PRELIMINARY OFFICIAL STATEMENT DATED JULY 23, 2025

NEW ISSUE BANK QUALIFIED BOOK ENTRY ONLY S&P'S RATING "AA-"

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings, and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See "Tax Exemption" and "Other Federal and State Tax Considerations" herein for additional information.

CITY OF SAUK CENTRE, MINNESOTA \$6,365,000* General Obligation Bonds, Series 2025A

Dated Date: Date of Delivery (Estimated to be August 28, 2025)

Interest Due: Each February 1 and August 1

Commencing August 1, 2026

<u>Maturity</u> *	<u>Amount</u> *	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Maturity</u> *	<u>Amount</u> *	<u>Rate</u>	<u>Yield</u>	<u>Price</u>
2/1/2027	\$285,000	%	%		2/1/2035	\$485,000	%	%	
2/1/2028	390,000				2/1/2036	510,000			
2/1/2029	400,000				2/1/2037	385,000			
2/1/2030	415,000				2/1/2038	400,000			
2/1/2031	425,000				2/1/2039	415,000			
2/1/2032	440,000				2/1/2040	430,000			
2/1/2033	460,000				2/1/2041	450,000			
2/1/2034	475,000								

The General Obligation Bonds, Series 2025A (the "Bonds" or the "Issue") are being issued by the City of Sauk Centre, Minnesota (the "City" or the "Issuer") pursuant to Minnesota Statutes, Chapters 429 and 475 and Sections 469.1812 through 469.1815, and 475.521, as amended. Proceeds of the Bonds will be used to street improvements, City Hall improvements, ice arena and senior center improvements, and to pay costs associated with issuance of the Bonds. See *Authority and Purpose* herein for additional information.

The Bonds are valid and binding general obligations of the City and are payable from special assessments against benefitted properties, annual tax abatement levies, and ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See Security/Sources and Uses of Funds herein for additional information.

The Bonds maturing on February 1, 2034 and thereafter are subject to redemption, in whole or in part, on February 1, 2033 and on any date thereafter at a price of par plus accrued interest.

Principal due with respect to the Bonds is payable annually on February 1, commencing February 1, 2027. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing August 1, 2026. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. The Paying Agent/Registrar will be Northland Bond Services, a division of First National Bank of Omaha, Minneapolis, Minnesota.

Proposals: Wednesday, July 30, 2025 10:30 A.M., Central Time Award: Wednesday, July 30, 2025 5:00 P.M., Central Time

Bids may contain a maturity schedule providing for any combination of serial or term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest. Bids must be for not less than \$6,269,525 (98.50%) and accrued interest on the total principal amount of the Bonds. **Bids will not be subject to cancellation – see "Establishment of Issue Price" in the Notice of Sale herein for additional details.** The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. A Good Faith Deposit (the "Deposit") in the amount of \$127,300, in the form of a federal wire transfer payable to the order of the City, will only be required from the apparent winning bidder, and must be received within two hours after the receipt of bids. See Notice of Sale for additional details. Award of the Bonds will be on the basis of True Interest Cost (TIC).

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^{*} Preliminary, subject to change.

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THE BONDS ARE OFFERED, SUBJECT TO PRIOR SALE, WHEN, AS AND IF ACCEPTED BY THE UNDERWRITER(S) NAMED ON THE FRONT COVER OF THIS OFFICIAL STATEMENT AND SUBJECT TO AN OPINION AS TO VALIDITY OF THE BONDS BY BOND COUNSEL. SUBJECT TO APPLICABLE SECURITIES LAWS AND PREVAILING MARKET CONDITIONS, THE UNDERWRITER(S) INTENDS, BUT IS NOT OBLIGATED, TO EFFECT SECONDARY MARKET TRADING FOR THE BONDS. CLOSING DATE IS ESTIMATED TO BE AUGUST 28, 2025.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERS MADE HEREBY, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CITY OR THE UNDERWRITER(S). NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE DATE HEREOF. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE CITY AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY, THE UNDERWRITER(S).

WITHIN THE MEANING OF SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12, THE INFORMATION INCLUDED IN THE PRELIMINARY OFFICIAL STATEMENT IS DEEMED FINAL BY THE ISSUER AS OF ITS DATE AND IS ACCURATE AND COMPLETE IN ALL MATERIAL RESPECTS, EXCEPT FOR THE OMISSION OF THE OFFERING PRICE(S), INTEREST RATE(S), SELLING COMPENSATION, AGGREGATE PRINCIPAL AMOUNT, PRINCIPAL AMOUNT PER MATURITY, DELIVERY DATE, RATING(S), OTHER TERMS OF THE ISSUE DEPENDING ON SUCH MATTERS, AND THE IDENTITY OF THE UNDERWRITER(S).

SUMMARY OF OFFERING

City of Sauk Centre, Minnesota \$6,365,000 *

General Obligation Bonds, Series 2025A

(Book-Entry Only)

AMOUNT - \$6,365,000*

ISSUER - City of Sauk Centre, Minnesota (the "City" or the "Issuer")

AWARD DATE - July 30, 2025

MUNICIPAL ADVISOR - Northland Securities, Inc. (the "Municipal Advisor"), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402,

telephone: 612-851-5900 or 800-851-2920

TYPE OF ISSUE - General Obligation Bonds, Series 2025A (the "Bonds" or the "Issue")

AUTHORITY, PURPOSE & SECURITY -

The General Obligation Bonds, Series 2025A (the "Bonds") are being issued by the City of Sauk Centre, Minnesota (the "City") pursuant to Minnesota Statutes, Chapters 429 and 475 and Sections 469.1812 through 469.1815, and 475.521, as amended. Proceeds of the Bonds will be used to street improvements, City Hall improvements, ice arena and senior center improvements, and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from special assessments against benefitted properties, annual tax abatement levies, and ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See

Authority and Purpose as well as Security/Sources and Uses of Funds herein for additional information.

DATE OF ISSUE - Date of Delivery (Estimated to be August 28, 2025)

INTEREST PAID - Semiannually on each February 1 and August 1, commencing August 1, 2026, to registered owners of the Bonds

appearing of record in the bond register as of the close of business on the fifteenth day (whether or not a business day)

of the calendar month next preceding such interest payment date (the "Record Date").

MATURITIES* -

2/1/2027 \$285,000 2/1/2031 \$425,000 2/1/2035 \$485,000 2/1/2039 \$415,000 390,000 2/1/2028 2/1/2032 440.000 2/1/2036 510,000 2/1/2040 430.000 2/1/2029 400,000 2/1/2033 460,000 2/1/2037 385,000 2/1/2041 450,000 2/1/2030 415,000 2/1/2034 475,000 2/1/2038 400,000

REDEMPTION - The Bonds maturing on February 1, 2034 and thereafter are subject to redemption, in whole or in part, on February 1,

2033 and on any date thereafter at a price of par plus accrued interest. See Description of the Bonds herein for additional

information.

BOOK-ENTRY - The Bonds will be issued as fully registered and, when issued, will be registered in the name of Cede & Co., as nominee

of The Depository Trust Company, New York, New York, to which principal and interest payments will be made. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple

thereof. Purchasers will not receive physical delivery of the Bonds.

PAYING AGENT/REGISTRAR - Northland Bond Services, a division of First National Bank of Omaha, Minneapolis, Minnesota

TAX DESIGNATIONS - NOT Private Activity Bonds - The Bonds are not "private activity bonds" as defined in Section 141 of the Internal

Revenue Code of 1986, as amended (the "Code").

Bank Qualified Tax-Exempt Obligations - The City will designate the Bonds as "qualified tax-exempt obligations" for

purposes of Section 265(b)(3) of the Code.

LEGAL OPINION - Taft Stettinius & Hollister LLP, Minneapolis, Minnesota ("Bond Counsel")

BOND RATING - The City received an underlying rating of "AA-" from S&P Global Ratings ("S&P"). See Bond Rating herein for

additional information.

CLOSING - Estimated to be August 28, 2025

PRIMARY CONTACTS - Vicki Willer, City Administrator, City of Sauk Centre, Minnesota 320-352-2203 ext. 2307

George Eilertson, Managing Director, Northland Securities, Inc., 612-851-5906

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^{*} Preliminary, subject to change.

CITY OF SAUK CENTRE, MINNESOTA

PRINCIPAL CITY OFFICIALS

Elected Officials	City Council			
<u>Name</u>	<u>Position</u>	<u>Term Expires</u>		
Warren Stone	Mayor	12/31/2026		
Heidi Leach	Council Member	12/31/2026		
Joe Fuechtmann	Council Member	12/31/2026		
Brad Kirckof	Council Member	12/31/2028		
Scott Kowski	Council Member	12/31/2028		
Administration				

Vicki Willer City Administrator

Jacquelyn Kirckof Accounting Specialist

BOND COUNSEL

Taft Stettinius & Hollister LLP Minneapolis, Minnesota

MUNICIPAL ADVISOR

Northland Securities, Inc. Minneapolis, Minnesota

NOTICE OF SALE

\$6,365,000* GENERAL OBLIGATION BONDS, SERIES 2025A

CITY OF SAUK CENTRE, MINNESOTA (Book-Entry Only)

NOTICE IS HEREBY GIVEN that these Bonds will be offered for sale according to the following terms:

TIME AND PLACE:

Proposals (also referred to herein as "bids") will be opened by the City's City Administrator, or designee, on Wednesday, July 30, 2025, at 10:30 A.M., CT, at the offices of Northland Securities, Inc. (the City's "Municipal Advisor"), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402. Consideration of the Proposals for award of the sale will be by the City Council at its meeting at the City Offices beginning Wednesday, July 30, 2025 at 5:00 P.M., CT.

SUBMISSION OF PROPOSALS

Proposals may be:

- a) submitted to the office of Northland Securities, Inc.,
- b) emailed to PublicSale@northlandsecurities.com
- c) for proposals submitted prior to the sale, the final price and coupon rates may be submitted to Northland Securities, Inc. by telephone at 612-851-5900 or 612-851-5915, or
- d) submitted electronically.

Notice is hereby given that electronic proposals will be received via PARITY[™], or its successor, in the manner described below, until 10:30 A.M., CT, on Wednesday, July 30, 2025. Proposals may be submitted electronically via PARITY[™] or its successor, pursuant to this Notice until 10:30 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY[™], or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY[™], or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal[®] at 1359 Broadway, 2nd floor, New York, NY 10018, telephone 212-849-5021.

Neither the County nor Northland Securities, Inc. assumes any liability if there is a malfunction of PARITY™ or its successor. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the County to purchase the Bonds regardless of the manner in which the Proposal is submitted.

BOOK-ENTRY SYSTEM

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds.

^{*} The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.

Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the City through Northland Bond Services, a division of First National Bank of Omaha, Minneapolis, Minnesota (the "Paying Agent/Registrar"), to DTC, or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The successful bidder, as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC. The County will pay reasonable and customary charges for the services of the Paying Agent/Registrar.

DATE OF ORIGINAL ISSUE OF BONDS

Date of Delivery (Estimated to be August 28, 2025)

AUTHORITY/PURPOSE/SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475 and Sections 469.1812 through 469.1815, 412.301, and 475.521. Proceeds will be used to finance street improvements, City Hall improvements, ice arena and senior center roof improvements, and to pay the costs associated with the issuance of the Bonds. The Bonds are payable from special assessments against benefited property, annual tax abatement levies, and additionally secured by ad valorem taxes on all taxable property within the City. The full faith and credit of the City is pledged to their payment and the City has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service account established for this issue.

INTEREST PAYMENTS

Interest is due semiannually on each February 1 and August 1, commencing August 1, 2026, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date.

MATURITIES

Principal is due annually on February 1, inclusive, in each of the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2027	\$285,000	2032	\$440,000	2037	\$385,000
2028	390,000	2033	460,000	2038	400,000
2029	400,000	2034	475,000	2039	415,000
2030	415,000	2035	485,000	2040	430,000
2031	425,000	2036	510,000	2041	450,000

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above.

INTEREST RATES

All rates must be in integral multiples of 1/20th or 1/8th of 1%. The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. All Bonds of the same maturity must bear a single uniform rate from date of issue to maturity.

ESTABLISHMENT OF ISSUE PRICE (HOLD-THE-OFFERING-PRICE RULE MAY APPLY – BIDS NOT CANCELLABLE)

The winning bidder shall assist the County in establishing the issue price of the Bonds and shall execute and deliver

to the County at closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the County and Bond Counsel. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City's Municipal Advisor and any notice or report to be provided to the City may be provided to the City's Municipal Advisor.

The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) the City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the City shall promptly so advise the winning bidder. The City may then determine to treat the initial offering price to the public as of the award date of the Bonds as the issue price of each maturity by imposing on the winning bidder the Hold-the-Offering-Price Rule as described in the following paragraph (the "Hold-the-Offering-Price Rule"). Bids will **not** be subject to cancellation in the event that the City determines to apply the Hold-the-Offering-Price Rule to the Bonds. **Bidders should prepare their bids on the assumption that the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.**

By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "Initial Offering Price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the award date for the Bonds and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the award date; or
- (2) the date on which the underwriters have sold at least 10% of a maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public (the "10% Test"), at which time only that particular maturity will no longer be subject to the Hold-the-Offering-Price Rule.

The City acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of

the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule if applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to comply with the Hold-the-Offering-Price Rule, if applicable if and for so long as directed by the winning bidder and as set forth in the related pricing wires, (B) to promptly notify the winning bidder of any sales of Bonds that to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public, and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.

Notes: Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (1) "public" means any person other than an underwriter or a related party,
- (2) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public).
- (3) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation or another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (4) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS

The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread. Such adjustments shall be made promptly after the sale and prior to the award of Proposals by the City and shall be at the sole discretion of the City. The successful bidder may not withdraw or modify its Proposal once submitted to the City for any reason, including post-sale adjustment. Any adjustment shall be conclusive and shall be binding upon the successful bidder.

OPTIONAL REDEMPTION

Bonds maturing on February 1, 2034 through 2041 are subject to redemption and prepayment at the option of the City on February 1, 2033 and any date thereafter, at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the City and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder thereof to accept delivery of and pay for the Bonds in accordance with terms of the purchase contract. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the successful bidder.

DELIVERY

Delivery of the Bonds will be within forty days after award, subject to an approving legal opinion by Taft, Stettinius & Hollister LLP, Bond Counsel. The legal opinion will be paid by the City and delivery will be anywhere in the continental United States without cost to the successful bidder at DTC.

TYPE OF PROPOSAL

Proposals of not less than \$6,269,525 (98.50%) and accrued interest on the principal sum of \$6,365,000 must be filed with the undersigned prior to the time of sale. Proposals must be unconditional except as to legality. Proposals for the Bonds should be delivered to Northland Securities, Inc. and addressed to:

Vicki Willer, City Administrator 320 Oak St. South Sauk Centre, MN 56378

A good faith deposit (the "Deposit") in the amount of \$127,300 in the form of a federal wire transfer (payable to the order of the City) is only required from the apparent winning bidder, and must be received within two hours after the time stated for the receipt of Proposals. The apparent winning bidder will receive notification of the wire instructions from the Municipal Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the City may choose to reject their Proposal and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original proposal, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

The City will retain the Deposit of the successful bidder, the amount of which will be deducted at settlement and no interest will accrue to the successful bidder. In the event the successful bidder fails to comply with the accepted Proposal, said amount will be retained by the City. No Proposal can be withdrawn after the time set for receiving Proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The City's computation of the interest rate of each Proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City will reserve the right to: (i) waive non-substantive informalities of any Proposal or of matters relating to the receipt of Proposals and award of the Bonds, (ii) reject all Proposals without cause, and (iii) reject any Proposal which the City determines to have failed to comply with the terms herein.

INFORMATION FROM SUCCESSFUL BIDDER

The successful bidder will be required to provide, in a timely manner, certain information relating to the initial offering price of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

OFFICIAL STATEMENT

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide to the senior managing underwriter of the syndicate to which the Bonds are awarded, the Final Official Statement in an electronic format as prescribed by the Municipal Securities Rulemaking Board (MSRB).

FULL CONTINUING DISCLOSURE UNDERTAKING

The City will covenant in the resolution awarding the sale of the Bonds and in a Continuing Disclosure Undertaking to provide, or cause to be provided, annual financial information, including audited financial statements of the City, and notices of certain material events, as required by SEC Rule 15c2-12.

BANK QUALIFICATION

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

BOND INSURANCE AT UNDERWRITER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the successful bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the successful bidder of the Bonds. Any increase in the costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the successful bidder, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any other rating agency fees shall be the responsibility of the successful bidder. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the successful bidder shall not constitute cause for failure or refusal by the successful bidder to accept delivery on the Bonds.

The City reserves the right to reject any and all Proposals, to waive informalities and to adjourn the sale.

BY ORDER OF THE SAUK CENTRE CITY COUNCIL

/s/ Vicki Willer City Administrator

Additional information may be obtained from: Northland Securities, Inc. 150 South 5th Street, Suite 3300 Minneapolis, Minnesota 55402 Telephone No.: 612-851-5900

Dated: June 18, 2025

EXHIBIT A

(EXHIBIT A

[FORM OF ISSUE PRICE CERTIFICATE – COMPETITIVE SALE SATISFIED]

The undersigned, on behalf of ______ (the "Underwriter"), hereby certifies as set forth below with respect to the sale of the General Obligation Bonds, Series 2025A (the "Bonds") of the City of Sauk Centre, Minnesota (the "Issuer").

1. <u>Reasonably Expected Initial Offering Price</u>.

As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed in **Schedule A** (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. Attached as **Schedule B** is a true and correct copy of the bid provided by the Underwriter to purchase the Bonds.

The Underwriter was not given the opportunity to review other bids prior to submitting its bid.

The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. Defined Terms.

"Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

"Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

"Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is ______.

"Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Taft Stettinius & Hollister LLP, Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: August 28, 2025.

[FORM OF ISSUE PRICE CERTIFICATE - HOLD-THE-OFFERING-PRICE RULE APPLIES]

The undersigned, on behalf of	(t	he "I	Underwriter")), on	behalf	of
itself, hereby certifies as set forth below with respect to the sale and issuar	nce of G	Gener	al Obligation	Bono	ds, Seri	ies
2025A (the "Bonds") of the City of Sauk Centre, Minnesota (the "Issuer").						

Initial Offering Price of the Bonds.

The Underwriter offered each Maturity of the Bonds to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

As set forth in the Notice of Sale and bid award, the Underwriter has agreed in writing that, (i) for each Maturity of the Bonds, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

Defined Terms.

"Holding Period" means, for each Maturity of the Bonds, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (________), or (ii) the date on which the Underwriter has sold at least 10% of such Maturity of the Bonds to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

"Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

"Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

"Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is

"Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Taft Stettinius & Hollister LLP, Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue

Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: August 28, 2025.

AUTHORITY AND PURPOSE

The General Obligation Bonds, Series 2025A (the "Bonds" or the "Issue") are being issued by the City of Sauk Centre, Minnesota (the "City") pursuant to Minnesota Statutes, Chapters 429 and 475 and Sections 469.1812 through 469.1815, and 475.521, as amended. Proceeds from issuance of the Bonds will be used to street improvements, City Hall improvements, ice arena and senior center improvements, and to pay costs associated with issuance of the Bonds.

SECURITY/SOURCES AND USES OF FUNDS

Security

The Bonds are valid and binding general obligations of the City and are payable from special assessments against benefitted properties, annual tax abatement levies, and ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount.

Sources and Uses of Funds

Following are the sources and uses of funds in connection with the issuance of the Bonds.

Sources of Funds

Par Amount of Bonds	\$ 6,365,000*
Total Sources of Funds:	\$ 6,365,000
Uses of Funds	
Deposit to Project Fund Costs of Issuance/Underwriter's Discount Rounding Amount	\$ 6,189,629 170,475 4,896
Total Uses of Funds:	\$ 6,365,000

BONDHOLDERS' RISKS

An investment in the Bonds involves an element of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history of economic prospects connected with a particular issue, any secondary marketing practices in connection with a particular bond issue are suspended or terminated. Additionally, prices of bond issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price of the Bonds.

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^{*} Preliminary, subject to change.

Ratings Loss

S&P Global Ratings has assigned a rating of "AA-" to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Additional regulation of rating agencies could materially alter the methodology, rating levels, and types of ratings available, for example, and these changes, if ever, could materially affect the market value of the Bonds.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and the actual results. These differences could be material and could impact the availability of funds of the Issuer to pay debt service when due on the Bonds.

Tax Exemption, Bank Qualification and Loss of Tax Exemption

If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") and post-issuance tax covenants of the Issuer may result in the inclusion of interest on the Bonds in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

The Bonds are designated as "qualified tax-exempt obligations" under the exception provided in Section 265(b)(3) of the Code, and the Issuer has further covenanted to comply with certain other requirements, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code. Actions, or inactions, by the Issuer in violation of its covenants could affect the designation, which could also affect the pricing and marketability of the Bonds.

It is also possible that actions of the Issuer after the closing of the Bonds will alter the tax status of the Bonds, and, in the extreme, remove the tax exempt status from the Bonds. In that instance, the Bonds are not subject to mandatory prepayment, and the interest rate on the Bonds does not increase or otherwise reset.

Pending Federal and State Tax Legislation

From time to time, there is State legislation proposed, as well as Presidential proposals, proposals of various federal committees, and legislative proposals pending in Congress that could, if enacted, alter or amend one or more of the federal or state tax matters described herein in certain respects or would adversely affect the market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds. In addition, regulatory actions are from time to time announced or proposed, and litigation threatened or commenced,

which if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Tax Levy Procedures

The Bonds are general obligations of the Issuer, payable from and secured by a continuing ad valorem tax levied against all of the property valuation within the Issuer. A failure on the part of the Issuer to make a timely levy request or a levy request by the Issuer that is inaccurate or is insufficient to make full payments of the debt service of the Bonds for a particular fiscal year may cause Bondholders to experience delay in the receipt of distributions of principal of and/or interest on the Bonds. In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the Issuer and certain other public officials to perform the terms of the resolution for the Bonds) may have to be enforced from year to year.

Factors Beyond Issuer's Control

A combination of epidemic, pandemic, economic, climatic, political or civil disruptions outside of the control of the Issuer, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local governments. Real or perceived threats to the financial stability of the Issuer may have an adverse effect on the value of the Bonds in the secondary market. State of Minnesota cash flow problems could also affect local governments, including reductions in, or delayed payments of, local government state aid (LGA) and possibly increase Issuer property taxes.

Cybersecurity

The Issuer, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the Issuer will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

Suitability of Investment

The interest rate borne by the Bonds is intended to compensate the investor for assuming the risk of investing in the Bonds. Each prospective investor should carefully examine this Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment for such investor.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should become thoroughly familiar with this entire Official Statement and the Appendices hereto.

DESCRIPTION OF THE BONDS

Details of Certain Terms

The Bonds will be dated, as originally issued, as of the date of delivery (estimated to be August 28, 2025), and will be issued as fully registered Bonds in the denominations of \$5,000 or any integral multiple thereof. Principal, including mandatory redemptions on the Bonds, if applicable, will be payable annually February 1, commencing

February 1, 2027. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing August 1, 2026. The Bonds when issued, will be registered in the name of Cede & Co. (the "Registered Holder"), as nominee of The Depository Trust Company, New York, New York ("DTC"), the initial custodian for the Bonds, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the Registered Holder of the Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. So long as the Book-Entry Only System is used, individual purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof ("Authorized Denominations"). Individual purchasers ("Beneficial Owners") of the Bonds will not receive physical delivery of bond certificates, and registration, exchange, transfer, tender and redemption of the Bonds with respect to Beneficial Owners shall be governed by the Book-Entry Only System.

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the offices of the Paying Agent and Bond Registrar or a duly appointed successor. Interest on the Bonds will be paid by check or draft mailed by the Bond Registrar to the registered holders thereof as such appear on the registration books maintained by the Bond Registrar as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the "Record Date").

Registration, Transfer and Exchange

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the Bonds may be transferred upon surrender of the Bonds at the principal office of the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his or her attorney duly authorized in writing. The Bonds, upon surrender thereof at the principal office of the Bond Registrar, may also be exchanged for other Bonds of the same series, of any authorized denominations having the same form, terms, interest rates and maturities as the Bonds being exchanged. The Bond Registrar will require the payment by the Bond holder requesting such exchange or transfer of any tax or governmental charge required to be paid with respect to such exchange or transfer. The Bond Registrar is not required to (i) issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen days before any selection of Bonds of a particular stated maturity for redemption in accordance with the provisions of the Bond resolution and ending on the day of the first mailing of the relevant notice of redemption or (ii) to transfer any Bonds or portion thereof selected for redemption.

Optional Redemption

The Bonds maturing on February 1, 2034 and thereafter are subject to redemption, in whole or in part, on February 1, 2033 and on any date thereafter at a price of par plus accrued interest. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the City. Notice of redemption shall be given by written notice to the registered owner of the Bonds not less than 30 days prior to such redemption date.

Book-Entry System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate

and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtcc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the

City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City of Sauk Centre takes no responsibility for the accuracy thereof.

FULL CONTINUING DISCLOSURE

In order to assist the Underwriter(s) in complying with SEC Rule 15c2-12 (the "Rule"), pursuant to a resolution awarding the Issue and a Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the City on or before Bond closing, the City has and will covenant for the benefit of holders of the Bonds to annually provide certain financial and operating data, relating to the City to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB, and to provide notices of the occurrence of certain events enumerated in the Rule to the MSRB. The specific nature of the Certificate, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Certificate in substantially the form attached hereto as Appendix B.

To the best of its knowledge, the City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events within the past five years. A failure by the City to comply with the Certificate will not constitute an event of default on the Bonds (although holders will have an enforceable right to specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Please see *Appendix B – Continuing Disclosure Undertaking* herein for additional information.

The City has retained a Dissemination Agent for its continuing disclosure filings.

UNDERWRITER

The Bonds are being purchased by	(the "Underwriter") at a purchase	price of \$,	which is the par
amount of the Bonds of \$	less the Underwriter's discount of \$	_, plus the original is	ssue premium of
\$			_

MUNICIPAL ADVISOR

The City has retained Northland Securities, Inc. as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. Northland Securities, Inc. is registered as a municipal advisor with both the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources that have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

Northland Securities, Inc., is a subsidiary of Northland Capital Holdings, Inc. First National of Nebraska, Inc., is the parent company of Northland Capital Holdings, Inc. and First National Bank of Omaha.

FUTURE FINANCING

The City does not anticipate the need to issue any additional general obligation debt within the next three months.

BOND RATING

The City received an underlying rating of "AA-" from S&P Global Ratings ("S&P"). No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. This rating reflects only the opinion of S&P and any explanation of the significance of this rating may be obtained only from S&P. There is no assurance that a rating will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of S&P, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. This rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency.

LITIGATION

As of the date of this Official Statement, the City is not aware of any threatened or pending litigation that questions the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

CERTIFICATION

The City will furnish a statement to the effect that this Official Statement to the best of its knowledge and belief, as of the date of sale and the date of delivery, is true and correct in all material respects, and does not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

The City has always promptly met all payments of principal and interest on its indebtedness when due.

LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota ("Bond Counsel") as to validity and tax exemption. A copy of such opinion will be available at the time of the delivery of the Bonds. See *Appendix A – Form of Legal Opinion*.

Bond Counsel has not participated in the preparation of this Official Statement and is not passing upon its accuracy, completeness or sufficiency. Bond Counsel has not examined, nor attempted to examine, or verify, any of the financial or statistical statements or data contained in this Official Statement, and will express no opinion with respect thereto.

TAX EXEMPTION

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings, and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The opinions are subject to the condition that the Issuer complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

OTHER FEDERAL AND STATE TAX CONSIDERATIONS

Other Tax Considerations

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisors.

Original Issue Discount

Some of the Bonds ("OID Bonds") may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds were sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holder's tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder's tax basis during the period such Bonds are held.

Original Issue Premium

Some of the Bonds may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Qualified Tax-Exempt Obligations

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

CITY OF SAUK CENTRE, MINNESOTA

GENERAL INFORMATION

Location/Access/Transportation

Sauk Centre (the "City"), located in Stearns County, is situated in central Minnesota approximately 48 miles northwest of the St. Cloud metropolitan statistical area. Access is provided via Interstate Highway 94, U.S. Highway 71, State Highways 28 and 71 and County Road 186.

Area

The City encompasses a total area of 2,560 acres or 4.0 square miles.

Population

2000 Census	3,930	2020 Census	4,555
2010 Census	4,316	2025 City Estimate	4,601

Labor Force Data¹

Comparative average labor force and unemployment rate figures for 2025 (through March) and year-end 2024 are listed below. Figures are not seasonally adjusted and estimated by place of residence.

	2025 ((March)	20	2024		
	Civilian Unemployment		Civilian	Unemployment		
	<u>Labor Force</u>	<u>Rate</u>	<u>Labor Force</u>	<u>Rate</u>		
Stearns County	88,753	4.1%	87,921	3.0%		
St.Cloud MSA	112,048	4.3	110,917	3.1		
Minnesota	3,145,602	3.8	3,129,802	3.0		

Income Data²

Comparative income levels are listed below for the City, the State of Minnesota and the United States.

	Sauk Centre	State of Minnesota	<u>United States</u>
Median Family Income	\$74,286	\$111,492	\$96,922
Per Capita Income	34,823	46,957	43,289

City Government

Sauk Centre, organized in 1876, is a Minnesota Statutory City with an 'Optional Plan A' form of government. It has a mayor elected at large for a four-year term and four council members also elected at large for four-year terms. The professional staff is appointed and consists of an Administrator-Clerk, Accounting Specialist and consulting Attorney.

¹ Source: Minnesota Department of Employment and Economic Development

² Source: 2019-2023 American Community Survey, U.S. Census Bureau.

Municipal Enterprise Services

Municipal enterprise services provided by the City include the water utility system, the electric utility system and the wastewater utility system.

Healthcare

CentraCare Health Systems/Sauk Centre is a 28-bed general/acute care hospital and includes a 60-bed nursing home. Formally known as St. Michael's, the original clinic facility was constructed in 1993 and a 30-unit congregate care facility adjacent to the hospital was opened in 1996. A renovation/expansion project, including remodeling and additional patient rooms, surgical area with two new operating rooms, an expansion to the emergency room and expansion of the laboratory and X-Ray departments, was completed in 2006. A clinic expansion was completed in 2017. A twelve million dollar expansion and remodeling was completed in 2022 to the nursing home to upgrade rooms from double to single occupancy. All facilities are owned by the City and operated through a lease agreement by CentraCare Health Systems. The nursing home is operated by CURA.

The hospital has six doctors on staff and 50 consulting physicians. Services include general surgery, cardiology, pediatrics, obstetrics, urology, physical therapy, orthopedics, mental health, hospice and home services. Out-patient services serve approximately 1,250 people per month.

Employee Pension Programs

The City employs 26 people, 21 full-time, and 7 part-time. The pension plan currently covers 21 of the City's employees. The City also employs 26 EMTs and 30 firefighters on a paid on-call basis.

The City participates in contributory pension plans through the Public Employees Retirement Association (PERA) under Minnesota Statutes, Chapters 353 and 356, which cover all full-time and certain part-time employees. PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost sharing, multiple-employer retirement plans. Benefits are established by State Statute and vest after three years of credited service. State Statute requires the City to fund current service pension cost as it accrues. Defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

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

The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Coordinated Plan members were required to contribute 6.50% of their annual covered salary in 2024. PEPFF members were required to contribute 11.80% of their annual covered salary in 2024. State statute required the City to contribute the following percentages of annual covered payroll in 2024: 7.50% for Coordinated Plan GERF members, and 17.70% for PEPFF members.

Audited City contributions to GERF and PEPFF for the past five years have been as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2024	\$299,400	2021	\$252,459
2023	270,130	2020	241,029
2022	252.485		

Volunteer firefighters of the City are eligible for pension benefits through membership in the Sauk Centre Fire Relief Association organized under Minnesota Statutes, Chapter 69, and administered by a separate Board elected by the membership. State aids, investment earnings and City contributions fund the plan. State statute requires this plan to fund current service cost as it accrues and prior service cost amortized over a period of ten years.

Other Postemployment Benefits (OPEB)

The City provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical coverage. No assets are accumulated in a trust that meets the criteria in paragraph of Statement 75. Separate stand-along financial statements are not issued for the plan. As of December 31, 2024, the City had 23 active plan members and two retirees and zero spouse receiving benefit payments. The Sauk Centre Public Utilities Commission had 14 active plan members and one inactive employees.

Changes in the City's total OPEB liability for the fiscal year ended December 31, 2024 are as follows:

Changes in Total OPEB Liability

Balance on January 1, 2024	\$766,472
Changes From Prior Year	
Service Cost	10,703
Interest Cost	30,375
Changes in Assumptions	16,346
Plan Changes	9,892
Difference Between Expected and Actual Experience	(433,298)
Benefit Payments	(35,958)
Net Change	<u>(401,940)</u>
Balance on December 31, 2024	<u>\$364,532</u>

Additional information regarding the City's OPEB obligations is provided in the City's Audited Annual Financial Report, excerpts of which are provided in Appendix C of this Official Statement, with particular reference to Note 7.

Estimated Cash/Investment Balances as of 5/14/2025 (unaudited)

Fund

General Fund	\$1,453,923
Special Revenue Fund	8,416,605
Debt Service Fund	3,645,940
Tax Increment Fund	158,032
Current Project Fund	$(\underline{1,001,623})^*$
Estimated Cash/Investment Balances	\$12,672,877

^{*} To be positive upon the receipt of proceeds from the Bonds.

General Fund Budget Summary

	2024 Budget	2024 Actual	2025 Budget	
Revenues:				
Property Taxes	\$1,895,628	\$1,902,006	\$2,359,231	
Licenses and Permits	510,700	421,187	219,900	
Intergovernmental Revenue	1,729,396	1,722,400	1,626,537	
Charges for Services	253,800	280,671	266,750	
Fines and Forfeits	41,800	63,885	41,800	
Miscellaneous	50,150	207,707	43,250	
Sales of Assets/Lease Proceeds	0	76,750	0	
Transfers In	250,000	2,500	67,500	_
Total Revenues	\$4,731,474	\$4,677,106	\$ 4,624,968	
Expenditures:				
General Government	\$1,255,939	\$1,074,366	\$1,185,746	
Public Safety	1,604,954	1,705,002	1,666,263	
Recreation	600,814	547,796	765,163	
Public Works	993,657	869,134	913,240	
Transfers Out	250,000	0	60,000	_
Total Expenditures	\$4,705,364	\$4,196,298	\$4,590,412	

Industrial Park

The City has a 77-acre industrial park with fourteen enterprises, the larger of which includes Standard Iron Works and Independent Bankers. An additional 59 acres was recently developed with five of seven lots sold with three of those currently under development.

Commercial/Industrial Development

Building construction and commercial/industrial development completed in the last three years has been as follows:

<u>Name</u>	<u>Product/Service</u>	Description of Construction
MN National Bank	Financial	Remodel
Arrow Health	Medical	Addittion
Tractor Supply	Retail	New Construction
Nutrien Ag	Retail	New Construction
Wal Mart	Retail	Remodel
Centre Truck Wash	Service	New Construction
A&H Concrete	Service/Sales	New Construction
John Wiese Ford	Service/Sales	New Construction
Centre Properties	Service/Sales	New Construction
Eagle Properties	Mfg.	New Construction
Twighlight Ventures	Medical	New Construction
Lumen Pros	Mfg.	New Constructtion

Building Permits

Building permits issued for the past five years and a portion of the current year have been as follows:

Commercial/ Industrial Number <u>of Permits</u>	Residential Number <u>of Permits</u>	Total Number <u>of Permits</u>	Total Permit <u>Valuation</u>
15	39	54	\$4,608,755
26	126	152	8,212,920
33	114	147	6,287,983
40	218	258	18,912,097
39	159	198	8,734,710
107	25	132	7,504,263
	Industrial Number of Permits 15 26 33 40 39	Industrial Residential Number Number of Permits of Permits 15 39 26 126 33 114 40 218 39 159	Industrial Residential Total Number Number Number of Permits of Permits 15 39 54 26 126 152 33 114 147 40 218 258 39 159 198

Banking/Financial Institutions

Banking and financial service providers located within the City include Minnesota National Bank, Pine Country Bank and Magnifi Financial.

Education

Education is provided by Independent School District No. 743, Sauk Centre, located in Stearns and Todd Counties.

Major/Leading Employers¹

Following are some of the major/leading employers within the City:

<u>Name</u>	<u>Product/Service</u>	Number of <u>Employees</u> ²
Felling Trailers	Trailer Manufacturing	240
Walmart	Retail	230
Centra Care Hospital & Nursing Home	Nursing Care Facilities/Hospital/Clinic	210
ISD No. 743, Sauk Centre	Public Education	200
Cabinet Components	Furniture & Kitchen Cabinet Manufacturing	130
Coborn's	Grocery Store	115
Bayer Interior Woods	Lumber-Retail	100
Alternative Senior Care	Home Healthcare Services	70
Standard Iron & Wire Works	Fabricated Metal Products	65
Fleet Supply	Retail	55
Kane Transport	General Freight Trucking	55
NASA (North American Software)	Software	53
Truckers Inn	Fuel & Restaurant	50
Talk Inc.	Heavy Equipment	50

Largest Taxpayers¹

Following are ten of the largest taxpayers within the City:

<u>Name</u>	<u>Classification</u>		024/2025 Tax Capacity	Percent of Total Tax Capacity (\$5,800,941) ²
Walmart Real Estate Bus Trust	Commercial	\$	134,496	2.32%
Fejera Properties LLC	Commercial		131,974	2.28
Felling Family LMTD PRTNRSHP	Commercial		107,398	1.85
Store Capital Acquisitions LLC	Commercial		105,807	1.82
City of Sauk Centre	Commercial		74,717	1.29
AG Power Real Estate LLC	Residential		73,573	1.27
Sauk Centre Multi Family LLC	Residential		68,654	1.18
Centerpoint Energy Minnegasco	Commercial		61,674	1.06
Fairway Pines Senior Living Realty LLC	Commercial		59,758	1.03
Minnesota National Bank	Commercial		51,398	0.89
		<u>\$</u>	869,449	<u>14.99%</u>

Source: City and Data Axle Reference Solutions.
 Includes full-time, art-time, and seasonal employees.
 As reported by Stearns County.

² Before tax increment adjustment.

MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS

Market Value

State Law defines the "market value" of real property as the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at a private sale or an auction sale, if it is determined by the assessor that the price from the auction sale represents an arm's-length transaction. The assessor uses sales and market value income trends to estimate the value of property in an open market transaction. This value is also called "estimated market value". This value is set on January 2 of each year. Property taxes levied each year are based on the value of property on January 2 of the preceding year. According to Minnesota Statutes, Chapter 273, all real property subject to taxation is to be appraised at maximum intervals of five years.

Taxable Market Value

The "taxable market value" is the amount used for calculating property taxes. The taxable market value may differ from the estimated market value due to the application of special programs that exclude value from taxation. These programs currently include, but are not limited to, Homestead Market Value Exclusion and Green Acres.

Market Value Exclusion

In 2011, the State Legislature eliminated the Homestead Market Value Credit. The Credit was an amount paid by the State to local taxing jurisdictions to reduce taxes paid by homesteaded property. The Credit has been replaced by a Homestead Market Value Exclusion. The Exclusion reduces the taxable market value (beginning with taxes payable 2012) of a jurisdiction by excluding a portion of the value of homesteaded property from taxation. For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market value, yielding a maximum exclusion of \$30,400 at \$76,000 of market value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or more, there is no valuation exclusion.

Sales Ratio

The Minnesota Department of Revenue conducts the Assessment Sales Ratio Study to compare real estate sales prices to local assessor valuations. The State uses the study results to ensure consistency in property assessments across the state. There are three different sales ratio studies that cover three distinct time periods. The 12-month study includes sales that occur from October 1st of a given year to September 30th of the following year and are compared to market values used for property taxation. The median ratio from the 12-month study is the sales ratio used to calculate indicated and economic market values.

Economic and Indicated Market Value

"Economic market value" and "indicated market value" reflect adjustments made to account for the effects of the sales ratio. The economic market value is determined by dividing the estimated market value of the jurisdiction by the sales ratio. Economic market value provides an estimation of the full value of property if it were valued at 100% of its value in the marketplace (prior to the application of legislatively mandated exclusions). The indicated market value is determined by dividing the taxable market value of the jurisdiction by the sales ratio. This value represents an estimation of the "full value" of property for taxation, after the deduction of legislative exclusions.

Net Tax Capacity

Property taxes are calculated on the basis of the "net tax capacity value". Net tax capacity is calculated by multiplying the taxable market value of a parcel by the statutory class rate for the use classification of the property. These class rates are subject to revisions by the State Legislature. The table following this section contains current and historical class rates for primary property classifications.

Tax Cycle

Minnesota local government ad valorem property taxes are extended and collected by the various counties within the state. The process begins in the fall of every year with the certification, to the county auditor, of all local taxing districts' property tax levies. Local tax rates are calculated by dividing each taxing district's levy by its net tax capacity. One percentage point of local tax rate represents one dollar of tax per \$100 net tax capacity. A list of taxes due is then prepared by the county auditor and turned over to the county treasurer on or before the first Monday in January.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements (excluding manufactured homes) are to be mailed out no later than March 31, and manufactured home property tax statements no later than July 15. The due dates for payment of real and personal property taxes (excluding manufactured homes) are one-half on or before May 15 (May 31 for resorts) and one-half on or before October 15 (November 15 for farm property). Personal property taxes for manufactured homes become due one-half on or before August 31 and one-half on or before November 15. Delinquent property taxes are penalized at various rates depending on the type of property and the length of delinquency.

Tax Levies for General Obligation Bonds (Minnesota Statutes, Section 475.61)

State Law requires the governing body of any municipality issuing general obligations, prior to delivery of the obligations, to levy by resolution a direct general ad valorem tax upon all taxable property in the municipality to be spread upon the tax rolls for each year of the term of the obligations. The tax levies for all years shall be specified and such that if collected in full will, together with estimated collections of special assessments and other revenues pledged for the payment of said obligations, produce at least five percent in excess of the amount needed to meet the principal and interest payments on the obligations when due.

Such resolution shall irrevocably appropriate the taxes so levied and any special assessments or other revenues so pledged to the municipality's debt service fund or a special debt service fund or account created for the payment of one or more issues of obligations.

The governing body may, at its discretion, at any time after the obligations have been authorized, adopt a resolution levying only a portion of such taxes, to be filed, assessed, extended, collected and remitted, and the amount therein levied shall be credited against the tax required to be levied prior to delivery of the obligations.

The recording officer of the municipality shall file in the office of the county auditor of each county in which any part of the municipality is located a certified copy of the resolution, together with full information regarding the obligations for which the tax is levied. No further action by the municipality is required to authorize the extension, assessment and collection of the tax, but the municipality's liability on the obligations is not limited thereto and its governing body shall levy and cause to be extended, assessed and collected any additional taxes found necessary for full payment of the principal and interest. The auditor shall annually assess and extend upon the tax rolls the amount specified for such year in the resolution, unless the amount has been reduced as authorized below or, if the municipality is located in more than one county, the portion thereof that bears the same ratio to the whole amount as the tax capacity value of taxable property in that part of the municipality located in the county bears to the tax capacity value of all taxable property in the municipality.

Tax levies so made and filed shall be irrevocable, except that if the governing body in any year makes an irrevocable appropriation to the debt service fund of moneys actually on hand or if there is on hand any excess amount in the debt service fund, the recording officer may certify to the county auditor the fact and amount thereof and the auditor shall reduce by the amount so certified the amount otherwise to be included in the rolls next thereafter prepared.

All such taxes shall be collected and remitted to the municipality by the county treasurer as other taxes are collected and remitted, and shall be used only for payment of the obligations on account of that levied or to repay advances from other funds used for such payments, except that any surplus remaining in the debt service fund when the obligations and interest thereon are paid may be appropriated to any other general purpose by the municipality.

Levy Limits

The State Legislature periodically enacts limitations on the ability of cities and counties to levy property taxes. Levy limits were reenacted in 2013 and applied to all counties with a population over 5,000 and all cities with a population over 2,500 for taxes payable in 2014 only. Levies "to pay the costs of the principal and interest on bonded indebtedness" and "to provide for the bonded indebtedness portion of payments made to another political subdivision of the State of Minnesota" are designated special levies and can be levied in addition to the amount allowed by levy limitations.

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The following is a partial summary of these factors:

Property Tax Classification	S
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			<u>Cl</u>	ass Rate Sch	<u>edule</u>
			2022/	2023/	2024/
<u>Class</u>	Type of Property		<u>2023</u>	<u>2024</u>	<u>2025</u>
1a	Residential Homestead: First	\$500,000	1.00%	1.00%	1.00%
		\$500,000	1.25	1.25	1.25
1c	Commercial seasonal-resident				
	under 250 days and includes First \$600,000	s homestead	50	.50	.50
	\$600,001-2,300,000		.50 1.00	.50 1.00	1.00
	Over \$2,300,000 [†]		1.00	1.00	1.00
2a	Agricultural Homestead – Hou	ise. Garage. One Acre:	1.23	1.23	1.23
	First \$500,000	ass, sarage, she river	1.00	1.00	1.00
	Over \$500,000		1.25	1.25	1.25
	Remainder of Farm* –				
	First \$1,890,000		0.50		
	Over \$1,890,000		1.00		
	First \$2,150,000			0.50	
	Over \$2,150,000			1.00	
	First \$3,500,000				.50
	Over \$3,500,000				1.00
2b	Non-Homestead Rural Vacant	: Land ¹	1.00	1.00	1.00
3a	Commercial/Industrial and Pu	blic Utility			
	First \$150,000 [†]		1.50	1.50	1.50
	Over \$150,000 [†]		2.00	2.00	2.00
4a 4bb(1)	<u>Apartment</u> (4+ units, incl. priv <u>Residential Non-Homestead</u> (3		1.25	1.25	1.25
	First \$500,000		1.00	1.00	1.00
	Over \$500,000		1.25	1.25	1.25
4c(1)	Seasonal Residential Recreation	onal/Commercial [†]			
	(Resort): First \$500,000		1.00	1.00	1.00
	Over \$500,000		1.25	1.25	1.25
4c(12)	Seasonal Residential Recreation	onal [†]			
	Non-Commercial (Cabin):	First \$500,000*	1.00	1.00	1.00
		Over \$500,000*	1.25	1.25	1.25
4d	Qualifying Low-Income Renta	al Housing			
	First \$100,000		.75	.75	.25
	Over \$100,000		.25	.25	.25

 $^{^{\}dagger}$ Subject to the state general property tax.

^{*} Exempt from referendum market value-based taxes.

1 Homestead remainder & non-homestead; includes minor ancillary structures.

CITY OF SAUK CENTRE, MINNESOTA

ECONOMIC AND FINANCIAL INFORMATION¹

Valuations

	Estimated Market Value <u>2024/2025</u>	Net Tax Capacity <u>2024/2025</u>	
Real Property Personal Property Less Tax Increment Deduction	\$ 508,549,400 4,332,200	\$ 5,716,432 84,509 (<u>185,925)</u>	
Total Adjusted Valuation	<u>\$ 512,881,600</u>	<u>\$ 5,615,016</u>	

Valuation Trends (Real and Personal Property)

					Tax	Tax
Levy Year/					Capacity	Capacity
Collection	Economic		Estimated	Taxable	Before Tax	After Tax
<u>Year</u>	<u>Market Value</u>	Sales Ratio	<u>Market Value</u>	<u>Market Value</u>	<u>Increments</u>	<u>Increments</u>
2024/2025	\$540,187,723	95.23%	\$512,881,600	\$479,213,290	\$5,800,941	\$5,615,016
2023/2024	522,317,287	94.16	491,246,200	467,906,700	5,632,302	5,451,601
2022/2023	439,039,612	89.22	439,809,500	414,064,000	4,975,234	4,912,405
2021/2022	413,553,732	92.30	381,528,500	352,704,900	4,319,221	4,271,823
2020/2021	386,245,367	95.01	366,819,200	338,104,100	4,165,064	4,107,354

Breakdown of Valuations

2024/2025 Tax Capacity, Real and Personal Property (before tax increment adjustments):

Residential Homestead	\$ 2,864,847	49.39%
Agricultural	31,574	0.54
Commercial & Industrial	1,906,941	32.87
Public Utility	32,054	0.55
Residential Non-Homestead	793,340	13.68
Seasonal/Recreational	87,676	1.51
Personal Property	84,509	1.46
Totals:	<u>\$ 5,800,941</u>	<u>100.00%</u>

Property valuations, tax rates, and tax levies and collections are provided by Stearns County. Economic market value and sales ratio are provided by the Minnesota Department of Revenue.

Tax Capacity Rates

Tax capacity rates for a City resident for the past five-assessable/collection years have been as follows:

	2020/21	2021/22	2022/23	2023/24	2024/25
	Tax	Tax	Tax	Tax	Tax
Levy Year/	Capacity	Capacity	Capacity	Capacity	Capacity
<u>Collection Year</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>
Stearns County	48.602%	48.462%	42.945%	40.103%	40.492%
City of Sauk Centre	48.056	48.978	46.425	46.016	47.805
ISD No. 743, Sauk Centre	16.513	36.289	33.096	29.116	29.415
Regional Rail	0.039	0.028	0.025	0.050	0.052
Stearns County HRA	0.329	0.316	0.275	0.261	0.291
Sauk River Watershed	<u>0.962</u>	1.053	0.983	0.909	<u>0.758</u>
Totals:	<u>114.501%</u>	<u>135.126%</u>	<u>123.749%</u>	<u>116.455%</u>	<u>118.813%</u>

Tax Levies and Collections¹

			Collected During Collection Year		Collected and/or Abated as of 12/31/24	
Levy/Collect	Net Levy	Amount	Percent	Amount	Percent	
2024/2025	\$2,684,043	In Process of Collection				
2023/2024	2,508,386	\$2,494,566	99.45%	\$2,494,566	99.45%	
2022/2023	2,277,754	2,257,257	99.10	2,273,212	99.81	
2021/2022	2,091,950	2,068,404	98.87	2,090,700	99.94	
2020/2021	1,973,623	1,950,696	98.84	1,971,512	99.89	

¹ 2024/2025 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Stearns County.

SUMMARY OF DEBT AND DEBT STATISTICS

Statutory Debt Limit^{1 2}

Minnesota Statutes, Section 475.53 states that a city or county may not incur or be subject to a net debt in excess of three percent (3%) of its estimated market value. Net debt is, with limited exceptions, debt paid solely from ad valorem taxes.

Computation of Legal Debt Margin as of July 2, 2025:

2024/2025 Estimated Market Value Multiplied by 3%	\$	512,881,600 x .03
Statutory Debt Limit	<u>\$</u>	15,386,448
Less outstanding debt applicable to debt limit:		
\$945,000 General Obligation Bonds, Series 2015A \$720,000 General Obligation Bonds, Series 2025A (Portion of This Issue)	\$	105,000 720,000
Total Debt applicable to debt limit:	\$	825,000
Legal debt margin	\$	14,351,448

¹ Effective June 2, 1997 and pursuant to Minnesota Statutes 465.71, any lease revenue or public project revenue bond issues/agreements of \$1,000,000 or more are subject to the statutory debt limit. Lease revenue or public project revenue bond issues/agreements less than \$1,000,000 are not subject to the statutory debt limit.

² Pursuant to Minnesota Statutes Section 475.521, capital improvement bonds are not subject to the statutory debt limit established in Section 475.53 if the issuer's population is less than 2,500.

CITY OF SAUK CENTRE, MINNESOTA GENERAL OBLIGATION DEBT PAYABLE FROM TAXES

(As of July 2, 2025, Plus a Portion of This Issue)

		Portion of This Issue			
Purpose:					
	G.O.	G.O.			
	Bonds,	Bonds,			
	Series	Series			
	2015A	2025A			
Dated:	08/01/15	08/28/25			
Original Amount:	\$945,000	\$720,000			
Maturity:	1-Feb	1-Feb	TOTAL	TOTAL	
Interest Rates:	1.50-3.00%		PRINCIPAL:	PRIN & INT:	
2025	\$0	\$0	\$0	\$24,871	2025
2026	105,000	0	105,000	129,871	2026
2027	0	55,000	55,000	79,305	2027
2028	0	65,000	65,000	87,369	2028
2029	0	65,000	65,000	85,240	2029
2030	0	70,000	70,000	87,995	2030
2031	0	70,000	70,000	85,633	2031
2032	0	75,000	75,000	88,149	2032
2033	0	75,000	75,000	85,524	2033
2034	0	80,000	80,000	87,733	2034
2035	0	80,000	80,000	84,773	2035
2036	0	85,000	85,000	86,636	2036
	\$105,000	\$720,000	\$825,000	\$1,013,097	
	(1)	(2)			

NOTE: 80% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAXES WILL BE RETIRED WITHIN TEN YEARS.

- (1) This schedule represents a portion of the \$1,440,000 General Obligation Bonds, Series 2015A, dated September 1, 2015, consisting of \$495,000 backed by special assessments and \$945,000 backed by taxes.
- (2) This schedule represents a portion of the \$6,365,000 General Obligation Bonds, Series 2025A, dated August 28, 2025, consisting of \$5,185,000 backed by special assessments, \$460,000 backed by tax abatement, and \$720,000 backed by taxes.

CITY OF SAUK CENTRE, MINNESOTA GENERAL OBLIGATION DEBT PAYABLE FROM TAX ABATEMENT (As of July 2, 2025, Plus a Portion of This Issue)

	Portion of This Issue			
Purpose:	G.O. Bonds, Series 2025A			
Dated:	08/28/25			
Original Amount:	\$460,000			
Maturity:	1-Feb	TOTAL	TOTAL	
Interest Rates:		PRINCIPAL:	PRIN & INT:	
2025	\$0	\$0	\$0	2025
2026	0	0	14,881	2026
2027	35,000	35,000	50,528	2027
2028	40,000	40,000	54,318	2028
2029	45,000	45,000	57,925	2029
2030	45,000	45,000	56,429	2030
2031	45,000	45,000	54,910	2031
2032	45,000	45,000	53,369	2032
2033	50,000	50,000	56,705	2033
2034	50,000	50,000	54,905	2034
2035	50,000	50,000	53,055	2035
2036	55,000	55,000	56,059	2036
	\$460,000	\$460,000	\$563,082	
	(1)			

NOTE: 77% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAX ABATEMENT WILL BE RETIRED WITHIN TEN YEARS.

⁽¹⁾ This schedule represents a portion of the \$6,365,000 General Obligation Bonds, Series 2025A, dated August 28, 2025, consisting of \$5,185,000 backed by special assessments, \$460,000 backed by tax abatement, and \$720,000 backed by taxes.

CITY OF SAUK CENTRE, MINNESOTA GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS

(As of July 2, 2025, Plus a Portion of This Issue)

					Portion of			
D	G.O.	G.O.	G.O.	G.O.	This Issue G.O.			
Purpose:								
	Bonds,	Bonds,	Improvement	Improvement	Bonds,			
	Series	Series	Bonds, Series	Bonds, Series	Series			
	2012A	2015A	2018A	2022A	2025A			
Dated:	12/01/12	08/01/15	09/11/18	08/18/22	08/28/25			
Original Amount:	\$1,245,000	\$495,000	\$3,350,000	\$4,390,000	\$5,185,000			
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	TOTAL	TOTAL	
Interest Rates:	2.00-2.20%	1.50-3.00%	3.00-3.25%	3.00-5.00%		PRINCIPAL:	PRIN & INT:	
2025	\$0	\$0	\$0	\$0	\$0	\$0	\$113,643	2025
2026	90,000	55,000	220,000	240,000	0	605,000	998,285	2026
2027	90,000	0	225,000	250,000	195,000	760,000	1,142,969	2027
2028	90,000	0	230,000	265,000	285,000	870,000	1,223,673	2028
2029	95,000	0	235,000	275,000	290,000	895,000	1,216,791	2029
2030	0	0	245,000	290,000	300,000	835,000	1,124,611	2030
2031	0	0	255,000	305,000	310,000	870,000	1,129,991	2031
2032	0	0	260,000	315,000	320,000	895,000	1,127,176	2032
2033	0	0	270,000	320,000	335,000	925,000	1,127,898	2033
2034	0	0	275,000	330,000	345,000	950,000	1,122,049	2034
2035	0	0	0	340,000	355,000	695,000	839,578	2035
2036	0	0	0	350,000	370,000	720,000	840,449	2036
2037	0	0	0	365,000	385,000	750,000	844,409	2037
2038	0	0	0	375,000	400,000	775,000	841,280	2038
2039	0	0	0	0	415,000	415,000	458,621	2039
2040	0	0	0	0	430,000	430,000	456,825	2040
2041	0	0	0	0	450,000	450,000	459,113	2041
	\$365,000	\$55,000	\$2,215,000	\$4,020,000	\$5,185,000	\$11,840,000	\$15,067,361	
	(1)	(2)	. ,,	. ,,.	(3)	. ,,	, , ,	

NOTE: 64% OF GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS WILL BE RETIRED WITHIN TEN YEARS.

⁽¹⁾ This schedule represents a portion of the \$2,740,000 General Obligation Bonds, Series 2012A, dated December 1, 2012, consisting of \$1,245,000 backed by special assessments and \$1,495,000 backed by net revenues of the municipal water, sewer, and storm sewer/water utility systems.

⁽²⁾ This schedule represents a portion of the \$1,440,000 General Obligation Bonds, Series 2015A, dated September 1, 2015, consisting of \$495,000 backed by special assessments and \$945,000 backed by taxes.

⁽³⁾ This schedule represents a portion of the \$6,365,000 General Obligation Bonds, Series 2025A, dated August 28, 2025, consisting of \$5,185,000 backed by special assessments, \$460,000 backed by tax abatement, and \$720,000 backed by taxes.

CITY OF SAUK CENTRE, MINNESOTA GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES (As of July 2, 2025)

Purpose:	G.O. Sewer Revenue Note	G.O. Bonds, Series 2012A	G.O. Hos pital Refunding Bonds, Series			
	of 2010		2015C			
Dated:	08/25/10	12/01/12	12/15/15			
Original Amount:	\$7,058,050	\$1,495,000	\$8,845,000			
Maturity:	20-Aug	1-Feb	1-Sep	TOTAL	TOTAL	
Interest Rates:	1.91%	2.00-2.20%	2.00-3.00%	PRINCIPAL:	PRIN & INT:	
2025	\$397,000	\$0	\$485,000	\$882,000	\$976,834	2025
2026	405,000	110,000	495,000	1,010,000	1,180,312	2026
2027	413,000	110,000	505,000	1,028,000	1,176,740	2027
2028	421,000	110,000	520,000	1,051,000	1,177,220	2028
2029	429,000	105,000	535,000	1,069,000	1,171,604	2029
2030	437,000	0	550,000	987,000	1,064,201	2030
2031	0	0	565,000	565,000	617,350	2031
2032	0	0	580,000	580,000	615,400	2032
2033	0	0	600,000	600,000	618,000	2033
	\$2,502,000	\$435,000	\$4,835,000	\$7,772,000	\$8,597,660	
	(1)(2)	(1) (3) (4) (5)	(6) (7)			

NOTE: 100% OF GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES WILL BE RETIRED WITHIN TEN YEARS.

- (1) These bonds are payable primarily from net revenues of the municipal sewer utility system and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.
- (2) These bonds were purchased through a private placement agreement through the Minnesota Public Facilities Authority.
- (3) These bonds are payable primarily from net revenues of the municipal water utility system and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.
- (4) These bonds are payable primarily from net revenues of the municipal storm sewer/water utility system and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.
- (5) This schedule represents a portion of the \$2,740,000 General Obligation Bonds, Series 2012A, dated December 1, 2012, consisting of \$1,245,000 backed by special assessments and \$1,495,000 backed by net revenues of the municipal water, sewer, and storm sewer/water utility systems.
- (6) These bonds are payable primarily from lease payments from CentraCare pursuant to a Lease with the City, as well as additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.
- (7) These bonds refunded \$8,755,000 of the General Obligation Crossover Refunding Hospital Bonds, Series 2005C, dated December 1, 2005. Maturities 2017 through 2033, inclusive, were called for redemption on December 23, 2015, at a price of par plus accrued interest.

Indirect Debt*

<u>Issuer</u>	2024/2025 Tax Capacity <u>Value</u> ⁽¹⁾	2024/2025 Tax Capacity Value <u>in City</u> ⁽¹⁾	Percentage Applicable <u>in City</u>			S	payers' Share f <u>Debt</u>
Stearns County	\$ 239,466,641	\$5,615,016	2.34%	\$ 1,485	,000	\$	34,749
ISD 743 – Sauk Centre	16,282,943	5,615,016	34.48	41,455	,000	14	<u>1,293,684</u>
				Total Indirec	t Debt:	<u>\$ 14</u>	1,328,433

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^{*} Only those taxing jurisdictions with general obligation debt outstanding that is not payable from revenues are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, general obligation debt payable from revenues, or general obligation tax/aid anticipation certificates of indebtedness. Debt listed is as of July 2, 2025, unless otherwise noted.

⁽¹⁾ Tax capacity values are after tax increment adjustment.

General Obligation Debt

Bonds secured by special assessments (includes a portion of this issue)	\$ 11,840,000
Bonds secured by taxes (includes a portion of this issue)	825,000
Bonds secured by tax abatement (includes a portion of this issue)	460,000
Bonds secured by revenues	7,772,000
Subtotal	\$ 20,897,000
Less bonds secured by revenues	(7,772,000)
Direct General Obligation Debt	13,125,000
Add taxpayers' share of indirect debt	14,328,433
Direct and Indirect Debt	<u>\$ 27,453,433</u>

Special Obligations – Sauk Centre Public Utilities Commission

\$10,870,000 Electric Revenue Bonds, Series 2024A \$ 10,435,000

Facts for Ratio Computations

2024/2025 Economic Market Value (real and personal property)	\$540,187,723
Population (2025 estimate)	4,601

Debt Ratios Excluding Revenue-Supported Debt

	Direct <u>Debt</u>	Indirect <u>Debt</u>	Direct and <u>Indirect Debt</u>
To Economic Market Value	2.43%	2.65%	5.08%
Per Capita	\$2,853	\$3,114	\$5,967

APPENDIX A

Proposed Form of Legal Opinion

PROPOSED FORM OF LEGAL OPINION

\$6,365,000 GENERAL OBLIGATION BONDS, SERIES 2025A CITY OF SAUK CENTRE STEARNS COUNTY MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Sauk Centre, Stearns County, Minnesota (the "Issuer"), of its \$6,365,000 General Obligation Bonds, Series 2025A, bearing a date of original issue of August 14, 2025 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect on or before the date hereof), regulations, rulings and decisions, it is our opinion that:

- (1) The proceedings show lawful authority for the issuance of the Bonds according to their terms under the Constitution and laws of the State of Minnesota now in force.
- (2) The Bonds are valid and binding general obligations of the Issuer, and all of the taxable property within the Issuer's jurisdiction is subject to the levy of an ad valorem tax to pay the same without limitation as to rate or amount; provided that the enforceability (but not the validity) of the Bonds and the pledge of taxes for the payment of the principal and interest thereon is subject to the exercise of judicial discretion in accordance with general principles of equity, to the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

At the time of the issuance and delivery of the Bonds to the original purchaser, the (3) interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur and be retroactive.

TAFT STETTINIUS & HOLLISTER LLP

APPENDIX B

Form of Continuing Disclosure Undertaking

[Appendix ____ to Official Statement]

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Sauk Centre, Minnesota (the "Issuer"), in connection with the issuance of its \$6,365,000 General Obligation Bonds, Series 2025A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on July 16, 2025 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

SECTION 1. <u>Purpose of the Disclosure Undertaking</u>. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Owners and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. <u>Definitions</u>. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any annual financial information provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the Issuer audited annually by an independent certified public accounting firm, prepared pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, modified by governmental accounting standards promulgated by the Government Accounting Standards Board.

"Dissemination Agent" shall mean such party from time to time designated in writing by the Issuer to act as information dissemination agent and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). This term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall be the fiscal year of the Issuer.

"Governing Body" shall, with respect to the Bonds, have the meaning given that term in Minnesota Statutes, Section 475.51, Subdivision 9.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated ______, 2025, prepared in connection with the Bonds.

"Owners" shall mean the registered holders and, if not the same, the beneficial owners of any Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolution" shall mean the resolution or resolutions adopted by the Governing Body of the Issuer providing for, and authorizing the issuance of, the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time or interpreted by the Securities and Exchange Commission.

SECTION 3. <u>Provision of Annual Reports</u>.

- A. If Audited Financial Statements of the Issuer for the Fiscal Year ended December 31, 2024, are not included in the Final Official Statement, then the Issuer shall provide, or shall cause the Dissemination Agent to provide, to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report consisting only of Audited Financial Statements for such Fiscal Year that are consistent with the requirements of Section 4B of this Disclosure Undertaking by not later than December 31, 2025.
- B. Beginning in connection with the Fiscal Year ending on December 31, 2025, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2026, and by December 31 of each year thereafter.
- C. If the Issuer is unable to provide to the MSRB an Annual Report by the dates required in subsections A or B, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.
- SECTION 4. <u>Content and Format of Annual Reports</u>. The Issuer's Annual Report shall contain or incorporate by reference the financial information and operating data pertaining to the Issuer listed below as of the end of the preceding Fiscal Year. The Annual Report may be submitted to the MSRB as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Disclosure Undertaking.

The following financial information and operating data shall be supplied:

- A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Economic and Financial Information "Valuations," "Tax Capacity Rates" and "Tax Levies and Collections;" and Summary of Debt and Debt Statistics.
- B. Audited Financial Statements of the Issuer. The Audited Financial Statements of the Issuer may be submitted to the MSRB separately from the balance of the Annual Report. In the event Audited Financial Statements of the Issuer are not available on or before the date for filing the Annual Report with the MSRB as set forth in Section 3.A. above, unaudited financial

statements shall be provided as part of the Annual Report. The accounting principles pursuant to which the financial statements will be prepared will be pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, as such principles are modified by the governmental accounting standards promulgated by the Government Accounting Standards Board, as in effect from time to time. If Audited Financial Statements are not provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

SECTION 5. Reporting of Significant Events. This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material:
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material:
- (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and,
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Whenever an event listed above has occurred, the Issuer shall promptly, which may not be in excess of the ten (10) business days after the Occurrence, file a notice of such Occurrence with the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of a failure by the Issuer to provide the Annual Reports described in Section 4.

SECTION 6. <u>Termination of Reporting Obligation</u>. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. <u>Dissemination Agent</u>. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 9. <u>Additional Information</u>. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 10. <u>Default</u>. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 11. <u>Beneficiaries</u>. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. <u>Reserved Rights</u>. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions

of Section 8 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: August 14, 2025.

CITY OF	CALIE	CENTDE	MINNESOTA
CHYOR	SAUK	CENTRE.	IVIIININESUTA

By	
Its Mayor	
•	
By	
Its City Administrator	

APPENDIX C

City's Financial Report

The following financial statements are excerpts from the annual financial report for the year ended December 31, 2024. The complete financial report for the year 2024 and the prior two years are available for inspection at the Sauk Centre City Hall and the office of Northland Securities, Inc. The reader of this Official Statement should be aware that the complete financial report may have further data relating to the excerpts presented in the appendix which may provide additional explanation, interpretation or modification of the excerpts.



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements *Opinions*

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sauk Centre (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2024, 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.

We did not audit the financial statements of the Housing and Redevelopment Authority of Sauk Centre, which represent 2 percent, 3 percent, and 3 percent, respectively of assets, net position, and revenues of the discretely presented component units as of December 31, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing and Redevelopment Authority, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 17 to the financial statements, effective January 1, 2024, City of Sauk Centre adopted new accounting guidance for accounting changes. The guidance requires that changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due
 to fraud or error, and design and perform audit procedures responsive to those risks. Such
 procedures include examining, on a test basis, evidence regarding the amounts and disclosures
 in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is
 expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of changes in the total OPEB liability, related ratios and notes, schedule of the proportionate share of the net pension liability, the schedule of pension contributions, the fire relief association schedule of changes in the net pension asset and related ratios, and budgetary comparison schedules, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining balance sheet - nonmajor governmental funds, tax increment financing fund, debt service fund, and capital project fund and combining statement of revenues, expenditures, and changes in fund balances – governmental funds, nonmajor governmental funds, tax increment financing fund, debt service fund, and capital project fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the combining balance sheet - nonmajor governmental funds, tax increment financing fund, debt service fund, and capital project fund and combining statement of revenues, expenditures, and changes in fund balances - governmental funds, nonmajor governmental funds, tax increment financing fund, debt service fund, and capital project fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of elected officials and administration but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Clifton Larson Allen LLP

Alexandria, Minnesota May 14, 2025

BASIC FINANCIAL STATEMENTS

CITY OF SAUK CENTRE, MINNESOTA STATEMENT OF NET POSITION DECEMBER 31, 2024

ASSET IS Commental Activities Salk Centre PUBLIC			Component Units			
ASSETS Cash and Investments \$ 14,771,200 \$ 0.957,445 \$ 201,207 Cash and Investments \$ 10,337,692 \$ 2.12			Sauk Centre Public			
Designated Cash and Investments 10 387 842 34						
Resiricac Cash and Investments		\$ 14,771,280		\$ 261,297		
Due from Other Governments	•	-		-		
Accounts Receivable, Net 832,453 1,527,691 720		-	8,316,343	-		
Notes Receivable 6,732,992		The state of the s	-	-		
Taxes Receivable - Delinquent 4,8552	,	•	1,527,691	720		
Special Assessments Recievable 1867 037 - - - -			-	-		
Lieas Receivable 4,921,765 - - - - -	·	,	-	-		
Due from Component Unit	·		-	-		
Inferest Receivable 66.590 213,764 - Inferentification Prepaid Expenses 25.444 97.450 13.451 Land Held for Resale or Investment 266.402 0.000 13.451 Land Held for Resale or Investment 266.403			-	-		
Inventionise	·		-	-		
Pensidi Expenses		66,590	,	-		
Land Helf for Resaler Investment		-	· · · · · · · · · · · · · · · · · · ·	-		
NePerson Asset				13,451		
Capital Assets Not Being Depreciated: Land 1,725,977 295,072 295,072 295,072 295,072 295,072 295,072 295,073			60,000	=		
Land		266,463	-	-		
Construction in Process	· - ·					
Capital Assets Being Depreciated or Amortized. 7.9950 - <			· ·	95,745		
Right-lo-Use Assets		406,618	4,332,663	-		
Land Improvements	Capital Assets Being Depreciated or Amortized:					
Bulldings and Improvements 25,723,635 4,120,895 2,120,147 Vehicles, Machinery, and Equipment 10,809,760 31,428,230 107,324 Less. Accumulated Depreciation (26,637,698) (19,692,247) (1,699,295) Less. Accumulated Amortization (27,357) 43,486,681 899,386 Total Assets 322,742 35,862 - DEB Related 322,742 35,862 - Pension Related 1,259,208 158,204 - Total Deferred Outflows of Resources 1,581,950 194,098 - Total Deferred Outflows of Resources 2,259,208 - - Total Deferred Outflows of Resources 89,355 30,771 6,401 Total Deferred Outflows of Resources 22,505,5029 - -	Right-to-Use Assets	72,950	-	-		
Wehicles, Machinery, and Equipment 10.809,780 76,72,57 107,324 Less. Accumulated Depreciation (36,837,899) (19,629,247) (1,699,268) Less. Accumulated Depreciation (27,357) - - Total Assets 73,928,877 43,488,681 899,388 DEFERRED OUTFLOWS OF RESOURCES OPEB Related 322,742 35,962 - Pension Related 1,589,208 194,086 - Total Deferred Outflows of Resources 1,581,990 194,086 - ELIBRITES 89,355 30,771 6,401 Salaries/Benefits Payable 89,355 30,771 6,401 Accounts and Contracts Payable 272,434 616,721 7,973 Accounts and Contracts Payable 225,532 - 15,214 Tennari Security Deposits - 2,565,029 - Due to Other Governments - - 4,288 Accounts and Contracts 4,284 4,284 Accounts and Contracts 4,284 4,284 Accounced	Land Improvements	2,981,681	-	-		
Infrastructure	Buildings and Improvements	25,723,636	4,120,895	2,120,147		
Less: Accumulated Depreciation (36,837,899) (19,902,247) (1,699,296) Less: Accumulated Amoritzation 73,928,877 43,488,681 899,388 DFEFRRED OUTFLOWS OF RESOURCES 09E8 Related 322,742 35,862 - OPEB Related 1,259,208 158,004 - Pension Related 1,581,950 194,086 - Total Deferred Outflows of Resources 1,581,950 194,086 - LIABILITIES 89,355 30,771 6,401 Accounts and Contracts Payable 89,355 30,771 6,401 Accounts and Contracts Payable 272,434 616,721 7,973 Due to Other Governments - 2,565,029 - 12,124 Total Countries of Governments - 2,565,029 - 12,124 Une of Other Governments - - 4,298 - 5,9242 Other Liabilities - - 4,298 - 5,9242 Other Liabilities - - 4,298 - - -	Vehicles, Machinery, and Equipment	10,809,780	767,257	107,324		
Page	Infrastructure	33,940,170	31,428,320	=		
Total Assets 73,928,877	Less: Accumulated Depreciation	(36,637,899)	(19,629,247)	(1,699,296)		
Total Assets 73,928,877 43,486,681 899,388 DEFERRED OUTLLOWS OF RESOURCES OPEB Related 322,742 35,862 - OPED Related 1,259,208 158,204 - Total Deferred Outflows of Resources 1,581,950 194,066 - LIABUTIES 89,355 30,771 6,401 Salaries/Benefits Payable 89,355 30,771 6,401 Accounts and Contracts Payable 272,434 616,721 7,973 Due to Offer Governments - 2,505,029 - Due to Offer Governments - 2,505,029 - Total Deposits - - 1,524 - 1,524 Tenant Security Deposits - - - 5,924 - 1,529,42 - 1,529,42 - 1,529,42 - 1,529,42 - 1,529,42 - 1,529,42 - 1,529,42 - 1,529,42 - 1,529,42 - 1,529,42 - 1,529,42 - 1,529,42 -	Less: Accumulated Amortization	(27,357)	_	_		
DFERRED OUTFLOWS OF RESOURCES 322,742 3,882 - OPEB Related 1,259,208 158,204 - Total Deferred Outflows of Resources 1,581,950 194,066 - LIABILITIES 89,355 30,771 6,401 Accounts and Contracts Payable 89,355 30,771 6,401 Accounts and Contracts Payable 272,434 616,721 7,973 Due to Other Government 2 555,029 - Use to Other Governments 2 55,029 - Tenant's Security Deposits - 5 59,242 Other Liabilities - 4,208 4,208 Accrued Interest 173,414 38,000 4,208 Actual Marcer 1,294,404 5,265,43 1,204 OPEB Liabilities - 4,208 1,000 - Due Within One Year 9,898 110,734 - - Due Within One Year 1,914,847 20,000 - - Due In More than One Year 1,914,847	Total Assets		43 488 681	899 388		
OPEB related Pension Related Pension Related Total Deferred Outflows of Resources 1,259,208 158,204 1.750,208 158,204 1.750,208 </td <td>DECEMBED OUTELOWS OF BESOURSES</td> <td>,,</td> <td>10, 100,00</td> <td>555,555</td>	DECEMBED OUTELOWS OF BESOURSES	,,	10, 100,00	555,555		
Pension Related Total Deferred Outflows of Resources 1,259,208 158,204		200.740	25 200			
Total Deferred Outflows of Resources 1,581,950 194,086			· ·	-		
Salaries/Benefits Payable						
Salaries/Benefits Payable 89,355 30,771 6.401 Accounts and Contracts Payable 272,434 616,721 7,973 Due to Other Governments - 2,565,029 - Due to Other Governments - - 15,214 Tenant Security Deposits - - - 59,242 Other Liabilities 26,132 - - 59,242 Other Liabilities 17,3414 38,000 - - 4,298 Accrued Interest 17,3414 38,000 - </td <td>Total Deferred Outflows of Resources</td> <td>1,581,950</td> <td>194,066</td> <td>-</td>	Total Deferred Outflows of Resources	1,581,950	194,066	-		
Accounts and Contracts Payable 272,434 616,721 7,973 Due to Primary Government - - 5,265,029 - 15,214 Due to Other Governments - - - 15,214 Tenant Security Deposits - - - 59,242 Unearmed Revenue 226,132 - - 59,242 Other Liabilities - - - 4,298 Accrued Interest 1,103,463 50,653 - Net Pension Liability 1,103,463 50,653 - OFEB Liability 1,103,463 50,653 - Due in More than One Year 9,888 10,734 - Due in More than One Year 9,888 10,734 - Due in More than One Year 1,914,847 200,000 - Due within On	LIABILITIES					
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Due to Primary Governments - 2,565,029 - 15,214 Due to Other Governments - - - 12,994 Unearned Revenue 226,132 - 69,242 Other Liabilities - - 4,298 Accrued Interest 173,414 38,000 - Net Pension Liability 1,103,463 526,543 - OPEB Liability - - - - - Due Within One Year 9,898 10,734 - - Due in More than One Year 233,439 110,461 - - Due within One Year 1,914,847 200,000 - - Due in More than One Year 14,125,739 10,683,696 - - Total Liabilities 18,148,721 14,781,955 106,122 - Due in More than One Year 1,689,267 382,396 - - - - - - - - - - - - -				·		
Due to Other Governments - - 15.214 Tenant Security Deposits - - 12.994 Unearned Revenue 226,132 - 59.242 Other Liabilities - - 4.298 Accrued Interest 173,414 38,000 - Net Pension Liability 1,103,463 526,543 - OPEB Liability: - - - - Due in More than One Year 233,439 110,461 - Long-Term Debt: - 200,000 - Due in More than One Year 1,914,847 200,000 - Due in More than One Year 14,125,739 10,683,696 - Total Liabilities 18,148,721 14,781,955 106,122 DEFERRED INFLOWS OF RESOURCES Pension Related 1,689,267 382,396 - - OPEB Related 506,628 18,854 - - Lease Related 4,805,601 - - - Total Liab	· · · · · · · · · · · · · · · · · · ·	<u> </u>	,	, <u>-</u>		
Tenant Security Deposits	•	<u>-</u>	_,,,,,,_,	15.214		
Unearned Revenue 226,132 - 59,242 Other Liabilities - 4,298 Accrued Interest 173,414 38,000 - Net Pension Liability 1,103,463 526,543 - OPEB Liability 9,898 10,734 - Due within One Year 233,439 110,461 - Long-Term Debt: 1,914,847 200,000 - Due within One Year 1,914,847 200,000 - Due in More than One Year 14,125,739 10,683,696 - Total Liabilities 1,8148,721 14,781,955 106,122 DEFERRED INFLOWS OF RESOURCES Pension Related 1,689,267 382,396 - OPEB Related 506,628 18,854 - Lease Related 4,805,601 - - Total Deferred Inflows of Resources 7,001,496 401,250 - Net PositiOn 2,856,687 15,776,278 623,920 Net Pension Asset 2,664,643 - -		_	-			
Other Liabilities - - 4,298 Accrued Interest 173,414 38,000 - Net Pension Liability 1,103,463 526,543 - OPEB Liability. -		226.132	=	· ·		
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Due in More than One Year 233,439 110,461 - Long-Term Debt: 1,914,847 200,000 - Due Within One Year 14,125,739 10,683,696 - Total Liabilities 18,148,721 14,781,955 106,122 DEFERRED INFLOWS OF RESOURCES Pension Related 1,689,267 382,396 - OPEB Related 506,628 18,854 - Lease Related 4,805,601 - - - Total Deferred Inflows of Resources 7,001,496 401,250 - - NET POSITION 8 15,776,278 623,920 -	•	9 898	10 734	_		
Long-Term Debt: 1,914,847 200,000 - Due in More than One Year 14,125,739 10,683,696 - Total Liabilities 18,148,721 14,781,955 106,122 DEFERRED INFLOWS OF RESOURCES Pension Related 1,689,267 382,396 - OPEB Related 506,628 18,854 - Lease Related 4,805,601 - - - Total Deferred Inflows of Resources 7,001,496 401,250 - - NET POSITION 28,567,687 15,776,278 623,920 - - Net Investment in Capital Assets 28,567,687 15,776,278 623,920 -		•	· · · · · · · · · · · · · · · · · · ·	_		
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Due in More than One Year Total Liabilities 14,125,739 10,683,696 - Total Liabilities 18,148,721 14,781,955 106,122 DEFERRED INFLOWS OF RESOURCES Pension Related 1,689,267 382,396 - OPEB Related 506,628 18,854 - Lease Related 4,805,601 - - - Total Deferred Inflows of Resources 7,001,496 401,250 - NET POSITION 8 401,250 - - Net Investment in Capital Assets 28,567,687 15,776,278 623,920 Restricted For: 8 -		1 914 847	200 000	_		
Total Liabilities 18,148,721 14,781,955 106,122 DEFERRED INFLOWS OF RESOURCES Pension Related 1,689,267 382,396 - OPEB Related 506,628 18,854 - Lease Related 4,805,601 - - - Total Deferred Inflows of Resources 7,001,496 401,250 - NET POSITION Net Investment in Capital Assets 28,567,687 15,776,278 623,920 Restricted For: 266,463 - - - Net Pension Asset 266,463 - - - Debt Service 4,825,559 - - - Capital Outlay 126,820 - - - Highway Reconstruction 3,390,520 - - - Economic Development 1,127,643 - - - Fire Service 11,868 - - - Hospital Operations 2,323,091 - - -				_		
DEFERRED INFLOWS OF RESOURCES Pension Related 1,689,267 382,396 - OPEB Related 506,628 18,854 - Lease Related 4,805,601 - - Total Deferred Inflows of Resources 7,001,496 401,250 - NET POSITION Net Investment in Capital Assets 28,567,687 15,776,278 623,920 Restricted For: 266,463 - - - Net Pension Asset 266,463 - - - Debt Service 4,825,559 - - - Capital Outlay 126,820 - - - Highway Reconstruction 3,390,520 - - - Economic Development 1,127,643 - - - Fire Service 11,868 - - - Hospital Operations 2,323,091 - - - Other Purposes 66,163 - - - Unrestricted </td <td></td> <td></td> <td></td> <td>106 122</td>				106 122		
Pension Related 1,689,267 382,396 - OPEB Related 506,628 18,854 - Lease Related 4,805,601 - - Total Deferred Inflows of Resources 7,001,496 401,250 - NET POSITION Net Investment in Capital Assets 28,567,687 15,776,278 623,920 Restricted For: 8,825,559 - - - Net Pension Asset 266,463 - - - Debt Service 4,825,559 - - - Capital Outlay 126,820 - - - Highway Reconstruction 3,390,520 - - - Economic Development 1,127,643 - - Fire Service 11,868 - - Hospital Operations 2,323,091 - - Other Purposes 66,163 - - Unrestricted 9,654,796 12,723,264 169,346		10,140,721	14,761,333	100,122		
OPEB Related 506,628 18,854 - Lease Related 4,805,601 - - Total Deferred Inflows of Resources 7,001,496 401,250 - NET POSITION Net Investment in Capital Assets 28,567,687 15,776,278 623,920 Restricted For: 266,463 - - - Net Pension Asset 266,463 - - - Debt Service 4,825,559 - - - Capital Outlay 126,820 - - - Highway Reconstruction 3,390,520 - - - Economic Development 1,127,643 - - - Fire Service 11,868 - - - Hospital Operations 2,323,091 - - - Other Purposes 66,163 - - - Unrestricted 9,654,796 12,723,264 169,346						
Lease Related 4,805,601 -				=		
Total Deferred Inflows of Resources 7,001,496 401,250 - NET POSITION Net Investment in Capital Assets 28,567,687 15,776,278 623,920 Restricted For: Net Pension Asset Debt Service Capital Outlay Light Way Reconstruction Highway Reconstruction Economic Development Fire Service Hospital Operations Other Purposes Other Purposes Unrestricted 1,127,643 - - Unrestricted 66,163 - - Unrestricted 9,654,796 12,723,264 169,346	OPEB Related	506,628	18,854	-		
NET POSITION Net Investment in Capital Assets 28,567,687 15,776,278 623,920 Restricted For: 266,463 - - - Net Pension Asset 266,463 - - - Debt Service 4,825,559 - - - Capital Outlay 126,820 - - - Highway Reconstruction 3,390,520 - - - Economic Development 1,127,643 - - - Fire Service 11,868 - - - Hospital Operations 2,323,091 - - - Other Purposes 66,163 - - - Unrestricted 9,654,796 12,723,264 169,346			<u> </u>			
Net Investment in Capital Assets 28,567,687 15,776,278 623,920 Restricted For: Net Pension Asset 266,463 - - Debt Service 4,825,559 - - Capital Outlay 126,820 - - Highway Reconstruction 3,390,520 - - Economic Development 1,127,643 - - Fire Service 11,868 - - Hospital Operations 2,323,091 - - Other Purposes 66,163 - - Unrestricted 9,654,796 12,723,264 169,346	Total Deferred Inflows of Resources	7,001,496	401,250	<u> </u>		
Net Investment in Capital Assets 28,567,687 15,776,278 623,920 Restricted For: Net Pension Asset 266,463 - - Debt Service 4,825,559 - - Capital Outlay 126,820 - - Highway Reconstruction 3,390,520 - - Economic Development 1,127,643 - - Fire Service 11,868 - - Hospital Operations 2,323,091 - - Other Purposes 66,163 - - Unrestricted 9,654,796 12,723,264 169,346	NET POSITION					
Restricted For: Net Pension Asset 266,463 - - Debt Service 4,825,559 - - Capital Outlay 126,820 - - Highway Reconstruction 3,390,520 - - Economic Development 1,127,643 - - Fire Service 11,868 - - Hospital Operations 2,323,091 - - Other Purposes 66,163 - - Unrestricted 9,654,796 12,723,264 169,346		28 567 687	15 776 278	623 920		
Net Pension Asset 266,463 - - Debt Service 4,825,559 - - Capital Outlay 126,820 - - Highway Reconstruction 3,390,520 - - Economic Development 1,127,643 - - Fire Service 11,868 - - Hospital Operations 2,323,091 - - Other Purposes 66,163 - - Unrestricted 9,654,796 12,723,264 169,346	·	20,007,007	10,770,270	020,020		
Debt Service 4,825,559 - - Capital Outlay 126,820 - - Highway Reconstruction 3,390,520 - - Economic Development 1,127,643 - - Fire Service 11,868 - - Hospital Operations 2,323,091 - - Other Purposes 66,163 - - Unrestricted 9,654,796 12,723,264 169,346		266 463	_	=		
Capital Outlay 126,820 - - Highway Reconstruction 3,390,520 - - Economic Development 1,127,643 - - Fire Service 11,868 - - Hospital Operations 2,323,091 - - Other Purposes 66,163 - - Unrestricted 9,654,796 12,723,264 169,346			-	-		
Highway Reconstruction 3,390,520 - - Economic Development 1,127,643 - - Fire Service 11,868 - - Hospital Operations 2,323,091 - - Other Purposes 66,163 - - Unrestricted 9,654,796 12,723,264 169,346			-	-		
Economic Development 1,127,643 - - Fire Service 11,868 - - Hospital Operations 2,323,091 - - Other Purposes 66,163 - - Unrestricted 9,654,796 12,723,264 169,346			-	-		
Fire Service 11,868 - - Hospital Operations 2,323,091 - - Other Purposes 66,163 - - Unrestricted 9,654,796 12,723,264 169,346			-	-		
Hospital Operations 2,323,091 - - Other Purposes 66,163 - - Unrestricted 9,654,796 12,723,264 169,346	·		-	-		
Other Purposes 66,163 - - Unrestricted 9,654,796 12,723,264 169,346			-	-		
Unrestricted 9,654,796 12,723,264 169,346	·		-	-		
	·		40 700 00 :	100.015		
Total Net Position \$ 50,360,610 \$ 28,499,542 \$ 793,266						
	Total Net Position	<u>\$ 50,360,610</u>	<u>\$ 28,499,542</u>	<u>\$ 793,266</u>		

CITY OF SAUK CENTRE, MINNESOTA STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2024

					Net (Expense) Revenue			
			Program Revenues			Changes in Net Po	sition	
						Compon	ent Units	
	F	Charges for	Operating Grants and	Capital Grants and	Governmental	Sauk Centre Public Utilities	Sauk Centre	
PRIMARY GOVERNMENT	Expenses	Services	Contributions	Contributions	Activities	Commission	HRA	
GOVERNMENTAL ACTIVITIES								
General Government	\$ 1,189,446	\$ 436,402	\$ 19,533	c	¢ (700 E11)	\$ -	\$ -	
Public Safety	3,061,125	3 436,402 1,410,658	216,299	\$ -	\$ (733,511) (1,434,168)	э -	5 -	
Public Works	1,386,643	1,410,656	210,299	189,386	(1,434,166)	-	-	
Culture and Recreation	647,300	356,669	-	169,366		-	-	
Economic Development	303,946	330,009	-	-	(290,631) (303,946)	-	-	
Airport	277,158	- 101,543	-	25,941	(303,946)	-	-	
Debt Service	450,108	682,773	-	25,941	232,665	-	-	
Total Governmental Activities	7.315.726	3,184,849	235.832	215.327	(3,679,718)		<u>-</u>	
Total Governmental Activities	7,315,726	3, 104,049	235,632	215,327	(3,679,716)	-	-	
COMPONENT UNITS								
Housing Activity	388,071	205,122	91,350	-	-	-	(91,599)	
Public Utilities Commission	8,210,558	9,270,512		45,749		1,105,703		
Total Component Units	\$ 8,598,629	\$ 9,475,634	\$ 91,350	\$ 45,749	-	1,105,703	(91,599)	
		GENERAL REV	/ENUES					
		Property Tax	es		2,594,287	-	-	
		City Sales Ta			666,155	-	-	
		Tax Increme	nts		209,314	-	=	
		Grants and C	Contributions Not F	Restricted				
		to a Specific	c Program		1,501,524	-	-	
			Investment Earnin	gs	920,422	690,926	1,168	
		Miscellaneou			94,961	33,459	5,284	
		Total Gen	eral Revenues		5,986,663	724,385	6,452	
		CHANGES IN N	NET POSITION		2,306,945	1,830,088	(85,147)	
		Net Position - B	eginning of Year		48,053,665	26,669,454	878,413	
		NET POSITION	I - END OF YEAR		\$ 50,360,610	\$ 28,499,542	\$ 793,266	

CITY OF SAUK CENTRE, MINNESOTA BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2024

			Special Revenue						
		General	Arena		<u> Hospital</u>			Increment	
ASSETS Cash and Investments	\$	2,209,119	æ		\$	1,942,531	\$	257,244	
Taxes Receivable - Delinquent	Ф	38,383	\$	-	Ф	1,942,551	Ф	257,244	
Special Assessments Receivable		44,490		-		-		-	
Accounts Receivable, Net		86,377		32,203		201,990		-	
Loans Receivable		00,577		32,203		201,990		_	
Notes Receivable		-		-		6,732,992		-	
Interest Receivable		- 11,275		-		8,786		- 1,157	
Prepaid Items		25,464		-		0,700		1,157	
Land Held for Resale		25,404		-		-		243,922	
Due from Other Governments		- 22,666		- 411		-		243,922	
Lease Receivable		22,000		411		-		-	
Due from Component Unit		-		-		-		-	
Due from Other Funds		272,099		-		-		-	
Advances to Other Funds		212,099		-		1,203,871		-	
Advances to Other Funds						1,203,071			
Total Assets	\$_	2,709,873	\$	32,614	\$	10,090,170	\$	502,323	
LIABILITIES									
Salaries/Benefits Payable	\$	59,577	\$	2,169	\$	=	\$	_	
Accounts and Contracts Payable	·	81,361	·	10,374		_		3	
Due to Other Funds		, -		8,080		_		_	
Advances from Other Funds		_		-		=		_	
Unearned Revenue		153,954		_		=		_	
Total Liabilities		294,892		20,623		_		3	
DEFERRED INFLOWS OF RESOURCES									
Unavailable Taxes		38,384		-		_		-	
Unavailable Loans Receivable		-		-		_		-	
Unavailable Notes Receivable		-		-		6,732,992		_	
Unavailable Special Assessments		44,489		-		_		-	
Lease Related		-		-		_		-	
Total Deferred Inflows of Resources		82,873		-		6,732,992		-	
FUND BALANCES									
Restricted		126,820		-		2,323,091		502,320	
Committed		412,638		11,991		-		-	
Assigned		-		· <u>-</u>		1,034,087		_	
Unassigned		1,792,650		-		-		-	
Total Fund Balances		2,332,108		11,991		3,357,178		502,320	
Total Liabilities Deformed Inflame									
Total Liabilities, Deferred Inflows	\$	2,709,873	\$	32,614	¢	10,090,170	\$	502,323	
of Resources, and Fund Balances	Φ_	2,100,013	Ψ	JZ,U 14	Ψ_	10,000,170	Ψ	302,323	

CITY OF SAUK CENTRE, MINNESOTA BALANCE SHEET GOVERNMENTAL FUNDS (CONTINUED) DECEMBER 31, 2024

Special Revenue																					
	Author's						Nonmajor	Total													
	2020 CIP Addition Local Option Repayment Repayment Sales Tax		Capital Projects		D	ebt Service	Governmental Funds		Governmental Funds												
	ерауппепп		ерауппетіі	<u> </u>	Sales Tax		riojecis		ent Service		i unus		i uiius								
\$	173,292	\$	198,341	\$	3,257,885	\$	15,665	\$	4,387,650	\$	2,329,553	\$ 1	4,771,280								
	8,886		-		-		-		1,383		-		48,652								
	196,105		265,237		-		-		1,355,796		5,409		1,867,037								
	-		-		-		-		-		229,452 282,431		550,022								
	_		_		_		_		_		202,431	282,431 6,732,992									
	- 777		890		14,613		- 81		19,704	- 9,307			66,590								
			000		11,010		-		-		-		25,464								
	_		_		_		_		_		427,000		670,922								
	546		434		118,022		_		7,127		15,448	164,654									
	-		_		-		_	4,921,785			-	4,921,785									
	-		_		-		-		2,519,399		45,630		2,565,029								
	-		-		-		-		-		-		272,099								
				_						_											1,203,871
\$	379,606	\$	464,902	_\$_	3,390,520	\$	15,746	_\$_	13,212,844	_\$_	3,344,230	<u>\$ 3</u>	34,142,828								
\$	_	\$	-	\$	_	\$	_	\$	_	\$	27,609	\$	89,355								
	-		-		-		138,109		4,869		37,718		272,434								
	-		-		-		119,463		_		144,556		272,099								
	522,366		681,505		-		-		-		1,203,871										
			_						66,418	_	5,760		226,132								
	522,366		681,505		_		257,572		71,287		215,643		2,063,891								
	8,886		-		-		-		1,383		-		48,653								
	-		-		-		-		-		282,431		282,431								
	-		-		-		-		-		-		6,732,992								
	196,105		265,237		-		-		1,355,797		5,409										
									4,805,601				4,805,601								
	204,991		265,237		-		-		6,162,781		287,840	1	3,736,714								
	-		-		3,390,520		-		6,978,776		414,751	1	3,736,278								
	-		-		-		-		- 388,			813,468									
	-		-		-	-		-		2,037,157			3,071,244								
	(347,751)		(481,840)		_		(241,826)		-				721,233								
	(347,751)		(481,840)		3,390,520		(241,826)		6,978,776		2,840,747	1	8,342,223								
\$	379,606	\$	464,902	\$	3,390,520	\$	15,746	\$	13,212,844	\$	3,344,230	\$ 3	34,142,828								

CITY OF SAUK CENTRE, MINNESOTA RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL ACTIVITIES DECEMBER 31, 2024

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	18,342,223
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 Less: Accumulated Depreciation Right-of-Use Assets Less: Accumulated Amortization		77,587,862 (36,637,899) 72,950 (27,357)
The City's net pension asset and liability and related deferred inflows and outflows of resources are recorded only on the statement of net position. Balances at year-end are: Net Pension Asset Net Pension Liability Deferred Outflows of Resources - Pension Related Deferred Inflows of Resources - Pension Related		266,463 (1,103,463) 1,259,208 (1,689,267)
The City's OPEB liability and related deferred outflows of resources are recorded only on the statement of net position. Balances at year-end are: OPEB Liability Deferred Outflows of Resources - OPEB Related Deferred Inflows of Resources - OPEB Related		(243,337) 322,742 (506,628)
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 Accrued Interest Payable Lease Liability		(15,994,993) (173,414) (45,593)
Delinquent and special assessment receivables will be collected subsequent to year-end, but are not available soon enough to pay for the current-period's expenditures and therefore, are unavailable in the funds. Delinquent Property Taxes		48,653
Unavailable notes receivables are not available to pay for current expenditures and, therefore, are deferred in the funds. Unavailable Special Assessments Receivable		1,867,037
Loans and notes receivable will be collected subsequent to year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are unavailable in the funds.		7,015,423
NET POSITION OF GOVERNMENTAL ACTIVITIES	_\$_	50,360,610

CITY OF SAUK CENTRE, MINNESOTA STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2024

			Special Revenue						
	General		Arena		Hospital			Increment inancing	
REVENUES	•	1 001 101	•	05.005	•		•	000.044	
Taxes	\$	1,881,461	\$	35,065	\$	=	\$	209,314	
Special Assessments		20,545		-		-		=	
Licenses and Permits		421,187		-		-		-	
Intergovernmental Revenues		1,722,400		-		-		-	
Charges for Services		280,671		93,617		300,000		_	
Fines and Forfeits		63,885		- (0.000)		-		-	
Other Revenues		207,707		(2,200)		533,578		10,589	
Total Revenues		4,597,856		126,482		833,578		219,903	
EXPENDITURES									
General Government		1,054,833		_		_		_	
Public Safety		1,570,828		_		122,212		_	
Public Works		604,315		_		_		_	
Culture and Recreation		475,452		131,919		_		_	
Economic Development		-		-		_		295,256	
Airport		_		_		_			
Debt Service:									
Principal		28,687		_		_		_	
Interest and Fiscal Charges		1,930		_		_		_	
Capital Outlay		490,870		_		_		_	
Total Expenditures		4,226,915		131,919		122,212		295,256	
Total Experiultures	-	4,220,913		131,313		122,212		293,230	
EXCESS (DEFICIENCY) OF REVENUES		370,941		(5,437)		711,366		(75,353)	
OTHER FINANCING SOURCES (USES)									
Transfers In		2,500		120,000		_		11,776	
Transfers Out		-		-		(150,000)		(328,894)	
Lease Proceeds		72,950		-		_		_	
Sale of Assets		3,800		-		_		_	
Total Other Financing Sources (Uses)		79,250		120,000		(150,000)		(317,118)	
NET CHANGE IN FUND BALANCES		450,191		114,563		561,366		(392,471)	
Fund Balances - Beginning, as Originally Reported		1,881,917		(102,572)		2,795,812		894,791	
Changes to or Within the Financial Reporting Entity				<u>-</u>		<u>-</u> _		<u>-</u> _	
Fund Balance - as Adjusted		1,881,917		(102,572)		2,795,812		894,791	
FUND BALANCES - END OF YEAR	_\$_	2,332,108	\$	11,991	\$	3,357,178	\$	502,320	

CITY OF SAUK CENTRE, MINNESOTA STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS (CONTINUED) YEAR ENDED DECEMBER 31, 2024

	Spec	ial Revenue										
2020 CIP epayment	•			Capital Projects		Debt Service		Nonmajor Governmental Funds		Total Governmental Funds		
\$ 26,728 51,279	\$	36,810 189,409	\$ 666	6,155 -	\$	- -	\$	529,552 272,394	\$	90,683 -	\$	3,475,768 533,627
-		-		-		- 249,501		-		107.614		421,187
_		_		_		249,501		-		187,614 1,136,758		2,159,515 1,811,046
-		_		_		<u>-</u>		_		4,702		68,587
3,149		1,623	74	4,600		17,272		831,464		136,678		1,814,460
81,156		227,842		0,755		266,773		1,633,410		1,556,435		10,284,190
_		_		_		_		_		31,623		1,086,456
_		_		_		_		_		699,567		2,392,607
-		-		_		_		_		70,625		674,940
-		-		-		-		-		49,376		656,747
-		-		-		-		-		48,662		343,918
-		-		-		-		-		79,967		79,967
<u>-</u>		<u>-</u>		-		-		1,820,000		-		1,848,687
11,860		15,000		-		-		485,558		-		514,348
 11,860		15.000		-		370,250 370,250	-	205 550		481,943 1,461,763		1,343,063
 11,000		15,000				370,250		2,305,558		1,401,703		8,940,733
69,296		212,842	740	0,755		(103,477)		(672,148)		94,672		1,343,457
_		_		_		138,044		1,046,068		257,000		1,575,388
_		_		_		(873,534)		-		(222,960)		(1,575,388)
-		-		-		_		-				72,950
_						-		-		_		3,800
				_		(735,490)		1,046,068		34,040		76,750
69,296		212,842	740	0,755		(838,967)		373,920		128,712		1,420,207
(417,047)		(694,682)		-		597,141		6,604,856		5,361,800		16,922,016
 			2,649	9,765_					((2,649,765)		
 (417,047)		(694,682)	2,649	9,765		597,141		6,604,856		2,712,035		16,922,016
\$ (347,751)	\$	(481,840)	\$ 3,390	0,520	\$	(241,826)	\$	6,978,776	\$	2,840,747	\$	18,342,223

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, 2024

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,420,207
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 and amortization expense. This is the amount by which capital outlay exceeded depreciation and amortization expense in the current period.	
Capital Outlay	1,383,052
Depreciation and Amortization Expense	(1,817,151)
Disposal of Assets - Net Book Value	(53,895)
The governmental funds report bond proceeds as financing sources, while repayment of bond principal	
is reported as an expenditure. In the statement of net position, however, issuing debt increases	
long-term liabilities and does not affect the statement of activities. Also, governmental funds report	
the effect of premiums, and discounts when debt is first issued, whereas these amounts are amortized	
in the statement of activities. Interest is recognized as an expenditure in the governmental funds	
when it is due. In the statement of activities however, interest expense is recognized as it accrues.	
The effect of these items is as follows:	
Repayment of Debt Principal	1,820,000
Lease Proceeds	(72,950)
Amortization of Bond Premium	44,087
Change in Accrued Interest	20,118
Reduction in Lease Liability	28,687
Pension expenditures on the governmental funds are measured by current year employer contributions.	
Pension expenses on the statement of activities are measured by the change in net pension liability	
(asset) and the related deferred inflows and outflows of resources.	144,708
Payments to the City's OPEB liability are recognized as expenditures at the fund level while the change	
in the OPEB obligation and the related deferred inflows and outflows of resources are recognized	
in the statement of net position.	5,653
In the statement of activities, compensated absences are measured by the amounts earned during	
the year. In the governmental funds, however, expenditures for these items are measured by the	
amount of financial resources used (essentially, the amounts actually paid).	(36,886)
Delinquent property taxes, notes receivable, and special assessments will be collected subsequent	
to year-end, but are not available soon enough to pay for the current-period's expenditures	
and, therefore, are unavailable in the governmental funds.	(578,685)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

2,306,945

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Financial Reporting Entity

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

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

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

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

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 financial information is presented as of and for the fiscal year ended September 30, 2024.

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

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

C. Basic Financial Statement Presentation

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

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

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

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

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

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, including lease liabilities, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

E. Fund Accounting

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

Governmental Funds

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

<u>Arena Special Revenue Fund</u> – 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.

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

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

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

<u>Author's Addition Repayment Special Revenue Fund</u> – The Author's Addition Repayment Special Revenue Fund is used to account for a transfer from the Hospital Fund for the Author's Addition Project. The resources shall be repaid to the hospital fund through collections of special assessments and property taxes within this fund.

<u>Local Option Sales Tax Fund</u> – The Local Option Sales Tax Fund is used to account for financial resources to be used for city infrastructure improvement projects directly related to the reconstruction of Trunk Highway 71.

<u>Capital Projects Fund</u> – 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.

<u>Debt Service Fund</u> – 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 2024, the City's adopted budget was consistent with U.S. GAAP.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

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

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

F. Use of Estimates

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

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

1. Cash and Cash Equivalents

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

2. Accounts Receivable, Net

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, 2024, the allowance is \$187,413.

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 "A" or better, general obligations of the Minnesota Housing Finance Agency rated "A" or better:

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)

3. Investments (Continued)

bankers' acceptances of United States' banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualifies as a "depository" by the City entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

4. Land Held for Resale

Assets held for resale represents land purchased with the intent of selling the property for future development. This is recorded at the lower of cost or estimated market value.

5. 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.

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. Fund Balance/Net Position (Continued)

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

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

6. Property Taxes Calendar

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Property Taxes Calendar (Continued)

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 2023, which was collected during the year ended December 31, 2024. Any adjustments or abatements to either the current, or any prior year, levy are adjusted through the current year general property tax revenues. Property taxes not collected by the County and remitted to the City within 60 days of year-end are classified as delinquent and not considered measurable and available and are fully offset by deferred inflows of resources in the governmental fund financial statements. Delinquent taxes receivable represent the past years of uncollected tax years. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material. During the current year, the County collected taxes levied for the subsequent period. These taxes will be recognized as revenue in the year for which they were levied and are reported as property taxes levied for subsequent year.

7. Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of improvement projects. Assessments are collectible over a term of years at an interest rate established by the City Council upon adoption of each assessment roll. Property owners are allowed to prepay future installments without interest or prepayment penalties. In the governmental fund financial statements, special assessment levies are recorded as a receivable and as deferred inflows of resources at the time of the levy. Deferred inflows of resources are recognized as current revenue as the annual assessment installments become available. Interest on special assessments is also recognized when it becomes measurable and available.

8. 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.

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)

9. 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.

10. Capital Assets

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

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 and right-to-use equipment.

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

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

11. Deferred Outflows of Resources/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The category of deferred outflow of resources reported in the statement of net position is related to pensions and other postemployment benefits. Deferred outflows on pension and other postemployment benefits are more fully discussed in Notes 7, 9, and 10.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Deferred Outflows of Resources/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position and the governmental funds balance sheet includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets or fund balance that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide financial statements. The City's deferred inflows of resources reported on the statement of net position relate to pension and other postemployment benefits, which are more fully discussed in Notes 7, 9 and 10. The statement of net position and the governmental funds balance sheet also report a deferred inflow of resources related to leases. The lease related deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus any payments received at or before the start of the lease term that relates to future periods, less any lease incentives paid to, or on behalf of the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

Under the modified accrual basis of accounting, deferred inflows of resources also include revenues not collected within the availability period after the fiscal year-end. The City has reported deferred inflows of resources related to unavailable revenues for property taxes, grants, notes and loans, and special assessments. These amounts are deferred and will be recognized as an inflow of resources in the period that amounts become available.

12. 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.

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)

13. Long-Term Obligations

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

14. Long-Term Interfund Receivables / Payables

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

15. Compensated Absences

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

Full-time employees earn sick leave at the rate of 4 hours per bi-weekly payroll period, or 13 days per year, to a maximum of 720 hours (90 days).

Employees maintaining the maximum of 720 hours accrue two additional hours of vacation per pay period. Upon retirement, or if an employee terminates employment in good standing after ten years of continuous service with the City, the employee will be compensated for the accrued sick leave at 30% of their current wage rate.

The liability for compensated absences reported in the government-wide statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Revenues, Expenditures, and Expenses

1. Revenues

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

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

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

2. Expenditures

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

3. Expenses

Government wide financial statements recognize expenses when they are incurred.

I. Adoption of New Accounting Standards

In June 2022, the Governmental Accounting Standards Board (GASB) issued GASB statement No. 101, Compensated Absences. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures.

The City adopted the requirements of the guidance effective January 1, 2024, and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard did not result in any material adjustments.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budget

The budget was prepared for the General, Arena, Author's Addition Repayment, Hospital, 2020 CIP Repayment, Local Option Sales Tax 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 accounting principles generally accepted in the United States of America.

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

Expenditures in Excess of Appropriations

Expenditures exceeded the appropriations during the year ended December 31, 2024 in the following funds:

					Ex	penditures Over	
	Expenditures			propriations	App	Appropriations	
Tax Increment Fund	\$	295,256	\$	133,520	\$	161,736	

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

Deficit Fund Balance

The following funds have a deficit fund balance as of December 31, 2024:

Deficit Fund Balance	 Amount
2020 CIP Repayment Fund	 (347,751)
Author's Repayment Fund	(481,840)
Capital Projects	(241,826)

Deficit fund balances are due to expenditures exceeding revenues and will be recovered through future tax increment collections, property tax collections or special assessments.

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.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

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

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

The City's deposits in excess of the \$250,000 Federal Deposit Insurance Corporation limits are covered by collateral held in a Federal Reserve Pledge account or by an agent for the City and thus no custodial credit risk exists. As of December 31, 2024, all City deposits were covered by insurance or collateral.

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

Investments

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

Minnesota Statutes §§118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota Statutes §118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- (3) general obligations of the state of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

<u>Interest Rate Risk:</u> Is the risk that changes in the market interest rates will adversely affect the fair value of an investment. It is the City policy to minimize its exposure to interest rate risk by investing in both shorter and longer-term investments (not to exceed two years) and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

<u>Credit Risk:</u> Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the City's policy to invest only in securities that meet the ratings requirements set by state statute. At December 31, 2024, the City had no investments required to be rated.

<u>Custodial Credit Risk:</u> Is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. It is the City's policy to limit City investments to those approved in its investment policy and to obtain necessary documentation (e.g., broker certification forms and documentation of perfected security interests in pledged collateral) from the financial institutions, broker/dealers, intermediaries and advisors, as applicable, with which the City will do business. City investments were not subject to custodial credit risk as of December 31, 2024.

<u>Concentration of Credit Risk:</u> Is the risk of loss that may be caused by the City's investment in a single issuer. It is the City's policy that U.S. Treasury securities, U.S. Agency securities, and obligations backed by U.S. Treasury and/or U.S. Agency securities, may be held without limit.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The City had the following investments at December 31, 2024:

			Concentration			
	Cred	Credit Risk Risk		Interest	Rate Risk	
			Percent of	Maturity	Interest	Carrying
Investment	Rating	Agency	Portfolio	Date	Rate	Va l ue
Minnesota Municipal Money						
Market Fund:						
4M Plus Fund	N/R	N/A	N/A	N/A	N/A	\$ 1,107
4M Fund	N/R	N/A	N/A	N/A	N/A	1,079,341
Total Investments						\$ 1,080,448
					Bank	Carrying
Deposits					Value	Va l ue
Cash and Cash Equivalents					\$ 3,859,903	\$ 3,862,029
Savings Accounts					1,669,899	1,669,899
Certificates of Deposit					8,158,904	8,158,904
Total Deposits						\$ 13,690,832
Total Deposits and Investmen	nts - Governn	nental Funds				\$ 14,771,280

Fair Value Measurements

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

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

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

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

- Level 1 Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- Level 2 Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- Level 3 Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Investments are measured as follows:

Investments Measured at Amortized Cost: Money Market Funds Total Investments

\$ 1,080,448 \$ 1,080,448

The City's investment with the 4M fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M fund is an unrated external investment pool and the fair value of the position in the pool is the same as the value of pool shares. The pool is valued at amortized cost. For this investment pool, there are no restrictions on withdrawals from the 4M Liquid Asset Fund, which may be affected on a same day basis. All investments in the 4M PLUS Fund must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to 7 days interest on the amount withdrawn. The LTD Fund requires a minimum balance of \$50,000 and redemption from the LTD Fund may only be made on the third Wednesday of each month upon at least two weeks advance notice. Term Series investments are designed to be held to maturity. If an investment made in a Term Series is withdrawn prior to the maturity date, seven days' notice of redemption is required, and a penalty will likely be assessed. The penalty, which may be substantial, could include the amount necessary to recoup for the Series any penalty charges, losses and other costs attributable to the early redemption.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and Cash Equivalents - Sauk Centre Public Utilities Commission

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

	S	auk Centre	
	Public Utilit		
	C	ommission	
Cash on Hand	\$	600	
Cash in Checking		956,845	
Designated Assets:			
Capital Replacement Deposits		2,996,907	
Operations and Maintenance Deposits		400,000	
Capital Replacement Deposits		6,529,590	
OPEB Deposits		121,195	
Debt Retirement Deposits		350,000	
Restricted Assets:			
Capital		8,316,343	
Total Cash and Investments	\$	19,671,480	

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.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024 is as follows:

GOVERNMENTAL ACTIVITIES	January 1, 2024 Balance Additions Disposals		December 31, 2024 Balance		
Capital Assets, Not Being Depreciated:	2024 Dalance	Additions	Disposais	2024 Dalance	
Land	\$ 3.765.977	\$ -	\$ 40,000	\$ 3,725,977	
Construction in Progress	11,623,435	406,617	11,623,434	406,618	
Total Capital Assets, Not Being Depreciated	15,389,412	406,617	11,663,434	4,132,595	
Capital Assets, Being Depreciated:					
Land Improvements	2,598,521	383,160	_	2,981,681	
Buildings and Improvements	25,788,822	-	65,186	25,723,636	
Vehicles, Machinery, and Equipment	10,574,038	337,579	101,837	10,809,780	
Infrastructure	22,133,990	11,806,180	=	33,940,170	
Total Capital Assets, Being Depreciated	61,095,371	12,526,919	167,023	73,455,267	
Less: Accumulated Depreciation					
Land Improvements	(262,442)	-	-	(262,442)	
Buildings and Improvements	(18,050,461)	(767,713)	(63,501)	(18,754,673)	
Vehicles, Machinery, and Equipment	(7,931,560)	(323,284)	(89,627)	(8,165,217)	
Infrastructure	(8,758,100)	(697,467)		(9,455,567)	
Total Accumulated Depreciation	(35,002,563)	(1,788,464)	(153,128)	(36,637,899)	
Total Capital Assets, Being Depreciated	26,092,808	10,738,455	13,895	36,817,368	
Right-to-Use Lease Assets:					
Equipment	33,517	72,950	33,517	72,950	
Total Right-to-Use Lease Assets	33,517	72,950	33,517	72,950	
Less Accumulated Amortization:					
Equipment	(32, 187)	(28,687)	(33,517)	(27,357)	
Total Accumulated Amortization	(32,187)	(28,687)	(33,517)	(27,357)	
Total Right-to-Use Lease Assets, Net	1,330	44,263		45,593	
Governmental Capital Assets, Net	\$ 41,483,550	\$ 11,189,335	\$ 11,677,329	\$ 40,995,556	

Depreciation and amortization expense was charge to functions/programs as follows:

Governmental Activities:	
General Government	\$ 101,809
Public Safety	709,119
Public Works	705,400
Culture and Recreation	111,133
Airport	 189,690
Total Depreciation and Amortization Expense, Governmental Activities	\$ 1,817,151

NOTE 5 CAPITAL ASSETS (CONTINUED)

COMPONENT UNIT SAUK CENTRE PUBLIC UTILITIES COMMISSION		anuary 1, 24 Ba l ance	Additions	[Disposa l s	ecember 31, 024 Balance
Capital Assets, Not Being Depreciated: Land Construction in Progress	\$	146,633 1,356,246	\$ 148,439 3,838,886	\$	862,469	\$ 295,072 4,332,663
Total Capital Assets, Not Being Depreciated		1,502,879	 3,987,325		862,469	 4,627,735
Capital Assets, Being Depreciated:						
Station Equipment		532,713	-		-	532,713
Distribution System		28,462,678	647,727		_	29,110,405
General Plant		4,894,738	318,806		178,687	5,034,857
Load Management		234,544	-		-	234,544
Treatment Facility		1,403,953	 			1,403,953
Total Capital Assets, Being Depreciated		35,528,626	 966,533		178,687	36,316,472
Total Capital Assets		37,031,505	4,953,858		1,041,156	40,944,207
Less: Accumulated Depreciation		18,685,088)	 (974,407)		(30,248)	 (19,629,247)
Capital Assets, Net	\$	18,346,417	\$ 3,979,451	\$	1,010,908	\$ 21,314,960
COMPONENT UNIT HOUSING AND REDEVELOPMENT AUTHORITY OF SAUK CENTRE		October 1, 23 Balance	Additions		ljustments/ Disposa l s	eptember 30, 024 Balance
Capital Assets, Not Being Depreciated: Land and Improvements	\$	95,745	\$ -	\$	-	\$ 95,745
Capital Assets, Being Depreciated: Buildings Equipment and Other		2,111,247 107,324	8,900		<u>-</u>	2,120,147 107,324
Total Capital Assets Being Depreciated	•	2,218,571	 8,900		_	 2,227,471
Total Suprair 1000to Boning Boprosiated		2,210,071	0,000			_,, , , , , ,
Less: Accumulated Depreciation		(1,609,590)	 (89,706)			 (1,699,296)
Total Capital Assets Being Depreciated, Net		608,981	 (80,806)			528,175
Capital Assets, Net	\$	704,726	\$ (80,806)	\$		\$ 623,920

NOTE 6 LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended December 31, 2024:

	Balance						Balance	1	Amounts		
	January 1,					December 31,			Due in		
	2024	li	ncreases	s Decreases		Decreases			2024		one Year
General Obligation Improvement Bonds	\$ 8,465,000	\$		\$	855,000	\$	7,610,000	\$	850,000		
Premium on Bonds	281,345		_		44,087		237,258		=		
Revenue Bonds	5,945,000		_		575,000		5,370,000		585,000		
Revenue Bonds - Direct Borrowings	2,892,000		_		390,000		2,502,000		397,000		
Compensated Absences	238,849		257,883		220,997		275,735		46,372		
Lease Liability	1,330		72,950		28,687		45,593		36,475		
Total Long-Term Debt	\$ 17,823,524	\$	330,833	\$	2,113,771	\$	16,040,586	\$	1,914,847		

NOTE 6 LONG-TERM DEBT (CONTINUED)

The outstanding note from direct borrowings of \$2,502,000 contain (1) a provision that if the City is unable to make a payment when due, an interest penalty may be imposed and one or more of the following remedies may be exercised: (a) withhold approval of any disbursement request, (b) reject any pending application by the City for financial assistance, (c) to the extent permitted by law, demand immediate payment of the note in full and upon such demand, the outstanding principal amount will be immediately due and payable with interest accrued thereon to the date of the payment, (d) exercise any other remedy available under law, and (2) a provision that if the City fails to comply with any other provision within the note agreement an immediate increase in the interest rate on the loan by eliminating all interest rate discounts that were originally applied, in addition, the default remedies for failure to make a payment as listed above may be exercised.

General Obligation Bonds

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

	C	Balance Outstanding
General Obligation Improvement Bonds:		
\$1,245,000 of General Obligation Improvement Bonds, Series 2012A, interest	•	450.000
from 2.00% to 2.20%, matures February 1, 2029.	\$	450,000
\$2,185,000 of General Obligation Refunding Bonds, Series 2015B, interest at 2.00%, matures February 1, 2025.		170,000
\$1,440,000 of General Obligation Bonds, Series 2015A, interest from 1.50%		170,000
to 3.00%, matures February 1, 2026.		320,000
\$3,350,000 of General Obligation Bonds, Series 2018A, interest from 3.00%		,
to 3.25%, matures February 1, 2034.		2,425,000
\$4,390,000 of General Obligation Bonds, Series 2022A, interest from 3.00%		
to 5.00%, matures February 1, 2038.		4,245,000
Total General Obligation Improvement Bonds		7,610,000
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.		535,000
\$8,845,000 of General Obligation Hospital Refunding Bonds, Series 2015C,		4 025 000
interest from 2.00% to 3.00%, due September 1, 2033. Total Revenue Bonds		4,835,000 5,370,000
Total Revenue Bolius		5,370,000
Revenue Notes - Direct Borrowings - Expected to be Repaid from Reimbursements from the Public Utilities Commission: \$7,058,050 of General Obligation Sewer Revenue Notes, 2010 issue,		
interest of 1.911%, matures August 2030.		2,502,000
Plus Premium on Bonds		237,258
Compensated Absences		275,735
Lease Liability		45,593
Total Long-Term Debt	\$	16,040,586

NOTE 6 LONG-TERM DEBT (CONTINUED)

Long-term debt maturities are as follows:

			Revenue No	tes: Direct				
	G.O. and Rev	venue Bonds	Borrov	vings	Lease Liabi l ity			
	Total Principal	Total Interest	Total Principal	Total Interest	Total Principal	Total Interest		
Year Ending December 31,	Maturities	Maturities	Maturities	Maturities	Maturities	Maturities		
2025	\$ 1,435,000	\$ 387,016	\$ 397,000	\$ 47,814	\$ 36,475	\$ 292		
2026	1,315,000	347,921	405,000	40,226	9,118	15		
2027	1,180,000	310,964	413,000	32,488	-	-		
2028	1,215,000	274,790	421,000	24,594	-	-		
2029	1,245,000	236,756	866,000	24,902	=	-		
2030-2034	5,160,000	633,650	-	-	-	-		
2035-2038	1,430,000	97,584			<u> </u>			
Total	12,980,000	2,288,681	2,502,000	170,024	45,593	307		
Plus: Premium	237,258							
Total	\$ 13,217,258	\$ 2,288,681	\$ 2,502,000	\$ 170,024	\$ 45,593	\$ 307		

The St. Michael's Hospital and Nursing Home bonds are revenue bonds that are repaid from the proceeds of rental payments from CentraCare as part of the sale agreement of the hospital to CentraCare. These rental payments are restricted for the purpose of repaying this debt.

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

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

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

In 2010, the City issued \$7,058,050 in general obligation notes on behalf of the Sauk Centre Public Utility Commission. The notes financed construction of improvements to the wastewater treatment system.

The City issued \$4,390,000 in general obligation improvement during 2022 for various street and utility improvement projects.

See Note 13 for further information regarding the lease liability.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

Funding Policy

Employees of the City, after 25 years of employment can stay on the healthcare plan and the City will pay 25% of the single rate. In addition, employees who separate from City employment due to retirement or disability, have access to the coverage; however, that coverage is paid for at the former employees' expense. Sauk Centre Public Utilities Commission provides healthcare coverage for eligible retired employees. Eligible employees who retire between the ages of 55 and 59, with 20 years of service, shall receive employer-paid single medical insurance at the rate of \$706 per month until the age of 60. When those retirees reach the age of 60 or when eligible employees retire at the age of 60 years or older, they shall receive employer-paid single medical insurance at the rate of \$860 per month until the age of 65 or when eligible for Medicare. The employee shall be responsible for any premiums over the \$706 or \$860.

Employees Covered by Benefit Terms

At December 31, 2024, the City had 23 active plan members, two retires and zero spouse receiving benefit payments. The Sauk Centre Public Utilities Commission had 14 active plan members and 1 inactive employee. There are no inactive employees entitled to benefits but not yet receiving them for either the City or the Sauk Centre Public Utilities Commission.

Actuarial Methods and Assumptions

The OPEB liability was measured as of January 1, 2024, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2024.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Salary Health Care Trend Rates 2.5% (City), 2.5% (Utility)
Service graded table
6.5% Decreasing to 5.00%
Over Six Years, then 4.00%
over next 48 years (City)
3.25% Decreasing to 2.50%
over next 6 years (Utility)

City mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

The assumptions used in the January 1, 2024 valuation are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

The discount rate used to measure the total OPEB liability was 3.7%. The discount rate is equal to the estimated 20-Year Municipal Bond Yield.

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

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

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The inflation rate was changed from 2.0% to 2.5%
- The discount rate was changed from 4.0% to 3.7%.

Changes in the Total OPEB Liability

	Gove	ernmental	uk Centre Public Utilities	
		Funds	 mmission	 Total
Balance as of January 1, 2024	\$	660,926	\$ 105,546	\$ 766,472
Changes for the Year:				
Service Cost		5,235	5,468	10,703
Interest		26,139	4,236	30,375
Assumption Changes		11,453	4,893	16,346
Plan Changes		9,892	_	9,892
Differences Between Expected and Actual				
Experience		(444,666)	11,368	(433,298)
Benefit Payments		(25,642)	(10,316)	(35,958)
Net Change in Total OPEB Liability		(417,589)	15,649	(401,940)
Balance as of December 31, 2024	\$	243,337	\$ 121,195	\$ 364,532

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

	1% Decrease (2.70%)		 count Rate (3.70%)	1% Increase (4.70%)		
Total OPEB Liability - City	\$	267,175	\$ 243,337	\$	222,020	
Total OPEB Liability - Utility		133,703	121,195		109,505	

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability (Continued)

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

			Cur	rent i rend				
Medical Trend Rate	1%	1% Decrease		Rates		1% Increase		
Total OPEB Liability - City	\$	219,897	\$	243,337	\$	270,063		
Total OPEB Liability - Utility		106,049		121,195		139,368		

For the year ended December 31, 2024, the City and the Utility recognized OPEB expense of \$4,245 and \$11,683, respectively.

At December 31, 2024, the City and Utility reported deferred inflows of resources, and deferred outflows of resources related to OPEB from the following sources:

	City of Sauk Centre				Sauk Centre Public Utility Commission			
Description	O	Deferred Deferred Outflows of Inflows of Resources Resources		ows of Inflows of Outflow		Deferred Outflows of Resources		eferred flows of esources
Changes in Actuarial Assumptions	\$	24,001	\$	92,167	\$	16,575	\$	18,854
Contributions Subsequent to the Measurement Date		9,898		-		10,734		_
Difference Between Expected and								
Actual Liability		288,843		414,461		8,553		
Total	\$	322,742	\$	506,628	\$	35,862	\$	18,854

The \$9,898 and \$10,734 reported by the City and Utility, respectively as deferred outflows of resources resulting from contributions subsequent to the measurement date, which will be recognized as a reduction of the OPEB liability in the year ending December 31, 2025.

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

	City	y Pension	Utility Pension		
	E	xpense	Expense		
Year Ending December 31,		Amount	A	mount	
2025	\$	(37,018)	\$	2,753	
2026		(35,249)		2,747	
2027		(14,640)		435	
2028		(16,599)		(662)	
2029		(90,278)		(668)	
Thereafter		_		1,669	

NOTE 8 COMPONENTS OF FUND BALANCE

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

	General Fund	Arena Fund	Hospital Fund	TIF Fund	2020 CIP Repayment Fund	Author's Repayment Fund	Local Option Sales Tax	Capita l Projects Fund	Debt Service Fund	Nonmajor Governmental Funds
Fund Balances:										
Restricted:										
Fire Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,868
Economic Development	-	-	-	503,083	-	-	-	-	-	-
Debt Service	-	-	-	_	-	-	_	-	6,978,776	-
Economic Development Loan	-	-	_	-	_	-	_	_	-	342,129
Park Capital Outlay	-	-	-	-	-	-	-	-	-	2,016
Sales Tax	-	-	_	-	-	-	3,390,520	_	-	-
Police Forfeiture Operations	_	-	_	-	_	_	_	_	-	58,738
Hospital Operations	-	-	2,323,091	-	-	-	-	-	-	-
Capital Improvement Projects	-	-	_	_	_	-	_	_	-	_
Street Improvements	126,820	-	-	-	-	-	-	-	-	-
Small City Development	_	-	_	-	_	_	_	_	-	_
Committed For:										
Library Operations	-	-	-	-	-	-	_	-	-	11,290
Fire Protection Capital Outlay	-	-	-	-	-	-	-	-	-	49,770
Ambulance Operations	-	-	_	-	-	-	-	_	-	34,793
Airport Capital Outlay	_	-	-	_	-	-	_	-	-	35,215
Storm Water Utility	_	-	_	-	_	-	-	_	-	257,771
Arena Operations	=	11,991	-	-	-	-	-	-	-	_
Park Land	19,000	-	_	-	_	_	-	_	-	_
Police Department Severance	167,917	-	-	-	-	_	_	-	-	-
Street Improvements	67,951	-	_	-	-	_	-	_	_	_
Campground	8,849	-	-	-	-	-	-	-	-	-
MnDOT Signs	6,107	-	-	-	-	-	-	-	-	-
Build A Forest	8,115	-	-	-	-	-	-	-	-	-
Parks	117,618	-	-	-	-	-	-	-	-	-
Splash Pad	17,081	-	-	-	-	_	-	-	-	-
Assigned:										
Hospital Operations	_	_	1,034,087	_	-	_	_	_	_	_
Senior Center Operations	-	-	-	-	-	_	-	-	-	20,188
Fire Department Equipment	_	_	_	_	_	_	_	_	_	253,415
Ambulance Services	-	-	_	-	-	_	-	-	-	925,188
Economic Development	_	_	_	_	-	_	_	_	-	105,966
EDA Improvement Projects	_	-	-	-	-	-	-	-	-	281,796
Airport Operations	_	-	_	_	_	_	_	_	_	347,197
Small City Development	_	-	-	_	_	_	_	-	-	103,407
Capital Projects	_	_	_	_	_	_	_	_	-	
Unassigned:	1,792,650			(763)	(347,751)	(481,840)		(241,826)		
Total Fund Balances	\$ 2,332,108	\$ 11,991	\$ 3,357,178	\$ 502,320	\$ (347,751)	\$ (481,840)	\$ 3,390,520	\$ (241,826)	\$ 6,978,776	\$ 2,840,747

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). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

NOTE 9 PENSION PLANS (CONTINUED)

Plan Description (Continued)

Public Employees Police and Fire Plan

Membership in the Police & Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police & Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employee Plan Benefits

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

NOTE 9 PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

General Employee Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after ten years. After five years, vesting increase by 10% each full year of service until members are 100% vested after ten years. Police and Fire Plan members receive 3 percent of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417% each month members are younger than age 55.

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

Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employee Plan Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the City and the Sauk Centre Public Utility Commission were required to contribute 7.50% for Coordinated Plan members. The City's and the Sauk Centre Public Utility Commission's contributions to the General Employees Fund for the year ended December 31, 2024, were \$72,074 and \$96,328, respectively. The City's and the Sauk Centre Public Utility Commission's contributions were equal to the required contributions as set by state statute.

NOTE 9 PENSION PLANS (CONTINUED)

Contributions (Continued)

Police and Fire Plan Contributions

Police and Fire plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2024 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2024, were \$130,998. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

General Employees Plan Pension Costs

At December 31, 2024, the City reported a liability of \$403,164 for its proportionate share of the General Employees Fund's net pension liability. The City net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$10,425. The net pension liability was measured as of June 30, 2024, 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, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0109% at the end of the measurement period and 0.0116% for the beginning of the period.

At December 31, 2024, the Sauk Centre Public Utilities Commission reported a liability of \$526,543 for its proportionate share of the General Employee's Plan net pension liability. The Utility's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2024. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the Utility totaled \$13,615. The net pension liability was measured as of June 30, 2024, 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The Utility's proportionate share was 0.0142% at the end of the measurement period and 0.0132% for the beginning of the period.

NOTE 9 PENSION PLANS (CONTINUED)

Pension Costs (Continued)

General Employees Plan Pension Costs (Continued)	
City of Sauk Centre	

\$ 403,164
10,425
\$ 413,589
\$ 526,543
13,615
\$ 540.158
\$

For the year ended December 31, 2024, the City recognized pension expense of \$17,655 for its proportionate share of the General Employee Pension Plan's pension expense. The Sauk Centre Public Utility Commission recognized pension expense of \$62,188 for its proportionate share of the General Employee Pension Plan's pension expense. In addition, the City and Sauk Centre Public Utility Commission recognized an additional \$1,745 and (\$261), respectively, as pension expense (and grant revenue) for their proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City and Sauk Centre Public Utility Commission recognized \$18,549 and \$24,226, respectively, for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

NOTE 9 PENSION PLANS (CONTINUED)

Pension Costs (Continued)

General Employees Plan Pension Costs (Continued)

At December 31, 2024, the proportionate share of the General Employee Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources is as follows:

						Sauk Centre Public			
		City of Sa	uk Ce	entre	Utility Commission				
		eferred		Deferred	Deferred			Deferred	
	Οι	ıtflows of	li	nflows of	Οι	utflows of	Ir	nflows of	
Description	Resources		R	esources	Resources		R	esources	
Differences Between Expected and						_			
Actual Economic Experience	\$	37,908	\$	-	\$	49,509	\$	_	
Changes in Actuarial Assumptions		1,967		152,591		2,571		199,288	
Net Difference Between Projected									
and Actual Earnings on Pension									
Plan Investments		_		117,076		_		152,904	
Changes in Proportion		_		53,395		57,478		30,204	
Contributions Subsequent to the									
Measurement Date		35,926				48,646			
Total	\$	75,801	\$	323,062	\$	158,204	\$	382,396	

The \$35,926 and \$48,646 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date for the City and for the Sauk Centre Public Utility Commission, respectively, will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	City Pension	Ut	Utility Pension Expense		
	Expense				
Year Ending December 31,	Amount		Amount		
2025	\$ (151,587)	\$	(156,984)		
2026	(40,392)		(27,364)		
2027	(60,308)		(48,134)		
2028	(30.900)		(40.356)		

NOTE 9 PENSION PLANS (CONTINUED)

Pension Costs (Continued)

Police and Fire Pension Costs

At December 31, 2024, the City reported a liability of \$700,299 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0532% percent at the end of the measurement period and 0.0502% percent for the beginning of the period.

The State of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City's totaled \$26,695.

City of Sauk Centre

City's Proportionate Share of the Net Pension	
Liability	\$ 700,299
State of Minnesota's Proportionate Share of the	
Net Pension Liability with the City	26,695
Total	\$ 726,994

For the year ended December 31, 2024, the City recognized pension expense of \$151,034 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$4,791 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund special funding situation.

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$28.4 million in fire state aid. The City also recognized \$10,495 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the Police and Fire Fund.

NOTE 9 PENSION PLANS (CONTINUED)

Pension Costs (Continued)

Police and Fire Pension Costs (Continued)

At December 31, 2024, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred	Deferred		
	С	utflows of	Inflow	s of	
Description	R	Resources	Resources		
Differences Between Expected and	\$	272,913	\$	_	
Actual Economic Experience					
Changes in Actuarial Assumptions		769,810	1,03	1,208	
Net Difference Between Projected					
and Actual Earnings on Pension					
Plan Investments		_	22	7,703	
Changes in Proportion		68,304		7,648	
City Contributions Subsequent to the					
Measurement Date		62,880			
Total	\$	1,173,907	\$ 1,26	6,559	

The \$62,880 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense
Year Ending December 31,	 Amount
2025	\$ (24,457)
2026	194,372
2027	(89,243)
2028	(261,218)
2029	25,014

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2024 was \$175,225.

The total pension expense for all plans recognized by the Sauk Centre Public Utility for the year ended December 31, 2024 was \$61,927.

NOTE 9 PENSION PLANS (CONTINUED)

Long-Term Expected Return on Investment

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

	Taurat	Long-Term
	Target	Expected Real
Asset Class	Allocation	Rate of Return
Domestic Stocks	33.5 %	5.10 %
International Stocks	16.5	5.30
Bonds (Fixed Income)	25.0	0.75
Alternative Assets (Private Markets)	25.0	5.90
Total	100 %	

Actuarial Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

Inflation is assumed to be 2.25 percent for the General Employees Plan and Police and Fire Plan.

Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 1% for the Police & Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

NOTE 9 PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan and Correctional Plan were reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

The workers' compensation offset for disability benefits was eliminated. The actuarial
equivalent factors updated to reflect the changes in assumptions.

Police and Fire Fund

Changes in Actuarial Assumptions:

None in 2024.

Changes in Plan Provisions:

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

NOTE 9 PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

Description	ii	% Decrease n Discount ate (6.0%)		Current count Rate (7.0%)	1% Increase in Discount Rate (8.0%)		
City's Proportionate Share of the General Employee Plan Net							
Pension Liability	\$	880,575	\$	403,164	\$	10,450	
Utility's Proportionate Share of the General Employee Plan Net	\$	1,150,054	\$	526,543	\$	13,648	
Pension Liability	Ψ	1,130,034	Ψ	320,343	Ψ	13,040	
Description	1% Decrease in Discount Rate (6.0%)		Current Discount Rate (7.0%)		1% Increase in Discount Rate (8.0%)		
City's Proportionate Share of the Police and Fire Plan Net Pension Liability	\$	1,654,942	\$	700,299	\$	(83,664)	

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.

NOTE 9 PENSION PLANS (CONTINUED)

Summary

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

Description	General Employees Plan	Police and Fire Plan	Fire Relief Association	Total		
Net Pension Asset	\$ -	\$ -	\$ 266,463	\$ 266,463		
Net Pension Liability	403,164	700,299	=	1,103,463		
Deferred Outflows of Resources Related to Pensions	75,801	1,173,907	9,500	1,259,208		
Deferred Inflows of Resources Related to Pensions	323,062	1,266,559	99,646	1,689,267		
Pension Expense	17,655	151,034	26,695	195,384		

NOTE 10 PENSION PLANS - FIRE RELIEF ASSOCIATION

Plan Description

Firefighters of the City of Sauk Centre are members of the Sauk Centre Firefighters Relief Association (the Association). The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2024, membership includes 30 active participants and one deferred member entitled to benefit but not yet receiving them. The plan issues a stand-alone financial statement.

Benefits Provided

Authority for payment of pension benefits is established in Minnesota Statutes §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 10 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of \$3,300 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.

NOTE 10 PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Benefits Provided (Continued)

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$3,300 for each year the member was an active member of the Sauk Centre Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

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

Contributions

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

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

The plan is funded in part by fire state aid and, if necessary, City contributions. The state of Minnesota distributed to the City \$66,238 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2024. Required employer contributions are calculated annually based on statutory provisions. For the year ended December 31, 2024, there was no statutorily-required City contribution to the plan.

Pension Costs

At December 31, 2024, the City reported a net pension asset of \$266,463 for the Association's net pension asset. The net pension asset/liability was measured as of January 1, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

NOTE 10 PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Pension Costs (Continued)

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$67,010 for the year ended December 31, 2024. At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

Description	De Out Res	In	eferred flows of esources	
Differences Between Expected and Actual			•	
Economic Experience	\$	-	\$	61,815
Changes in Actuarial Assumptions		_		15,458
Net Difference Between Projected and Actual				
Earnings on Pension Plan Investments		_		22,373
City Contributions Subsequent to the				
Measurement Date		9,500		
Total	\$	9,500	\$	99,646

The City contributions to the Association subsequent to the measurement date, \$9,500 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to the Association's pension will be recognized in pension expense as follows:

	Pension		
		Expense	
Year Ending December 31,		Amount	
2025	\$	(29,936)	
2026		(25,853)	
2027		3,660	
2028		(25,517)	
2029		(8,237)	
Thereafter		(13,763)	

Actuarial Assumptions

The actuarial total pension liability was determined as of January 1, 2023, using the following actuarial assumption, applied to all period included in the measurement:

Valuation Date Actuarial Cost Method Amortization Method	1/1/23 Entry Age Normal Level Dollar
	Closed
Actuarial Assumptions:	
Discount Rate	5.75%
Investment Rate of Return	5.75%
20-Year Municipal Bond Yield	N/A
Age of Service Retirement	50

NOTE 10 PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Actuarial Assumptions (Continued)

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

Best estimates of geometric real rates of return for each major asset class included in the pension plan's asset allocation as of December 31, 2024 are summarized in the following table:

	Allocation at	Long-Term
	December 31,	Expected Real
Asset Class	2024	Rate of Return
Cash	33.00 %	2.00 %
Fixed Income	10.00	3.90
Equities	57.00	8.10
Total Portfolio	100.00 %	5.75 %

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 (asset) 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:

	12.1	Decrease in count Rate		Current count Rate	 Increase in count Rate
		(4.75%)		(5.75%)	(6.75%)
Net Pension Liability (Asset)	\$	(248,314)	\$	(266,463)	\$ (284,015)

NOTE 10 PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

Plan's Fiduciary Net Position

Information about changes in the Plan's net pension asset is as follows:

	Ме	asurement Date
Total Pension Liability	De	cember 31, 2023
Service Cost Interest	\$	36,965 51,251
NET CHANGE IN TOTAL PENSION LIABILITY		88,216
Total Pension Liability - Beginning of Year		854,355
TOTAL PENSION LIABILITY - END OF YEAR (a)		942,571
Plan Fiduciary Net Position Municipal Contributions State Contributions Projected Investment Return Net Investment Income Administrative Expenses		9,000 66,238 59,713 81,616 (16,816)
NET CHANGE IN FIDUCIARY NET POSITION		199,751
Fiduciary Net Position - Beginning of Year		1,009,283
FIDUCIARY NET POSITION - END OF YEAR (b)		1,209,034
ASSOCIATION'S NET PENSION LIABILITY/ (ASSET) - END OF YEAR (a) - (b)	\$	(266,463)

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

NOTE 11 JOINT VENTURES

Great River Regional Library

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

The City did not make any contributions to the Great River Regional Library for 2024.

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 2024 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

NOTE 13 LEASES

<u>Lessee</u>

The City leases vehicles for various terms under long-term, noncancelable lease agreements. The leases are for a period of two to three years and expire at various terms through 2026.

Total future minimum lease payments under lease agreements are as follows:

	Governmental Activities				
<u>Year</u>	Р	rincipal	Interest		
2025	\$	36,475	\$	292	
2026		9,118		15	
Total Minimum Lease Payments	\$	45,593	\$	307	

NOTE 13 LEASES (CONTINUED)

Lessor

The City, acting as lessor, leases a building under a long-term, noncancelable lease agreement. The lease expires in 2033. During the year ended December 31, 2024, the City recognized \$478,829 and \$138,743 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Total future minimum lease payments to be received under lease agreements are as follows:

	Governmental Activities				
Year Ending December 31,		Principal		Interest	
2025	\$	491,775	\$	126,060	
2026		504,121		113,044	
2027		515,819		99,713	
2028		532,113		86,047	
2029		547,940		71,960	
2029-2033		2,330,017		139,584	
Total	\$	4,921,785	\$	636,408	

NOTE 14 INTERFUND TRANSACTIONS

Interfund Advances

At December 31, 2024, advances from and to other funds were as follows:

	Adv	ances From	
		Hospital	
Advances To		Fund	Purpose
2020 CIP Repayment Fund	- \$	522,366	Loan for Street Construction Project
Author's Repayment Fund		681,505	Loan for Construction Project
Total	\$	1,203,871	

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

Interfund Transfers

Interfund transfers for the year ended December 31, 2024 included the following:

Transfer In												
-						Tax	Debt	Capital		Other		
	G	eneral			In	crement	Service	Project	Go	vernmental		
Transfer Out	F	und	Α	rena		Fund	Fund	Fund		Funds	Total	Purpose
Other Governmental												· · · · · · · · · · · · · · · · · · ·
Funds	\$	-	\$	-	\$	11,776	\$ 172,534	\$ 38,650	\$	-	\$ 222,960	To Cover Principal and Interest and Fund Projects
Tax Increment												
Financing Fund		2,500		-		-	-	99,394		227,000	328,894	To Fund Project
Capital Project Fund		-		-		-	873,534	-			873,534	To Fund Project
Hospital Fund		-		120,000		-	-	-		30,000	150,000	To Fund Project
Total	\$	2,500	\$	120,000	\$	11,776	\$ 1,046,068	\$ 138,044	\$	257,000	\$ 1,575,388	

NOTE 14 INTERFUND TRANSACTIONS (CONTINUED)

Interfund Receivable and Payable

The composition of interfund payables and receivables as of December 31, 2024 is as follows:

		Due From				
			Other			
	Arena	Capital	Governmental			
Due To	Fund	Projects	Funds	Total	Purpose	
General Fund	\$ 8,080	\$ 119,463	\$ 144,556	\$ 272,099	To Eliminate Deficit Cash Balances	

NOTE 15 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.

Contingencies

The City is in the middle of settlement negotiations regarding a parcel acquisition. The City estimates that the matter will be resolved by the City paying the other party approximately \$824,000 in exchange for the release of all of their claims and transferring ownership of the property to the City. The City's portion of this settlement is anticipated to be 2.5% of the final negotiated amount. FAA Airport Entitlements and MnDoT Aeronautics have agreed to pay the remainder.

NOTE 16 TAX ABATEMENTS

The City has three pay-as-you-go tax increment financing districts with a local business to promote economic development within the City as authorized under Minnesota Statutes §469.174. The City is currently collecting tax increments that are paid through the property tax collection process. The districts stop collection in 2029, 2031, and 2033. The requirements for the businesses to receive the excess tax increments from the City are to perform improvements on the owned property, purchase property to increase tax base, and create jobs. The increment taxes are based on the increase of the property value after the improvements are made. The agreements call for 90%-95% of the property tax increments collected to be returned to the developers. For the year ended December 31, 2024, the City paid excess tax increment in the amount of \$132,354. No other commitments were made by the City as a part of these agreements.

NOTE 16 TAX ABATEMENTS (CONTINUED)

The City has a property tax abatement agreement with a developer to develop a market rate residential housing rental facility and increase the tax base as authorized under Minnesota Statutes Section 469.1812 to 469.1815. The agreement calls for the City to provide a subsidy consisting of land, administrative costs, and assessments totaling \$149,415. The goals of the subsidy are to secure development and to maintain improvements for a period of 10 years. The City will be reimbursed for the cost of the subsidy through tax collections on the real property improvements over a period of ten years, commencing August 1, 2019. Total abated taxes under this agreement in 2024 were \$21,781. No other commitments were made by the City as part of that agreement.

NOTE 17 ACCOUNTING CHANGES AND ERROR CORRECTIONS

A. Changes to or Within Financial Reporting Entity

Change in Fund Presentation from Nonmajor to Major

Local Option Sales Tax Fund previously met the criteria to be reported as a nonmajor governmental fund. However, effective January 1, 2024, the fund no longer met the criteria to be reported as a nonmajor fund and is reported as a major governmental fund for the fiscal year ended December 31, 2024. The effect of that change to or within the financial reporting entity is shown in column A of the table below.

B. Adjustments to Beginning Balances

During 2024, changes to or within the financial reporting entity resulted in adjustments to beginning fund balance, as follows:

	Change to or						
	Balance		Within the				
	as Previous l y		Financial		Balance		
	Reported at		Reporting Entity		As Adjusted		
	December 31, 2023		(A)		January 1, 2024		
Governmental Funds:							
Local Option Sales Tax	\$	=	\$	2,649,765	\$	2,649,765	
Nonmajor Governmental Funds		5,361,800		(2,649,765)		2,712,035	
Total Governmental Funds	\$	5,361,800	\$		\$	5,361,800	

PROPOSAL FORM

Sale Date: July 30, 2025

TO: City of Sauk Centre, Minnesota

C/O Northland Securities, Inc. 150 South 5th Street, Suite 3300 Minneapolis, Minnesota 55402 Phone: 612-851-5900 Email: PublicSale@northlandsecurities.com For all or none of the \$6,365,000* General Obligation Bonds, Series 2025A, in accordance with the Notice of Sale, we will ____, (not less than \$6,269,525) plus accrued interest, if any, to date of delivery pay you \$ (estimated to be August 28, 2025) for fully registered Bonds bearing interest rates and maturing on February 1 as follows: Interest Interest Year Rate Yield Year Rate <u>Yield</u> Year Rate Yield 2027 2032 2037 2028 % % 2033 % % 2038 % % 2029 % % 2034 % % 2039 % % <u>%</u> 2035 2030 % % 2040 % % 2031 2036 % 2041 % % True interest percentage:_ Net interest cost: \$ Term Bond Option: Bonds maturing in the years: To be accumulated into a Term Bond maturing in year: through ____ through ____ ____ through ____ ____ through ____ ____ through ____ This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in the bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds. As set forth in the Notice of Sale, this bid shall not be cancelled in the event that the competitive sale requirements are not satisfied. The City may determine to apply the Hold-the-Offering-Price Rule to the Bonds (such terms are used as described in the Notice of Sale). We have received and reviewed the Preliminary Official Statement and have submitted our requests for additional information or corrections to the Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the bid acceptance. A Good Faith Deposit in the amount as stated in the Notice of Sale in the form of a federal wire transfer payable to the order of the City will only be required from the apparent winning bidder, and must be received within two hours after the receipt of the bids. Award of the Bonds will be on the basis of True Interest Cost (TIC). Account Members: Account Manager: ____ The foregoing proposal is hereby duly accepted by and on behalf of the City of Sauk Centre, Minnesota at 5:00 PM on July 30, 2025. City Administrator Mayor

^{*} The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.