
Fines and Forfeits	45,623	-	-	-	-	-	-	45,623
Other Revenues								
Interest	4,338	1,078	369,329	4,455	7,271	19,040	13,141	418,652
Donations/Contributions	5,832	-	-	-	12,225	-	55,704	73,761
Refunds and Reimbursements	60,555	-	37,057	-	19,469	-	7,813	124,894
Other	158,503	-	495	-	3,253	723,183	59,076	944,510
Total Other Revenues	229,228	1,078	406,881	4,455	42,218	742,223	135,734	1,561,817
Total Revenues	3,091,265	73,826	1,018,881	33,310	133,997	1,502,720	1,119,667	6,973,666

**CITY OF SAUK CENTRE, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES (CONTINUED)  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2015**

	General	Arena	Hospital	TIF	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>EXPENDITURES</b>								
General Government								
Mayor and Council	\$ 118,903	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,903
Administration	350,823	-	-	-	-	-	-	350,823
Assessor	22,192	-	-	-	-	-	-	22,192
Finance	27,088	-	-	-	-	-	-	27,088
Legal	23,057	-	-	-	-	-	-	23,057
Planning and Zoning	162,786	-	-	-	-	-	-	162,786
Buildings and Property	64,936	-	-	-	-	-	-	64,936
Other General Government	62,242	-	-	-	-	-	28,970	91,212
Total General Government	832,027	-	-	-	-	-	28,970	860,997
Public Safety								
Police	759,900	-	-	-	-	-	39,197	799,097
Fire Department	157,238	-	-	-	-	-	126,906	284,144
Ambulance	320	-	539,357	-	-	-	271,997	811,674
Animal Control	57	-	-	-	-	-	-	57
Capital Outlay	3,800	-	-	-	-	-	180,813	184,613
Total Public Safety	921,315	-	539,357	-	-	-	618,913	2,079,585
Public Works								
Highways, Streets and Alleys	449,075	-	-	-	2,134	-	3,904	455,113
Sidewalk and Curb	475	-	-	-	-	-	-	475
Snow and Ice Control	11,895	-	-	-	-	-	-	11,895
Street Lighting	63,973	-	-	-	-	-	-	63,973
Other	32,325	-	-	-	-	-	-	32,325
Capital Outlay	197,328	-	-	-	1,369,708	-	-	1,567,036
Total Public Works	755,071	-	-	-	1,371,842	-	3,904	2,130,817
Culture and Recreation								
Arena Activities	-	56,519	-	-	-	-	-	56,519
Parks	332,970	-	-	-	-	-	-	332,970
Campground	48,683	-	-	-	-	-	-	48,683
Other	6,843	-	-	-	21,969	-	38,868	67,680
Capital Outlay	45,176	8,791	-	-	250,455	-	-	304,422
Total Culture and Recreation	433,672	65,310	-	-	272,424	-	38,868	810,274
Economic Development								
Other	-	-	-	49,169	-	-	10,206	59,375
Airport								
Other	-	-	-	-	-	-	111,274	111,274
Debt Service								
Principal	9,111	-	-	-	-	805,000	-	814,111
Interest and Fiscal Charges	709	-	-	-	46,949	766,166	3,400	817,224
Total Debt Service	9,820	-	-	-	46,949	1,571,166	3,400	1,631,335
Total Expenditures	2,951,905	65,310	539,357	49,169	1,691,215	1,571,166	815,535	7,683,657

**CITY OF SAUK CENTRE, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES (CONTINUED)  
 GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2015**

	General	Arena	Hospital	TIF	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	\$ 139,360	\$ 8,516	\$ 479,524	\$ (15,859)	\$ (1,557,218)	\$ (68,446)	\$ 304,132	\$ (709,991)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfer In	19,300	-	-	2,786	461,764	1,047,607	-	1,531,457
Transfer Out	-	-	(715,000)	-	(142,199)	(481,450)	(192,808)	(1,531,457)
Payment to Escrow Agent	-	-	-	-	-	(8,875,456)	-	(8,875,456)
Bond Proceeds	-	-	-	-	1,434,537	11,035,463	-	12,470,000
Premium on Bonds	-	-	-	-	61,645	122,953	-	184,598
Total Other Financing Sources/(Uses)	19,300	-	(715,000)	2,786	1,815,747	2,849,117	(192,808)	3,779,142
<b>NET CHANGE IN FUND BALANCES</b>	158,660	8,516	(235,476)	(13,073)	258,529	2,780,671	111,324	3,069,151
Fund Balances - Beginning of Year	1,597,505	113,588	2,863,862	1,821,122	584,163	1,515,227	1,085,715	9,581,182
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,756,165</u>	<u>\$ 122,104</u>	<u>\$ 2,628,386</u>	<u>\$ 1,808,049</u>	<u>\$ 842,692</u>	<u>\$ 4,295,898</u>	<u>\$ 1,197,039</u>	<u>\$ 12,650,333</u>

**CITY OF SAUK CENTRE, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	211	224	225	230	240	226
	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance	Sauk Centre Economic Development Authority
<b>ASSETS</b>						
Cash and Investments	\$ 46,215	\$ 159,307	\$ 310,019	\$ 36,702	\$ 222,260	\$ 28,052
Accounts Receivable	-	-	2,403	22,371	88,988	50
Loans Receivable	-	-	-	-	-	-
Interest Receivable	103	351	882	35	885	-
Due from Other Governments	562	-	9	657	-	408
Due from Component Unit	-	-	-	-	-	-
Total Assets	\$ 46,880	\$ 159,658	\$ 313,313	\$ 59,765	\$ 312,133	\$ 28,510
<b>LIABILITIES</b>						
Salaries/Benefits Payable	\$ 68	\$ -	\$ -	\$ -	\$ 13,549	\$ -
Accounts and Contracts Payable	1,234	-	4,902	-	6,370	-
Advance from Other Funds	-	-	-	-	137,333	-
Unearned Revenue	-	-	-	2,820	-	-
Total Liabilities	1,302	-	4,902	2,820	157,252	-
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Loans Receivable	-	-	-	-	-	-
<b>FUND BALANCES</b>						
Restricted	-	-	122,084	-	-	-
Committed	21,453	102,172	186,327	35,215	34,793	-
Assigned	24,125	57,486	-	21,730	120,088	28,510
Total Fund Balances	45,578	159,658	308,411	56,945	154,881	28,510
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 46,880	\$ 159,658	\$ 313,313	\$ 59,765	\$ 312,133	\$ 28,510

227	228	229	260	214	280	
Economic Development Revolving Loan	Park Dedication	Siren Dedication	Senior Center	Police Forfeiture	Storm Water Utility	Total Nonmajor Special Revenue
\$ 264,640	\$ 15,155	\$ 11,629	\$ 38,226	\$ 292	\$ 100,956	\$ 1,233,453
-	-	-	-	-	-	113,812
39,958	-	-	-	-	-	39,958
698	42	32	85	45	410	3,568
-	-	-	436	-	-	2,072
-	-	-	-	-	11,913	11,913
<u>\$ 305,296</u>	<u>\$ 15,197</u>	<u>\$ 11,661</u>	<u>\$ 38,747</u>	<u>\$ 337</u>	<u>\$ 113,279</u>	<u>\$ 1,404,776</u>
\$ -	\$ -	\$ -	\$ 808	\$ -	\$ -	\$ 14,425
-	-	-	464	-	-	12,970
-	-	-	-	-	-	137,333
231	-	-	-	-	-	3,051
231	-	-	1,272	-	-	167,779
39,958	-	-	-	-	-	39,958
265,107	15,197	11,661	-	337	-	414,386
-	-	-	-	-	113,279	493,239
-	-	-	37,475	-	-	289,414
<u>265,107</u>	<u>15,197</u>	<u>11,661</u>	<u>37,475</u>	<u>337</u>	<u>113,279</u>	<u>1,197,039</u>
<u>\$ 305,296</u>	<u>\$ 15,197</u>	<u>\$ 11,661</u>	<u>\$ 38,747</u>	<u>\$ 337</u>	<u>\$ 113,279</u>	<u>\$ 1,404,776</u>

**CITY OF SAUK CENTRE, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2015**

	211	224	225	230	240	226
	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance	Sauk Centre Economic Development Authority
<b>REVENUES</b>						
Taxes						
Property Taxes	\$ 29,981	\$ -	\$ 346	\$ 34,973	\$ -	\$ 20,075
Intergovernmental Revenues						
State Aids:						
Fire State Aid	-	-	3,000	-	-	-
Other Grants	-	-	-	43,461	-	-
Total Intergovernmental Revenues	-	-	3,000	43,461	-	-
Charges for Services						
Fire Contracts	-	-	190,834	-	-	-
Ambulance Service	-	-	-	-	401,950	-
Planning and Zoning Charges	-	-	-	-	-	-
Rent	-	-	-	35,072	-	-
Other	-	-	-	39,836	4,961	-
Total Charges for Services	-	-	190,834	74,908	406,911	-
Other Revenues						
Interest	375	1,275	3,203	126	3,214	181
Donations/Contributions	-	43,000	-	-	5,618	-
Refunds and Reimbursements	-	-	1,924	2,280	3,609	-
Other	50	-	12,560	833	-	7,005
Total Other Revenues	425	44,275	17,687	3,239	12,441	7,186
Total Revenues	30,406	44,275	211,867	156,581	419,352	27,261
<b>EXPENDITURES</b>						
General Government						
Other General Government	28,970	-	-	-	-	-
Public Safety						
Police	-	-	-	-	-	-
Fire Department	-	7,312	119,594	-	-	-
Ambulance	-	-	-	-	271,997	-
Capital Outlay	-	12,778	-	-	168,035	-
Total Public Safety	-	20,090	119,594	-	440,032	-
Public Works						
Highways, Streets and Alleys	-	-	-	-	-	-



227	228	229	260	214	280	
Economic Development Revolving Loan	Park Dedication	Siren Dedication	Senior Center	Police Forfeiture	Storm Water Utility	Total Nonmajor Special Revenue
\$ -	\$ -	\$ -	\$ 24,913	\$ -	\$ -	\$ 110,288
-	-	-	-	-	-	3,000
-	-	-	-	-	-	43,461
-	-	-	-	-	-	46,461
-	-	-	-	-	-	190,834
-	-	-	-	-	-	401,950
-	-	-	-	-	147,781	147,781
-	-	-	6,750	-	-	41,822
-	-	-	-	-	-	44,797
-	-	-	6,750	-	147,781	827,184
2,535	152	116	309	165	1,490	13,141
-	-	-	7,086	-	-	55,704
-	-	-	-	-	-	7,813
26,038	-	-	240	12,350	-	59,076
28,573	152	116	7,635	12,515	1,490	135,734
28,573	152	116	39,298	12,515	149,271	1,119,667
-	-	-	-	-	-	28,970
-	-	-	-	39,197	-	39,197
-	-	-	-	-	-	126,906
-	-	-	-	-	-	271,997
-	-	-	-	-	-	180,813
-	-	-	-	39,197	-	618,913
-	-	-	-	-	3,904	3,904

**CITY OF SAUK CENTRE, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2015**

	211	224	225	230	240	226
	Library	Fire Department Equipment	Area Fire Service	Airport	Ambulance	Sauk Centre Economic Development Authority
<b>EXPENDITURES (CONTINUED)</b>						
Culture and Recreation						
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Economic Development						
Other	-	-	-	-	-	10,206
Airport						
Other	-	-	-	111,274	-	-
Debt Service						
Interest and Fiscal Charges	-	-	-	-	3,400	-
Total Expenditures	<u>28,970</u>	<u>20,090</u>	<u>119,594</u>	<u>111,274</u>	<u>443,432</u>	<u>10,206</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	1,436	24,185	92,273	45,307	(24,080)	17,055
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfer Out	-	-	(65,188)	-	(2,400)	-
<b>NET CHANGE IN FUND BALANCES</b>	1,436	24,185	27,085	45,307	(26,480)	17,055
Fund Balances - Beginning of Year	<u>44,142</u>	<u>135,473</u>	<u>281,326</u>	<u>11,638</u>	<u>181,361</u>	<u>11,455</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 45,578</u>	<u>\$ 159,658</u>	<u>\$ 308,411</u>	<u>\$ 56,945</u>	<u>\$ 154,881</u>	<u>\$ 28,510</u>

227	228	229	260	214	280	
Economic Development Revolving Loan	Park Dedication	Siren Dedication	Senior Center	Police Forfeiture	Storm Water Utility	Total Nonmajor Special Revenue
\$ -	\$ -	\$ -	\$ 38,868	\$ -	\$ -	\$ 38,868
-	-	-	-	-	-	10,206
-	-	-	-	-	-	111,274
-	-	-	-	-	-	3,400
-	-	-	38,868	39,197	3,904	815,535
28,573	152	116	430	(26,682)	145,367	304,132
-	-	-	-	-	(125,220)	(192,808)
28,573	152	116	430	(26,682)	20,147	111,324
236,534	15,045	11,545	37,045	27,019	93,132	1,085,715
<u>\$ 265,107</u>	<u>\$ 15,197</u>	<u>\$ 11,661</u>	<u>\$ 37,475</u>	<u>\$ 337</u>	<u>\$ 113,279</u>	<u>\$ 1,197,039</u>

**CITY OF SAUK CENTRE, MINNESOTA  
COMBINING BALANCE SHEET  
TAX INCREMENT FINANCING FUND  
YEAR ENDED DECEMBER 31, 2015**

	250	252	254	
	Tax Increment Financing District No. 1	Tax Increment Financing District No. 1-11	Tax Increment Housing District No. 4	Total TIF Funds
<b>ASSETS</b>				
Cash and Investments	\$ 329,170	\$ (1,097)	\$ 49,222	\$ 377,295
Taxes Receivable - Delinquent	27,512	-	-	27,512
Accrued Interest Receivable	1,089	-	139	1,228
Land Held for Resale	1,428,604	-	-	1,428,604
Due from Other Governments	5,432	3,138	1,384	9,954
Total Assets	<u>\$ 1,791,807</u>	<u>\$ 2,041</u>	<u>\$ 50,745</u>	<u>\$ 1,844,593</u>
<b>LIABILITIES</b>				
Accounts and Contracts Payable	\$ 9,032	\$ -	\$ -	\$ 9,032
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Taxes	27,512	-	-	27,512
<b>FUND BALANCES</b>				
Restricted	1,755,263	2,041	50,745	1,808,049
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,791,807</u>	<u>\$ 2,041</u>	<u>\$ 50,745</u>	<u>\$ 1,844,593</u>

**CITY OF SAUK CENTRE, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 TAX INCREMENT FINANCING FUND  
 YEAR ENDED DECEMBER 31, 2015**

	250	252	254	
	Tax Increment Financing District No. 1	Tax Increment Financing District No. 1-11	Tax Increment Housing District No. 4	Total TIF Funds
<b>REVENUES</b>				
Taxes				
Tax Increments	\$ -	\$ 8,978	\$ 19,877	\$ 28,855
Other Revenues				
Interest	3,955	(5)	505	4,455
Total Revenues	3,955	8,973	20,382	33,310
<b>EXPENDITURES</b>				
Economic Development				
Other Charges	25,337	6,932	16,900	49,169
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(21,382)	2,041	3,482	(15,859)
<b>OTHER FINANCING SOURCES</b>				
Transfer In	-	2,786	-	2,786
<b>NET CHANGE IN FUND BALANCES</b>				
	(21,382)	4,827	3,482	(13,073)
Fund Balances (Deficits) - Beginning of Year	1,776,645	(2,786)	47,263	1,821,122
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 1,755,263</b>	<b>\$ 2,041</b>	<b>\$ 50,745</b>	<b>\$ 1,808,049</b>

**CITY OF SAUK CENTRE, MINNESOTA  
COMBINING BALANCE SHEET  
DEBT SERVICE FUND  
DECEMBER 31, 2015**

	314	316	326	327	328	329
	Increment Revenue Bonds of 1998 Series C	G.O. Increment Bonds of 1999B	G.O. Improvement Bonds of 2006A	G.O. Improvement Bonds of 2007B	2007A G.O. City Hall Bond	G.O. Improvement Bonds of 2008A
<b>ASSETS</b>						
Cash and Investments	\$ -	\$ -	\$ -	\$ 106,671	\$ 161,628	\$ 361,571
Cash with Escrow Agent	-	-	-	-	2,194,790	-
Special Assessments Receivable	-	-	-	18,543	-	160,181
Interest Receivable	-	-	-	260	109	751
Due from Other Governments	-	-	-	-	2,705	2,267
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,474</u>	<u>\$ 2,359,232</u>	<u>\$ 524,770</u>
Accounts and Contracts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Special Assessments	-	-	-	18,543	-	160,181
<b>FUND BALANCES</b>						
Restricted for Debt Service	-	-	-	106,931	2,359,232	364,589
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,474</u>	<u>\$ 2,359,232</u>	<u>\$ 524,770</u>

330	331	332	333	334	335		
G.O. Refunding Bonds of 2009A	G.O. Improvement Bonds of 2012A	G.O. Hospital Refunding Bonds of 2005C	2015A GO Improvement Street Reconstruction	2015B G.O. Refunding 07A & 08A	2015C G.O. Hospital Refunding Bonds	Intrafund Activity	Total Debt Service
\$ -	\$ 618,684	\$ -	\$ 229,256	\$ (16,044)	\$ 646,416	\$ -	\$ 2,108,182
-	-	-	-	-	-	-	2,194,790
-	166,342	-	82,980	-	-	-	428,046
-	1,207	-	105	1,009	196	-	3,637
-	2,567	-	-	-	-	-	7,539
<u>\$ -</u>	<u>\$ 788,800</u>	<u>\$ -</u>	<u>\$ 312,341</u>	<u>\$ (15,035)</u>	<u>\$ 646,612</u>	<u>\$ -</u>	<u>\$ 4,742,194</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,250	\$ -	\$ 18,250
-	166,342	-	82,980	-	-	-	428,046
-	622,458	-	229,361	(15,035)	628,362	-	4,295,898
<u>\$ -</u>	<u>\$ 788,800</u>	<u>\$ -</u>	<u>\$ 312,341</u>	<u>\$ (15,035)</u>	<u>\$ 646,612</u>	<u>\$ -</u>	<u>\$ 4,742,194</u>

**CITY OF SAUK CENTRE, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUND**  
**YEAR ENDED DECEMBER 31, 2015**

	314	316	326	327	328	329
	Increment Revenue Bonds of 1998 Series C	G.O. Increment Bonds of 1999B	G.O. Improvement Bonds of 2006A	G.O. Improvement Bonds of 2007B	2007A G.O. City Hall Bond	G.O. Improvement Bonds of 2008A
<b>REVENUES</b>						
Taxes						
Property Taxes	\$ -	\$ 370	\$ -	\$ -	\$ 135,709	\$ 100,356
Special Assessments	-	-	-	19,656	-	58,244
Total Taxes	-	370	-	19,656	135,709	158,600
Other Revenues						
Interest	-	-	-	945	1,488	2,728
Other	-	-	-	-	-	-
Total Other Revenues	-	-	-	945	1,488	2,728
Total Revenues	-	370	-	20,601	137,197	161,328
<b>EXPENDITURES</b>						
Debt Service						
Principal	-	70,000	-	45,000	125,000	75,000
Interest and Fiscal Charges	-	1,450	-	5,496	98,638	39,761
Total Debt Service	-	71,450	-	50,496	223,638	114,761
Total Expenditures	-	71,450	-	50,496	223,638	114,761
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>						
	-	(71,080)	-	(29,895)	(86,441)	46,567
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers From:						
Transfer In	-	1,435	-	-	65,188	-
Transfers To:						
Transfer Out	(1,716)	-	(7,829)	-	-	-
Payment to Escrow Agent	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	2,185,000	-
Premium on Bonds	-	-	-	-	40,605	-
Total Other Financing Sources (Uses)	(1,716)	1,435	(7,829)	-	2,290,793	-
<b>NET CHANGE IN FUND BALANCES</b>						
	(1,716)	(69,645)	(7,829)	(29,895)	2,204,352	46,567
Fund Balances - Beginning of Year	1,716	69,645	7,829	136,826	154,880	318,022
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 106,931</b>	<b>\$ 2,359,232</b>	<b>\$ 364,589</b>



330	331	332	333	334	335		
G.O. Refunding Bonds of 2009A	G.O. Improvement Bonds of 2012A	G.O. Hospital Refunding Bonds of 2005C	2015A GO Improvement Street Reconstruction	2015B G.O. Refunding 07A & 08A	2015C G.O. Hospital Refunding Bonds	Intrafund Activity	Total Debt Service
\$ -	\$ 104,264	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 340,699
94,942	23,439	-	223,517	-	-	-	419,798
94,942	127,703	-	223,517	-	-	-	760,497
-	4,383	4,739	381	3,664	712	-	19,040
-	-	723,183	-	-	-	-	723,183
-	4,383	727,922	381	3,664	712	-	742,223
94,942	132,086	727,922	223,898	3,664	712	-	1,502,720
-	170,000	320,000	-	-	-	-	805,000
-	54,958	513,746	-	18,699	33,418	-	766,166
-	224,958	833,746	-	18,699	33,418	-	1,571,166
-	224,958	833,746	-	18,699	33,418	-	1,571,166
94,942	(92,872)	(105,824)	223,898	(15,035)	(32,706)	-	(68,446)
-	267,419	715,000	-	-	-	(1,435)	1,047,607
(473,340)	-	-	-	-	-	1,435	(481,450)
-	-	(8,875,456)	-	-	-	-	(8,875,456)
-	-	8,183,932	5,463	-	661,068	-	11,035,463
-	-	82,348	-	-	-	-	122,953
(473,340)	267,419	105,824	5,463	-	661,068	-	2,849,117
(378,398)	174,547	-	229,361	(15,035)	628,362	-	2,780,671
378,398	447,911	-	-	-	-	-	1,515,227
\$ -	\$ 622,458	\$ -	\$ 229,361	\$ (15,035)	\$ 628,362	\$ -	\$ 4,295,898

**CITY OF SAUK CENTRE, MINNESOTA  
COMBINING BALANCE SHEET  
CAPITAL PROJECTS FUND  
DECEMBER 31, 2015**

	412	439	409	405	413
	EDA Improvement Projects	4th Street Storm Water CIP Project	Airport 2012 CIP	Splash Pad CIP	Beacon/ Runway CIP
<b>ASSETS</b>					
Cash and Investments	\$ 200,558	\$ -	\$ (16,234)	\$ -	\$ (66,563)
Accounts Receivable	-	-	16,807	-	76,076
Interest Receivable	558	-	-	-	4
Loans Receivable	53,621	-	-	-	-
Total Assets	<u>\$ 254,737</u>	<u>\$ -</u>	<u>\$ 573</u>	<u>\$ -</u>	<u>\$ 9,517</u>
<b>LIABILITIES</b>					
Accounts and Contracts Payable	\$ -	\$ -	\$ -	\$ -	\$ 7,920
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Loans Receivable	53,621	-	-	-	-
<b>FUND BALANCES</b>					
Restricted for Capital Projects	<u>201,116</u>	<u>-</u>	<u>573</u>	<u>-</u>	<u>1,597</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 254,737</u>	<u>\$ -</u>	<u>\$ 573</u>	<u>\$ -</u>	<u>\$ 9,517</u>

414	440	441
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Airport 2016 CIP Runway	2015 Beltline/Centre Street	2016 CIP Oak Street Project	Total Capital Projects
\$ 175,106	\$ 362,892	\$ 107,080	\$ 762,839
15,105	-	-	107,988
40	-	1,283	1,885
-	-	-	53,621
<u>\$ 190,251</u>	<u>\$ 362,892</u>	<u>\$ 108,363</u>	<u>\$ 926,333</u>
\$ 15,900	\$ 6,200	\$ -	\$ 30,020
-	-	-	53,621
<u>174,351</u>	<u>356,692</u>	<u>108,363</u>	<u>842,692</u>
<u>\$ 190,251</u>	<u>\$ 362,892</u>	<u>\$ 108,363</u>	<u>\$ 926,333</u>

**CITY OF SAUK CENTRE, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**CAPITAL PROJECT FUND**  
**YEAR ENDED DECEMBER 31, 2015**

	412	439	409	405	413
	EDA Improvement Projects	4th Street Storm Water CIP Project	Airport 2012 CIP	Splash Pad CIP	Beacon/ Runway CIP
<b>REVENUES</b>					
Intergovernmental Revenues					
Federal Grants	\$ -	\$ -	\$ 598	\$ -	\$ 72,072
State Aids	-	-	-	-	4,004
Total Intergovernmental Revenues	-	-	598	-	76,076
Other Revenues					
Interest	2,026	-	(118)	-	14
Donations/Contributions	-	-	-	12,225	-
Refunds and Reimbursements	-	-	-	-	-
Other	-	-	-	-	-
Total Other Revenues	2,026	-	(118)	12,225	14
Total Revenues	2,026	-	480	12,225	76,090
<b>EXPENDITURES</b>					
Public Works					
Highways, Streets and Alleys	-	2,134	-	-	-
Capital Outlay	-	-	-	-	88,000
Total Public Works	-	2,134	-	-	88,000
Culture and Recreation					
Other	-	-	-	21,969	-
Capital Outlay	-	-	-	250,455	-
Total Culture and Recreation	-	-	-	272,424	-
Debt Service					
Interest and Fiscal Charges	-	-	-	-	-
Total Expenditures	-	2,134	-	272,424	88,000
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	2,026	(2,134)	480	(260,199)	(11,910)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers From:					
Transfer In	-	-	-	33,059	-
Transfer Out	-	(142,199)	-	-	-
Bond Proceeds	-	-	-	-	-
Premium on Bonds	-	-	-	-	-
Total Other Financing Sources (Uses)	-	(142,199)	-	33,059	-
<b>NET CHANGE IN FUND BALANCES</b>	2,026	(144,333)	480	(227,140)	(11,910)
Fund Balances - Beginning of Year	199,090	144,333	93	227,140	13,507
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 201,116</b>	<b>\$ -</b>	<b>\$ 573</b>	<b>\$ -</b>	<b>\$ 1,597</b>

414	440	441
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Airport 2016 CIP Runway	2015 Beltline/Centre Street	2016 CIP Oak Street Project	Total Capital Projects
\$ 14,310	\$ -	\$ -	\$ 86,980
795	-	-	4,799
<u>15,105</u>	<u>-</u>	<u>-</u>	<u>91,779</u>
146	545	4,658	7,271
-	-	-	12,225
-	19,469	-	19,469
-	3,253	-	3,253
<u>146</u>	<u>23,267</u>	<u>4,658</u>	<u>42,218</u>
15,251	23,267	4,658	133,997
-	-	-	2,134
<u>15,900</u>	<u>1,265,808</u>	<u>-</u>	<u>1,369,708</u>
15,900	1,265,808	-	1,371,842
-	-	-	21,969
-	-	-	250,455
<u>-</u>	<u>-</u>	<u>-</u>	<u>272,424</u>
-	46,949	-	46,949
<u>15,900</u>	<u>1,312,757</u>	<u>-</u>	<u>1,691,215</u>
(649)	(1,289,490)	4,658	(1,557,218)
175,000	150,000	103,705	461,764
-	-	-	(142,199)
-	1,434,537	-	1,434,537
-	61,645	-	61,645
<u>175,000</u>	<u>1,646,182</u>	<u>103,705</u>	<u>1,815,747</u>
174,351	356,692	108,363	258,529
-	-	-	584,163
<u>\$ 174,351</u>	<u>\$ 356,692</u>	<u>\$ 108,363</u>	<u>\$ 842,692</u>

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**REPORTS RELATING TO GOVERNMENTAL AUDITING STANDARDS**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information, of the City of Sauk Centre, Minnesota (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 15, 2016. 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, 2015, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

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

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



### **Internal Control Over Financial Reporting (Continued)**

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 2015-001 and 2015-002, as described in the accompanying schedule of findings and recommendations, 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City's Responses to Findings**

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

### **Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
April 15, 2016

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## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sauk Centre, Minnesota (the City), as of December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated April 15, 2016. 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, 2015, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of compliance and other matters that are reported on separately by those auditors.

The City's basic financial statements include the operations of the Sauk Centre Public Utilities Commission (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*.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing.

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

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for 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.

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

**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
April 15, 2016



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**CITY OF SAUK CENTRE, MINNESOTA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
YEAR ENDED DECEMBER 31, 2015**

**MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:**

**2015-001 LACK OF SEGREGATION OF DUTIES**

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

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

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

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

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

**CORRECTIVE ACTION PLAN**

**Explanation of Disagreement with Audit Findings:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

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

**Official Responsible for Ensuring CAP:**

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

**Planned Completion Date for CAP:**

The CAP is ongoing.

**Plan to Monitor Completion of CAP:**

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

**CITY OF SAUK CENTRE, MINNESOTA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2015**

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

**2015-002 OVERSIGHT OF THE FINANCIAL REPORTING PROCESS**

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

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

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

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

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

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

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

**Official Responsible for Ensuring CAP:**

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

**Planned Completion Date for CAP:**

The CAP is ongoing.

**Plan to Monitor Completion of CAP:**

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