

# Annual Financial Report

## City of Centerville

Centerville, Minnesota

For the Year Ended  
December 31, 2014

**ABDO  
EICK &  
MEYERS<sub>LLP</sub>**

*Certified Public Accountants & Consultants*

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CITY OF CENTERVILLE  
CENTERVILLE, MINNESOTA  
ANNUAL FINANCIAL REPORT  
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 ANNUAL FINANCIAL REPORT  
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**INTRODUCTORY SECTION**

CITY OF CENTERVILLE  
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2014

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CITY OF CENTERVILLE, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Thomas Wilharber	Mayor	01/03/17
Steve King	Council Member	01/01/19
Ben Fehrenbacher	Council Member	01/02/17
Jeff Paar	Council Member	01/02/17
D. Love	Council Member	01/01/19

**APPOINTED**

Mike Ericson	City Administrator
Teresa Bender	City Clerk
Ellie Paulseth	Finance Director

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**FINANCIAL SECTION**  
CITY OF CENTERVILLE  
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Centerville, Minnesota

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other 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 introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Abdo Eick & Meyers, LLP*

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
March 26, 2015

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## **Management's Discussion and Analysis**

As management of the City of Centerville, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2014.

### **Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$21,944,747 (net position). Of this amount, \$4,826,082 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$258,565. A further breakdown of net position is chronicled under Government wide financial statement analysis.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,317,741, or 67.7 percent of total General fund expenditures.
- The City's total debt decreased \$856,981, during the current fiscal year. The decrease was mainly due to regularly scheduled debt payments.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This analysis contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

**Figure 1**  
**Required Components of the**  
**City's Annual Financial Report**

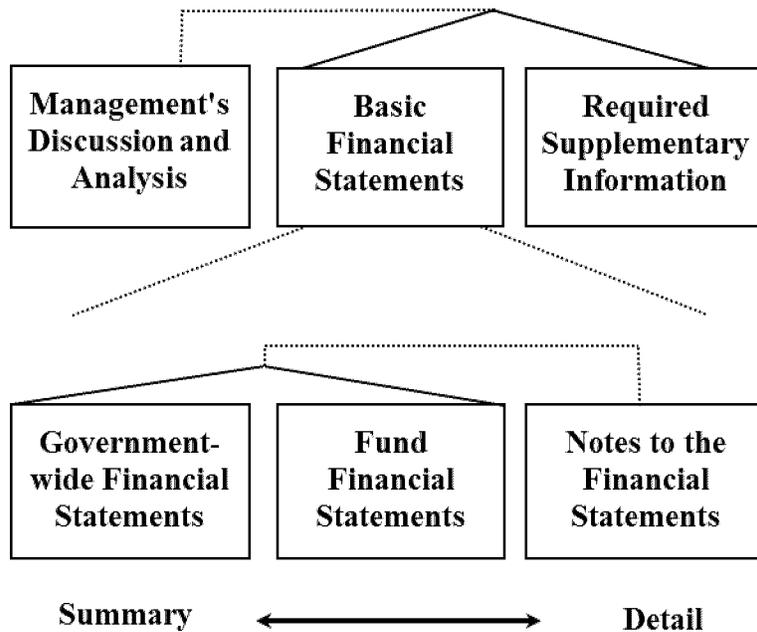


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Figure 2**  
**Major features of the Government-wide and Fund Financial Statements**

	<b>Fund Financial Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of Net Position</li> <li>• Statements of Revenues, Expenses and Changes in Net Position</li> <li>• Statements of Cash Flows</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred Inflows of resources Information	All deferred inflows of resources, regardless of when cash is received or paid	Only deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred inflows of resources, regardless of when cash is received or paid
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City’s assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, economic development, culture and recreation, and interest on long-term debt. The business-type activities of the City include water, sewer, and storm water.

The government-wide financial statements start on page 27 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 12 individual governmental funds, five of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service, and Park funds. Data from the other five non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 32 of this report.

**Proprietary fund.** The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and storm water.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds.

The basic proprietary fund financial statements start on page 40 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 47 of this report.

**Other information.** The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 66 of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$21,944,747 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position ( 64 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Centerville's Summary of Net position

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 4,111,423	\$ 4,394,334	\$ (282,911)	\$ 4,322,341	\$ 4,174,554	\$ 147,787
Capital assets	15,616,337	16,220,214	(603,877)	7,042,412	6,852,137	190,275
<b>Total assets</b>	<b>19,727,760</b>	<b>20,614,548</b>	<b>(886,788)</b>	<b>11,364,753</b>	<b>11,026,691</b>	<b>338,062</b>
<b>Liabilities</b>						
Noncurrent liabilities outstanding	8,728,978	9,586,931	(857,953)	16,687	15,715	972
Other liabilities	376,643	336,438	40,205	25,458	15,973	9,485
<b>Total liabilities</b>	<b>9,105,621</b>	<b>9,923,369</b>	<b>(817,748)</b>	<b>42,145</b>	<b>31,688</b>	<b>10,457</b>
<b>Net position</b>						
Net investment in capital assets	6,921,337	6,907,384	13,953	7,042,412	6,852,137	190,275
Restricted for						
Future expansion	-	-	-	-	71,631	(71,631)
Debt service	2,969,448	3,140,853	(171,405)	-	-	-
Street projects	165,065	237,170	(72,105)	-	-	-
Cable TV	20,403	15,061	5,342	-	-	-
Unrestricted	545,886	390,711	155,175	4,280,196	4,071,235	208,961
<b>Total net position</b>	<b>\$10,622,139</b>	<b>\$10,691,179</b>	<b>\$ (69,040)</b>	<b>\$11,322,608</b>	<b>\$10,995,003</b>	<b>\$ 327,605</b>

An additional portion of the City's net position (14.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$4,826,082) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

**Governmental activities.** Governmental activities decreased the City's net position by \$69,040. Key elements of this decrease are as follows:

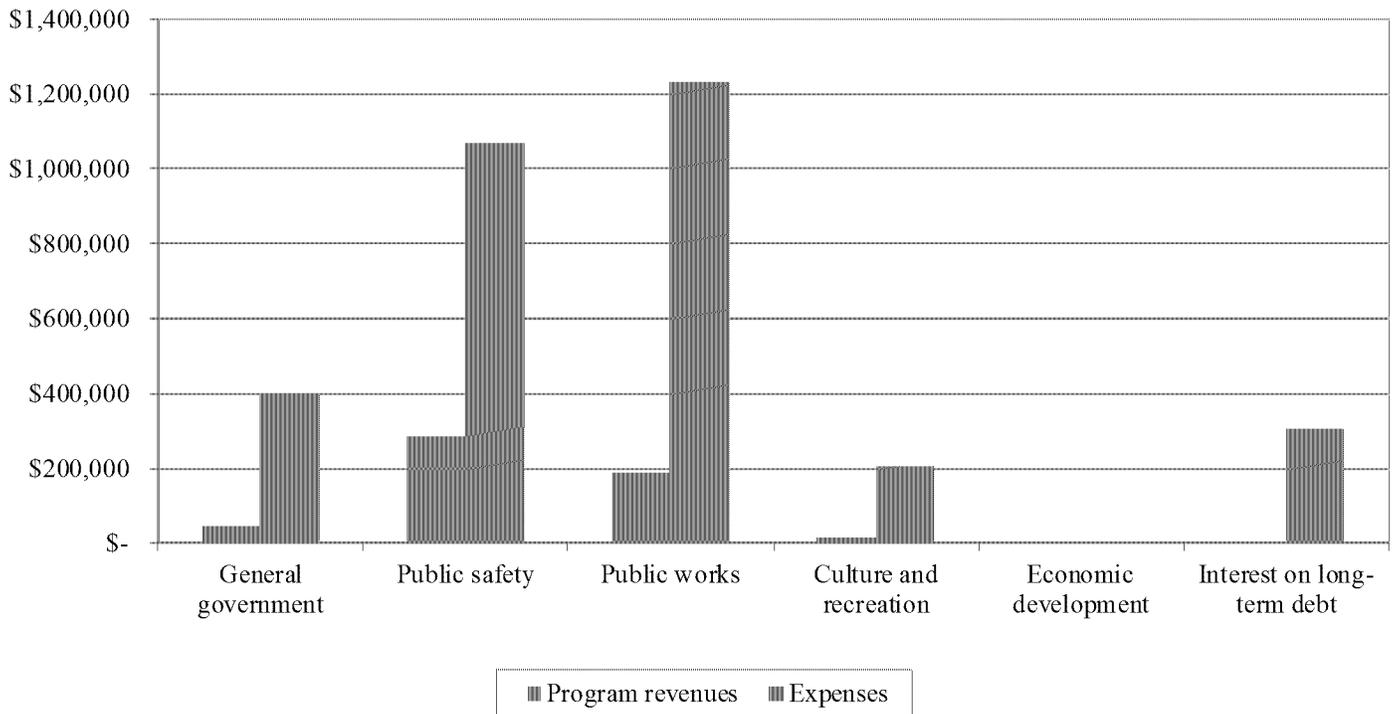
- Capital grants and contributions decrease due to the decrease in special assessment revenue.
- Gain on sale of capital assets increased \$177,377 due to the sale of the public works site.

### City of Centerville's Changes in Net position

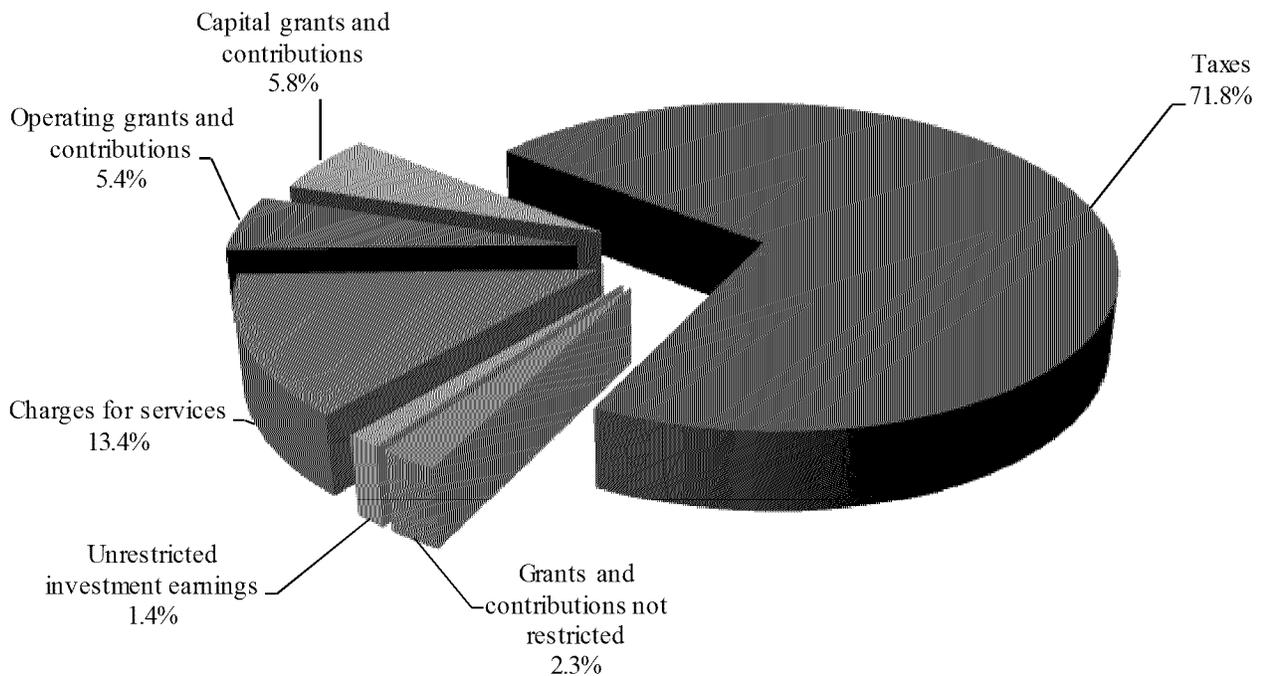
	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 325,007	\$ 377,142	\$ (52,135)	\$ 815,029	\$ 813,789	\$ 1,240
Operating grants and contributions	130,617	87,737	42,880	9,945	2,625	7,320
Capital grants and contributions	139,381	337,928	(198,547)	700,282	635,760	64,522
General revenues						
Taxes						
Property taxes/tax increments	1,734,708	1,742,742	(8,034)	-	-	-
Property taxes, levied for debt service	531,574	528,766	2,808	-	-	-
Other taxes	3,123	6,280	(3,157)	-	-	-
Grants and contributions						
not restricted to specific programs	54,875	1,431	53,444	-	-	-
Unrestricted investment earnings	33,080	6,862	26,218	52,169	35,094	17,075
Gain on sale of capital assets	187,377	10,000	177,377	-	-	-
Total revenues	<u>3,139,742</u>	<u>3,098,888</u>	<u>40,854</u>	<u>1,577,425</u>	<u>1,487,268</u>	<u>90,157</u>
Expenses						
General government	397,951	454,273	(56,322)	-	-	-
Public safety	1,068,879	1,056,282	12,597	-	-	-
Public works	1,232,431	1,188,538	43,893	-	-	-
Culture and recreation	203,022	203,827	(805)	-	-	-
Economic development	-	2,038	(2,038)	-	-	-
Interest on long-term debt	306,499	265,393	41,106	-	-	-
Water	-	-	-	749,629	487,667	261,962
Sewer	-	-	-	418,082	481,188	(63,106)
Storm Water	-	-	-	82,109	103,829	(21,720)
Total expenses	<u>3,208,782</u>	<u>3,170,351</u>	<u>38,431</u>	<u>1,249,820</u>	<u>1,072,684</u>	<u>177,136</u>
Increase (decrease) in net position before transfers	(69,040)	(71,463)	2,423	327,605	414,584	(86,979)
Transfers	-	388,296	(388,296)	-	(388,296)	388,296
Change in net position	(69,040)	316,833	(385,873)	327,605	26,288	301,317
Net position, January 1	<u>10,691,179</u>	<u>10,374,346</u>	<u>316,833</u>	<u>10,995,003</u>	<u>10,968,715</u>	<u>26,288</u>
Net position, December 31	<u>\$10,622,139</u>	<u>\$10,691,179</u>	<u>\$ (69,040)</u>	<u>\$11,322,608</u>	<u>\$10,995,003</u>	<u>\$ 327,605</u>

The following graph depicts various governmental activities and shows the program revenues and expenses directly related to those activities.

### Expenses and Program Revenues - Governmental Activities

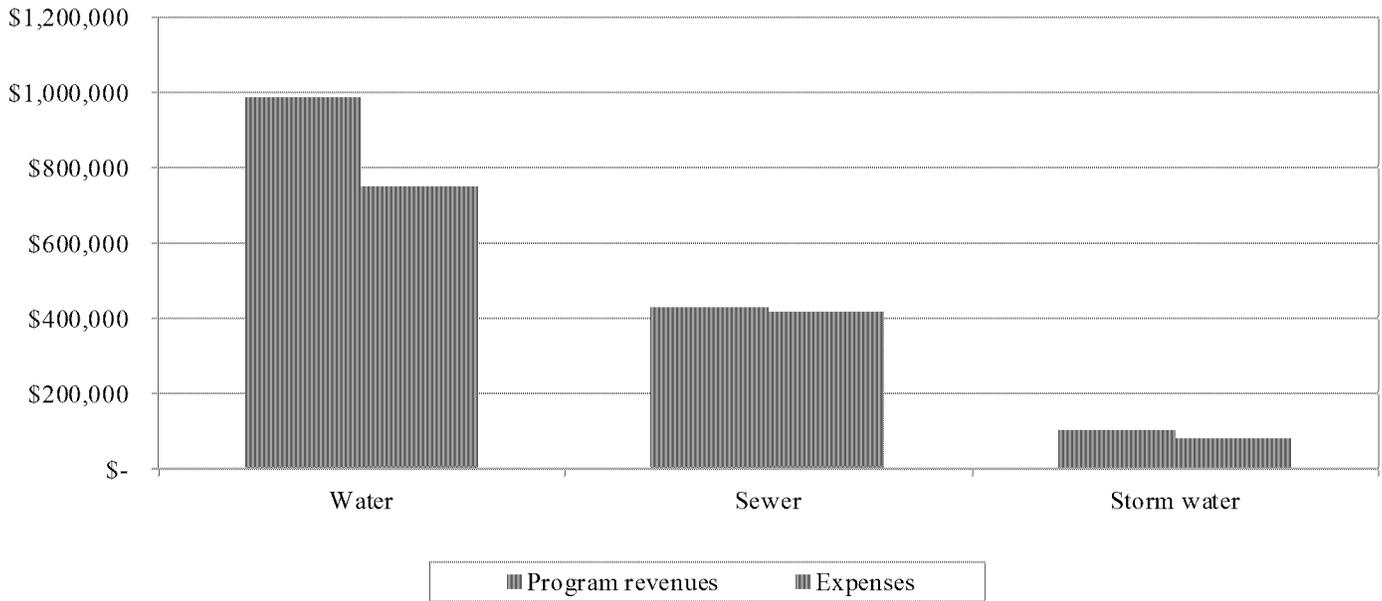


### Revenues by Source - Governmental Activities

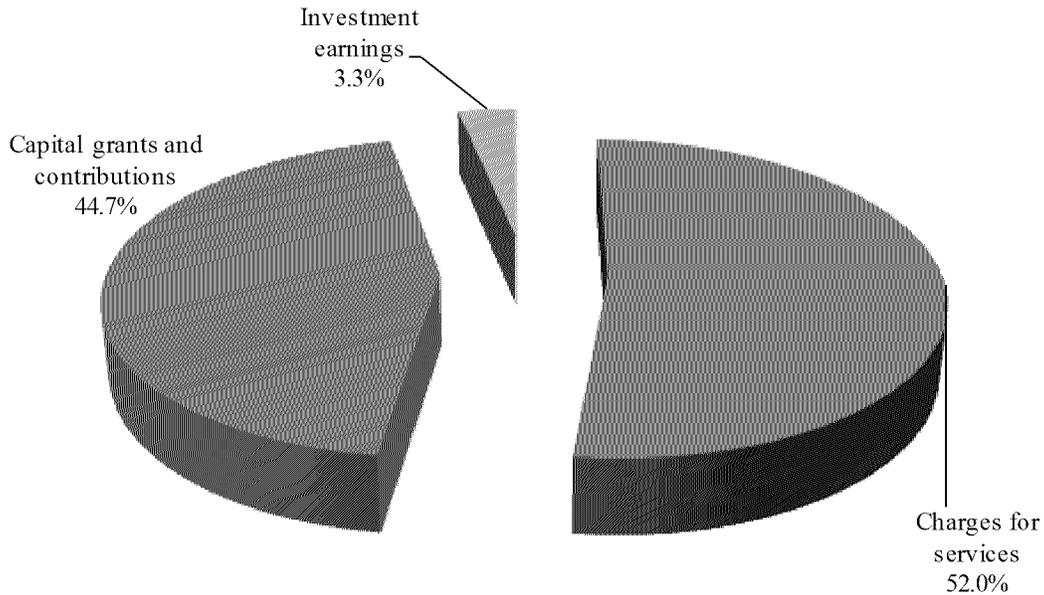


**Business-type activities.** Business-type activities increased the City’s net position by \$327,605. Key elements of this increase are as follows:

### Expenses and Program Revenues - Business-type Activities



### Revenues by Source - Business-type Activities



A further breakdown of expenses is shown below:

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Personnel costs	\$ 560,942	\$ 539,125	\$ 21,817	\$ 196,411	\$ 209,426	\$ (13,015)
Supplies	34,439	39,358	(4,919)	95,734	126,408	(30,674)
Other charges for services	1,352,432	1,305,744	46,688	956,670	735,520	221,150
Capital outlay	509,231	35,891	473,340	-	-	-
<b>Total</b>	<b>\$ 2,457,044</b>	<b>\$ 1,920,118</b>	<b>\$ 536,926</b>	<b>\$ 1,248,815</b>	<b>\$ 1,071,354</b>	<b>\$ 177,461</b>

## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Activity in the City's major governmental funds is discussed below:

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2014	2013	
<b>General</b>	\$ 1,319,013	\$ 1,258,596	\$ 60,417
The General fund balance has increased from 2013 and is strong moving into The fund also transferred out \$223,000 during the year.			
<b>Debt Service</b>	\$ 1,799,549	\$ 1,832,254	\$ (32,705)
The Debt Service fund decreased \$32,705. The City manages cash flow in all Debt Service funds and ensures adequate resources exist to fund future obligations.			
<b>Park</b>	\$ (1,103,264)	\$ (1,086,915)	\$ (16,349)
The Park fund balance decreased about \$16,000 from the previous year. Which is due to interest paid on the interfund loan.			

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,481,639, a decrease of \$184,098 in comparison with the prior year. Approximately 8.6 percent of this total amount or \$214,477 constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance (\$2,267,162) is not available for spending because it is either: 1) nonspendable (\$25,069), 2) restricted (\$1,961,220, or 3) assigned (\$280,873) for the purposes described in the fund balance section of each balance sheet.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$4,280,196. The total increase in net position for the funds was \$327,605. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

### General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. Revenues had a positive budget variance and expenditures had negative budget variance, and overall the General fund had a net positive budget variance of \$50,889.

Some of the significant variances can be briefly summarized as follows:

- Total revenue had a positive budget variance of \$52,535. All revenue categories had positive variances, except for interest on investments, property taxes, and fines and forfeitures. The City holds its investments to maturity and the market value decline is temporary and will not affect the overall cash received.
- Total expenditures had a positive budget variance of \$4,854. Total public safety and public works expenditures were over budget by a total of \$33,484 and \$23,601, respectively. Total general governmental expenditures were under budget by \$56,533
- The city also transferred \$223,000 from the General fund to other funds, which was \$54,000 more than budget. City Council approved a transfer of \$54,000 which was authorized to fund future capital asset acquisitions.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of December 31, 2014, amounts to \$22,658,749 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

Major capital asset events during the current fiscal year included the following:

- Costs incurred for the 2013 street and utility project
- The Royal Meadows watermain improvement project was started in 2014
- The City made improvements to Old Mill Road and other road improvements
- Purchase of three vehicles for the Public Works Department

Additional information on the City's capital assets can be found in Note 3B starting on page 56 of this report.

### City of Centerville's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Land	\$ 3,179,023	\$ 3,337,023	\$ (158,000)	\$ 200,655	\$ 200,655	\$ -
Construction in progress	1,320,356	1,229,234	91,122	705,124	225,983	479,141
Buildings	860,402	897,692	(37,290)	356,730	365,010	(8,280)
Infrastructure	9,952,484	10,487,341	(534,857)	5,712,861	5,963,361	(250,500)
Machinery and equipment	304,072	268,924	35,148	67,042	97,128	(30,086)
<b>Total</b>	<b>\$15,616,337</b>	<b>\$16,220,214</b>	<b>\$ (603,877)</b>	<b>\$ 7,042,412</b>	<b>\$ 6,852,137</b>	<b>\$ 190,275</b>

**Street maintenance program.** Beginning in 2012 the City began annually accumulating funds for a street maintenance program that will consist of mill and overlay to each segment of street in the city, at approximately every twelve year intervals. The initial construction program began in 2014 to be paid from funds accumulated in a revolving improvement account. A minimal special assessment of around \$500 per residential lot will cover approximately 20 percent of the cost, which combined with the City levy contribution each year, should sustain the program. Each year going forward, a similar project is anticipated.

**Equipment funding.** In 2012, the City Council approved as part of the budget, a capital replacement program for equipment and other assets that have predictable replacement cycles. All major street equipment, building roofs, carpets and similar items will be funded through an equipment replacement fund that will be sustained by an annual levy. Likewise, the enterprise funds have identified equipment and other assets that need periodic upgrading and replacement. Sufficient retained earnings will be protected to allow these repairs/replacements to be completed without incurring debt.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$8,695,000. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

### City of Centerville's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
General obligation bonds	\$ 8,695,000	\$ 9,550,000	\$ (855,000)	\$ -	\$ -	\$ -
Compensated absences payable	33,978	36,931	(2,953)	16,687	15,715	972
<b>Total</b>	<b>\$ 8,728,978</b>	<b>\$ 9,586,931</b>	<b>\$ (857,953)</b>	<b>\$ 16,687</b>	<b>\$ 15,715</b>	<b>\$ 972</b>

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The taxable market value totals \$285,605,600 which calculates to a debt margin of \$8,568,168. Debt financed partially or entirely by special assessments is not applied against the City's debt limit, nor is debt financed by proprietary fund revenues. Currently the City has \$395,000 of general obligation debt outstanding leaving a debt margin of \$8,173,168.

Additional information on the City's long-term debt can be found in Note 3D starting on page 59 of this report.

#### Economic Factors and Next Year's Budgets and Rates

The area economy continues to show signs of improvement. Property values for taxes payable in 2015 increased for the first time in several years. The City's net tax capacity increased 13 percent for taxes payable in 2015, compared to 2014. Even though the City increased its property tax levy by 4.9 percent for 2015, tax capacity rates decreased by 8.6 percent due to the increased value in the tax base. Most taxpayers, however, still realized an increase in City property taxes as a result of the increased value of their properties.

The City's General fund Budget was increased for 2015 by 5.7 percent; however, the General fund levy was only increased 3.3 percent due to expected increases in building permit revenue and local government aid. Additional debt service obligations accounted for the remainder of the increase, resulting in an overall levy increase of 4.9 percent. The debt service levy increased by 10.2 percent, or \$54,500, primarily due to the structuring of the 2011A General Obligation Bond's payment schedule.

The increase in General fund expenditures was primarily related to an increase in the police protection contract, employee cost-of-living increases of 2.5 percent, increased workers' compensation premiums, a \$15,000 increase in the parks and recreation appropriation, and a \$33,000 increase in capital outlay appropriations. In addition, there was a 19.5 percent, or \$44,539, increase in the fire protection budget. However, that was due primarily to increased pension expenditures that will be offset by State funding.

#### Requests for Information

This financial report is designed to provide a general overview of the City's finances for all parties interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Centerville, 1880 Main Street, Centerville, Minnesota, 55038.

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY OF CENTERVILLE  
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2014

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CITY OF CENTERVILLE, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and temporary investments	\$ 3,810,172	\$ 2,355,478	\$ 6,165,650
Receivables			
Accrued interest	5,480	3,416	8,896
Taxes	54,081	-	54,081
Accounts	3,871	157,565	161,436
Special assessments	1,322,675	659,264	1,981,939
Due from other governments	31,886	-	31,886
Internal balances	(1,141,811)	1,141,811	-
Inventories	-	4,731	4,731
Prepaid items	25,069	76	25,145
Capital assets			
Land and construction and progress	4,499,379	905,780	5,405,159
Depreciable assets (net of accumulated depreciation)	11,116,958	6,136,632	17,253,590
<b>TOTAL ASSETS</b>	<b>19,727,760</b>	<b>11,364,753</b>	<b>31,092,513</b>
<b>LIABILITIES</b>			
Accounts and contracts payable	113,685	12,611	126,296
Accrued salaries payable	24,974	1,656	26,630
Due to other governments	8,348	11,191	19,539
Accrued interest payable	119,829	-	119,829
Deposits payable	109,807	-	109,807
Noncurrent liabilities			
Due within one year	908,373	15,610	923,983
Due in more than one year	7,820,605	1,077	7,821,682
<b>TOTAL LIABILITIES</b>	<b>9,105,621</b>	<b>42,145</b>	<b>9,147,766</b>
<b>NET POSITION</b>			
Net investment in capital assets	6,921,337	7,042,412	13,963,749
Restricted for			
Debt service	2,969,448	-	2,969,448
Street projects	165,065	-	165,065
Cable TV	20,403	-	20,403
Unrestricted	545,886	4,280,196	4,826,082
<b>TOTAL NET POSITION</b>	<b>\$ 10,622,139</b>	<b>\$ 11,322,608</b>	<b>\$ 21,944,747</b>

The notes to the financial statements are an integral part of this statement.

CITY OF CENTERVILLE, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities</b>				
General government	\$ 397,951	\$ 45,820	\$ -	\$ -
Public safety	1,068,879	226,087	60,971	-
Public works	1,232,431	34,047	18,613	139,381
Culture and recreation	203,022	14,793	-	-
Economic development	-	4,260	-	-
Interest on long-term debt	306,499	-	51,033	-
<b>Total governmental activities</b>	<b>3,208,782</b>	<b>325,007</b>	<b>130,617</b>	<b>139,381</b>
<b>Business-type activities</b>				
Water	749,629	298,194	9,945	681,164
Sewer	418,082	411,218	-	19,118
Storm water	82,109	105,617	-	-
<b>Total business-type activities</b>	<b>1,249,820</b>	<b>815,029</b>	<b>9,945</b>	<b>700,282</b>
<b>Total</b>	<b>\$ 4,458,602</b>	<b>\$ 1,140,036</b>	<b>\$ 140,562</b>	<b>\$ 839,663</b>

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Gambling taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Total general revenues and transfers

Change in net position

Net position, January 1

Net position, December 31

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenues  
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (352,131)	\$ -	\$ (352,131)
(781,821)	-	(781,821)
(1,040,390)	-	(1,040,390)
(188,229)	-	(188,229)
4,260	-	4,260
(255,466)	-	(255,466)
<u>(2,613,777)</u>	<u>-</u>	<u>(2,613,777)</u>
-	239,674	239,674
-	12,254	12,254
-	23,508	23,508
<u>-</u>	<u>275,436</u>	<u>275,436</u>
<u>(2,613,777)</u>	<u>275,436</u>	<u>(2,338,341)</u>
1,734,708	-	1,734,708
531,574	-	531,574
3,123	-	3,123
54,875	-	54,875
33,080	52,169	85,249
187,377	-	187,377
<u>2,544,737</u>	<u>52,169</u>	<u>2,596,906</u>
(69,040)	327,605	258,565
<u>10,691,179</u>	<u>10,995,003</u>	<u>21,686,182</u>
<u>\$ 10,622,139</u>	<u>\$ 11,322,608</u>	<u>\$ 21,944,747</u>

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**FUND FINANCIAL STATEMENTS**

CITY OF CENTERVILLE  
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2014

CITY OF CENTERVILLE, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014

	101	300's	402
	General	Debt Service	Park
<b>ASSETS</b>			
Cash and temporary investments	\$ 1,444,584	\$ 1,800,778	\$ 38,491
Receivables			
Accrued interest	2,084	2,599	56
Taxes	54,081	-	-
Accounts	3,871	-	-
Special assessments	17,267	1,290,281	-
Due from other governments	21,054	-	-
Prepaid items	1,272	23,797	-
	<u>1,544,213</u>	<u>3,117,455</u>	<u>38,547</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,544,213</u>	<u>\$ 3,117,455</u>	<u>\$ 38,547</u>
<b>LIABILITIES</b>			
Accounts and contracts payable	\$ 42,265	\$ -	\$ -
Deposits payable	82,007	27,800	-
Accrued salaries payable	24,843	-	-
Due to other funds	-	-	65,935
Due to other governments	7,970	378	-
Advances from other funds	-	-	1,075,876
	<u>157,085</u>	<u>28,178</u>	<u>1,141,811</u>
<b>TOTAL LIABILITIES</b>	<u>157,085</u>	<u>28,178</u>	<u>1,141,811</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	54,081	-	-
Unavailable revenue - special assessments	14,034	1,289,728	-
	<u>68,115</u>	<u>1,289,728</u>	<u>-</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>68,115</u>	<u>1,289,728</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	1,272	23,797	-
Restricted	-	1,775,752	-
Assigned	-	-	-
Unassigned	1,317,741	-	(1,103,264)
	<u>1,319,013</u>	<u>1,799,549</u>	<u>(1,103,264)</u>
<b>TOTAL FUND BALANCES</b>	<u>1,319,013</u>	<u>1,799,549</u>	<u>(1,103,264)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 1,544,213</u>	<u>\$ 3,117,455</u>	<u>\$ 38,547</u>

The notes to the financial statements are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 526,319	\$ 3,810,172
741	5,480
-	54,081
-	3,871
15,127	1,322,675
10,832	31,886
-	25,069
<u>\$ 553,019</u>	<u>\$ 5,253,234</u>
\$ 71,420	\$ 113,685
-	109,807
131	24,974
-	65,935
-	8,348
-	1,075,876
<u>71,551</u>	<u>1,398,625</u>
-	54,081
<u>15,127</u>	<u>1,318,889</u>
<u>15,127</u>	<u>1,372,970</u>
-	25,069
185,468	1,961,220
280,873	280,873
-	214,477
<u>466,341</u>	<u>2,481,639</u>
<u>\$ 553,019</u>	<u>\$ 5,253,234</u>

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CITY OF CENTERVILLE, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014

Total fund balances - governmental	\$ 2,481,639
Amounts reported for the 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	22,902,842
Less accumulated depreciation	(7,286,505)
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	
Bond principal payable	(8,695,000)
Compensated absences payable	(33,978)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent taxes receivable	54,081
Special assessments receivable	1,318,889
Governmental funds do not report a liability for accrued interest until due and payable	(119,829)
Total net position - governmental activities	\$ 10,622,139

The notes to the financial statements are an integral part of this statement.

CITY OF CENTERVILLE, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	101	300's	402
	General	Debt Service	Park
REVENUES			
Taxes			
General property	\$ 1,733,187	\$ 531,574	\$ -
Gambling	3,123	-	-
Licenses and permits	108,921	-	-
Intergovernmental	259,763	51,033	-
Charges for services	6,520	-	-
Fines and forfeitures	23,043	-	-
Special assessments	18,618	222,136	-
Interest on investments	4,050	21,153	525
Miscellaneous	25,254	-	-
	<u>2,182,479</u>	<u>825,896</u>	<u>525</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	467,067	-	-
Public safety	1,066,100	-	-
Public works	325,201	-	-
Culture and recreation	84,958	-	-
Capital outlay			
General government	-	-	-
Public works	-	-	-
Culture and recreation	3,236	-	-
Debt service			
Principal	-	855,000	-
Interest and other	-	301,478	16,874
	<u>1,946,562</u>	<u>1,156,478</u>	<u>16,874</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>235,917</u>	<u>(330,582)</u>	<u>(16,349)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	47,500	297,877	-
Transfers in	-	-	-
Transfers out	(223,000)	-	-
	<u>(175,500)</u>	<u>297,877</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	60,417	(32,705)	(16,349)
FUND BALANCES, JANUARY 1	<u>1,258,596</u>	<u>1,832,254</u>	<u>(1,086,915)</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,319,013</u>	<u>\$ 1,799,549</u>	<u>\$ (1,103,264)</u>

The notes to the financial statements are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,264,761
-	3,123
-	108,921
-	310,796
6,515	13,035
-	23,043
69,637	310,391
7,352	33,080
10,832	36,086
<u>94,336</u>	<u>3,103,236</u>
-	467,067
-	1,066,100
-	325,201
5,616	90,574
1,186	1,186
505,995	505,995
-	3,236
-	855,000
-	318,352
<u>512,797</u>	<u>3,632,711</u>
<u>(418,461)</u>	<u>(529,475)</u>
-	345,377
223,000	223,000
-	(223,000)
<u>223,000</u>	<u>345,377</u>
(195,461)	(184,098)
<u>661,802</u>	<u>2,665,737</u>
<u>\$ 466,341</u>	<u>\$ 2,481,639</u>

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

Net change in fund balances - governmental funds	\$ (184,098)
Amounts reported for governmental activities in the statement of activities are different because	
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlay	498,082
Depreciation expense	(943,960)
<p>Governmental fund report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities</p>	
Disposals	(204,529)
Depreciation of disposals	46,529
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are delayed and amortized in the statement of activities.</p>	
Principal repayments	855,000
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	11,853
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	1,521
Special assessments	(152,392)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences payable	2,954
Change in net position - governmental activities	\$ (69,040)

The notes to the financial statements are an integral part of this statement.

CITY OF CENTERVILLE, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes				
General property	\$ 1,739,600	\$ 1,739,600	\$ 1,733,187	\$ (6,413)
Gambling	1,000	1,000	3,123	2,123
Licenses and permits	100,500	100,500	108,921	8,421
Intergovernmental	208,744	208,744	259,763	51,019
Charges for services	3,600	3,600	6,520	2,920
Fines and forfeitures	35,000	35,000	23,043	(11,957)
Special assessments	18,000	18,000	18,618	618
Interest on investments	15,000	15,000	4,050	(10,950)
Miscellaneous	8,500	8,500	25,254	16,754
TOTAL REVENUES	<u>2,129,944</u>	<u>2,129,944</u>	<u>2,182,479</u>	<u>52,535</u>
EXPENDITURES				
Current				
General government	499,600	499,600	467,067	32,533
Public safety	1,032,616	1,032,616	1,066,100	(33,484)
Public works	271,600	271,600	325,201	(53,601)
Culture and recreation	93,600	93,600	84,958	8,642
Capital outlay	54,000	54,000	3,236	50,764
TOTAL EXPENDITURES	<u>1,951,416</u>	<u>1,951,416</u>	<u>1,946,562</u>	<u>4,854</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>178,528</u>	<u>178,528</u>	<u>235,917</u>	<u>57,389</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	47,500	47,500
Transfers out	(169,000)	(169,000)	(223,000)	(54,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(169,000)</u>	<u>(169,000)</u>	<u>(175,500)</u>	<u>(6,500)</u>
NET CHANGE IN FUND BALANCES	9,528	9,528	60,417	50,889
FUND BALANCES, JANUARY 1	<u>1,258,596</u>	<u>1,258,596</u>	<u>1,258,596</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,268,124</u>	<u>\$ 1,268,124</u>	<u>\$ 1,319,013</u>	<u>\$ 50,889</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CENTERVILLE, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			Totals
	601	602	603	
	Water	Sewer	Nonmajor Storm Water	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and temporary investments	\$ 1,093,699	\$ 1,172,992	\$ 88,787	\$ 2,355,478
Receivables				
Accrued interest	1,596	1,692	128	3,416
Accounts	50,445	83,708	23,412	157,565
Special assessments	5,362	-	-	5,362
Due from other funds	-	88,935	-	88,935
Inventories	4,731	-	-	4,731
Prepaid items	38	38	-	76
	<u>1,155,871</u>	<u>1,347,365</u>	<u>112,327</u>	<u>2,615,563</u>
<b>TOTAL CURRENT ASSETS</b>				
<b>NONCURRENT ASSETS</b>				
Special assessments receivable	599,774	54,128	-	653,902
Advances to other funds	-	1,097,861	-	1,097,861
Capital assets				
Land	72,255	124,000	4,400	200,655
Construction in progress	673,445	-	31,680	705,125
Buildings	138,000	276,000	-	414,000
Infrastructure	5,054,920	3,442,483	-	8,497,403
Machinery and equipment	269,367	96,742	1,019,542	1,385,651
Less accumulated depreciation	(2,168,315)	(1,771,039)	(221,068)	(4,160,422)
	<u>4,039,672</u>	<u>2,168,186</u>	<u>834,554</u>	<u>7,042,412</u>
<b>TOTAL NONCURRENT ASSETS</b>				
<b>TOTAL ASSETS</b>				
	<u>5,795,317</u>	<u>4,667,540</u>	<u>946,881</u>	<u>11,409,738</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts and contracts payable	11,017	1,075	519	12,611
Accrued salaries payable	647	647	362	1,656
Due to other funds	-	-	23,000	23,000
Due to other governments	1,350	9,841	-	11,191
Compensated absences payable - current	6,074	6,074	3,859	16,007
	<u>19,088</u>	<u>17,637</u>	<u>27,740</u>	<u>64,465</u>
<b>TOTAL CURRENT LIABILITIES</b>				

The notes to the financial statements are an integral part of this statement.

CITY OF CENTERVILLE, MINNESOTA  
 STATEMENTS OF NET POSITION - CONTINUED  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			Totals
	601	602	603	
	Water	Sewer	Nonmajor Storm Water	
NONCURRENT LIABILITIES				
Advances from other funds	-	-	21,985	21,985
Compensated absences payable	340	340	-	680
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>340</b>	<b>340</b>	<b>21,985</b>	<b>22,665</b>
<b>TOTAL LIABILITIES</b>	<b>19,428</b>	<b>17,977</b>	<b>49,725</b>	<b>87,130</b>
NET POSITION				
Net investment in capital assets	4,039,672	2,168,186	834,554	7,042,412
Unrestricted	1,736,217	2,481,377	62,602	4,280,196
<b>TOTAL NET POSITION</b>	<b>\$ 5,775,889</b>	<b>\$ 4,649,563</b>	<b>\$ 897,156</b>	<b>\$ 11,322,608</b>

The notes to the financial statements are an integral part of this statement.

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CITY OF CENTERVILLE, MINNESOTA  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	601	602	603	Totals
	Water	Sewer	Nonmajor Storm Water	
OPERATING REVENUES				
Charges for services	\$ 298,194	\$ 411,218	\$ 105,617	\$ 815,029
OPERATING EXPENSES				
Salaries and benefits	80,010	77,874	38,527	196,411
Supplies	95,304	215	215	95,734
Other services and charges	367,200	25,300	9,040	401,540
Utilities	16,157	4,252	-	20,409
MCES - disposal charges	-	195,304	-	195,304
Depreciation	190,958	115,137	33,322	339,417
TOTAL OPERATING EXPENSES	749,629	418,082	81,104	1,248,815
OPERATING INCOME (LOSS)	(451,435)	(6,864)	24,513	(433,786)
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	17,685	32,627	1,857	52,169
Intergovernmental	9,945	-	-	9,945
Interest expense	-	-	(1,005)	(1,005)
TOTAL NONOPERATING REVENUES (EXPENSES)	27,630	32,627	852	61,109
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(423,805)	25,763	25,365	(372,677)
CAPITAL CONTRIBUTIONS	681,164	19,118	-	700,282
CHANGE IN NET POSITION	257,359	44,881	25,365	327,605
NET POSITION, JANUARY 1	5,518,530	4,604,682	871,791	10,995,003
NET POSITION, DECEMBER 31	<u>\$ 5,775,889</u>	<u>\$ 4,649,563</u>	<u>\$ 897,156</u>	<u>\$ 11,322,608</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CENTERVILLE, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	601	602	603	Totals
	Water	Sewer	Nonmajor Storm Water	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 331,985	\$ 448,820	\$ 109,542	\$ 890,347
Payments to suppliers	(475,389)	(202,662)	(9,736)	(687,787)
Payments to employees	(79,419)	(77,283)	(38,162)	(194,864)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(222,823)</u>	<u>168,875</u>	<u>61,644</u>	<u>7,696</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Payment received on advance to other funds	-	5,121	-	5,121
Principal paid on advance from other funds	-	-	(21,995)	(21,995)
Interest paid on advance from other funds	-	-	(1,005)	(1,005)
Intergovernmental	9,945	-	-	9,945
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>9,945</u>	<u>5,121</u>	<u>(23,000)</u>	<u>(7,934)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(447,462)	-	(82,230)	(529,692)
Intergovernmental	422,229	-	-	422,229
Hook up fees and unit charges received	-	18,623	-	18,623
Special assessments received	105,357	3,300	-	108,657
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>80,124</u>	<u>21,923</u>	<u>(82,230)</u>	<u>19,817</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received on investments	16,088	30,936	1,729	48,753
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(116,666)	226,855	(41,857)	68,332
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>1,210,365</u>	<u>946,137</u>	<u>130,644</u>	<u>2,287,146</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u><u>\$ 1,093,699</u></u>	<u><u>\$ 1,172,992</u></u>	<u><u>\$ 88,787</u></u>	<u><u>\$ 2,355,478</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF CENTERVILLE, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	601	602	603	Totals
	Water	Sewer	Nonmajor Storm water	
<b>RECONCILIATION OF OPERATING (INCOME) LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (451,435)	\$ (6,864)	\$ 24,513	\$ (433,786)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	190,958	115,137	33,322	339,417
(Increase) decrease in assets				
Accounts receivable	33,791	37,602	3,925	75,318
Inventories	38	-	-	38
Prepaid items	-	16,252	-	16,252
Increase (decrease) in liabilities				
Accounts payable	2,844	1,142	(481)	3,505
Accrued salaries payable	225	225	125	575
Compensated absences payable	366	366	240	972
Due to other governments	390	5,015	-	5,405
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ (222,823)</u>	 <u>\$ 168,875</u>	 <u>\$ 61,644</u>	 <u>\$ 7,696</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF CENTERVILLE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

The City of Centerville, Minnesota (the City), operates under the “Optional Plan A” form of government as defined in the State of Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council Members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The City does not have any component units.

**B. Government-wide and fund financial statements**

The government-wide financial statements (statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. *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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting and financial statement presentation**

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

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

CITY OF CENTERVILLE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Park fund* captures all park capital items and receives all the City's park dedication fees.

The City reports the following major proprietary funds:

The *Water fund* accounts for the activities of the water distribution system the City maintains.

The *Sewer fund* accounts for the activities of the City's sewage collection operations.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

CITY OF CENTERVILLE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**D. Assets, liabilities, deferred inflows of resources, and net position/fund balance**

*Deposits and investments*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the Statement of Cash Flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government 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 the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
8. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

CITY OF CENTERVILLE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Accounts receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2014. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

***Interfund receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

***Property taxes***

The City Council annually adopts a tax levy in December and certifies it to the County for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Auditor and tax settlements are made to the City during January, July and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

***Special assessments***

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental fund special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

***Inventories***

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

***Prepaid items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF CENTERVILLE, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2014

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Capital assets***

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are, reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Land improvements	4 to 25
Other improvements	10 to 20
Buildings and improvements	10 to 50
System improvements/infrastructure	20 to 50
Machinery and equipment	3 to 20
Vehicles	3 to 10
Other assets	3 to 15

***Deferred inflows of resources***

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

***Compensated absences***

It is the City's policy to permit employees to accumulate earned but unused paid time off benefits to a maximum of 208 hours. All paid time off pay is accrued when incurred in the government-wide and proprietary funds. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Union employees are allowed severance equal to their unused compensatory time. In governmental fund types the cost of these benefits is recognized when payments are made to the employees. The General fund is typically used to liquidate governmental compensated absences.

CITY OF CENTERVILLE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The recognition of bond premiums and discounts are delayed and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

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

***Fund balance***

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

*Nonspendable* - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

*Restricted* - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

*Assigned* - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Finance Director.

*Unassigned* - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 40-50 percent of budgeted operating expenditures for cash-flow timing needs.

CITY OF CENTERVILLE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Net Position*

Net position represents the difference between assets and liabilities. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of “restricted” or “net investment in capital assets”.

**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

In May of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 15th, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City’s department heads, with the approval of the City Administrator, may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. There were no budget amendments made during 2014.

**B. Deficit fund equity**

The following funds had a deficit fund balance as of December 31, 2014:

<u>Fund</u>	<u>Amount</u>
Major	
Park	<u>\$ 1,103,264</u>

The Park fund deficit will be eliminated with transfers in future years.

CITY OF CENTERVILLE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 3: DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

*Deposits*

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

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

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- 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 which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- 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
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was \$3,974,049, and the bank balance was \$4,052,766. Of the bank balance, \$500,000 was covered by federal depository insurance and the remaining balance was covered by collateral held by the City's agent in the City's name.

CITY OF CENTERVILLE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

***Investments***

As of December 31, 2014, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City's name.

Investment Type	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Concentration of Credit Risk	Fair Value and Carrying Amount
Pooled investments				
Broker money market	N/A	N/A	N/A	\$ 43,033
Nonpooled investments				
Brokered CD's	N/A	1 to 3 years	N/A	690,696
Brokered CD's	N/A	more than 3 years	N/A	1,457,672
Total Brokered CD's				<u>2,148,368</u>
Total investments				<u>\$ 2,191,401</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

The investments of the City are subject to the following risks:

- *Credit Risk.* The credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments to the list on page 49 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments 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. Generally, the City limits its securities purchases to those insured and registered under the City's name.
- *Concentration of Credit Risk.* The concentration of credit risk for investments is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City has invested more than 5 percent of investments in GE Capital Bank CD (22.2 percent), Comenity Bank CD (9.2 percent) Discover Bank CD (11.2 percent) Barclays Bank CD (11.1 percent), AMEX Centurion CD (11.2 percent), Sallie May Bank CD (11.1 percent), HSBC Bank CD (11.1 percent) and Citi Bank CD (11.1 percent)
- *Interest Rate Risk.* The interest rate risk for investments is the risk that changes in interest rates will adversely affect the fair value of an investment.

The City does not currently have a formal investment policy that addresses the above mentioned risks.

A reconciliation of cash and temporary investments as shown on the statement of net position for the City follows:

	<u>Total</u>
Carrying amount of deposits	\$ 3,974,049
Investments	2,191,401
Petty cash	<u>200</u>
Total	<u>\$ 6,165,650</u>

CITY OF CENTERVILLE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**B. Capital assets**

Capital asset activity for the governmental activities for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 3,337,023	\$ -	\$ (158,000)	\$ 3,179,023
Construction in progress	<u>1,229,234</u>	<u>91,122</u>	<u>-</u>	<u>1,320,356</u>
 Total capital assets not being depreciated	 <u>4,566,257</u>	 <u>91,122</u>	 <u>(158,000)</u>	 <u>4,499,379</u>
Capital assets being depreciated				
Buildings	1,627,438	-	-	1,627,438
Infrastructure	15,582,869	326,733	-	15,909,602
Machinery and equipment	<u>832,724</u>	<u>80,228</u>	<u>(46,529)</u>	<u>866,423</u>
 Total capital assets being depreciated	 <u>18,043,031</u>	 <u>406,961</u>	 <u>(46,529)</u>	 <u>18,403,463</u>
Less accumulated depreciation for				
Buildings	(729,746)	(37,290)	-	(767,036)
Infrastructure	(5,095,528)	(861,590)	-	(5,957,118)
Machinery and equipment	<u>(563,800)</u>	<u>(45,080)</u>	<u>46,529</u>	<u>(562,351)</u>
 Total accumulated depreciation	 <u>(6,389,074)</u>	 <u>(943,960)</u>	 <u>46,529</u>	 <u>(7,286,505)</u>
 Total capital assets being depreciated, net	 <u>11,653,957</u>	 <u>(536,999)</u>	 <u>-</u>	 <u>11,116,958</u>
 Governmental activities capital assets, net	 <u>\$ 16,220,214</u>	 <u>\$ (445,877)</u>	 <u>\$ (158,000)</u>	 <u>\$ 15,616,337</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

<b>Governmental activities</b>	
General government	\$ 14,245
Public safety	2,339
Public works	818,252
Culture and recreation	<u>109,124</u>
 Total depreciation expense - governmental activities	 <u>\$ 943,960</u>

CITY OF CENTERVILLE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Capital asset activity for the business-type activities for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 200,655	\$ -	\$ -	\$ 200,655
Construction in progress	225,983	479,141	-	705,124
	<u>426,638</u>	<u>479,141</u>	<u>-</u>	<u>905,779</u>
Total capital assets not being depreciated				
	<u>426,638</u>	<u>479,141</u>	<u>-</u>	<u>905,779</u>
Capital assets being depreciated				
Buildings	414,000	-	-	414,000
Infrastructure	9,466,395	50,551	-	9,516,946
Machinery and equipment	366,108	-	-	366,108
	<u>10,246,503</u>	<u>50,551</u>	<u>-</u>	<u>10,297,054</u>
Total capital assets being depreciated				
	<u>10,246,503</u>	<u>50,551</u>	<u>-</u>	<u>10,297,054</u>
Less accumulated depreciation for				
Buildings	(48,990)	(8,280)	-	(57,270)
Infrastructure	(3,503,034)	(301,051)	-	(3,804,085)
Machinery and equipment	(268,980)	(30,086)	-	(299,066)
	<u>(3,821,004)</u>	<u>(339,417)</u>	<u>-</u>	<u>(4,160,421)</u>
Total accumulated depreciation				
	<u>(3,821,004)</u>	<u>(339,417)</u>	<u>-</u>	<u>(4,160,421)</u>
Total capital assets being depreciated, net				
	<u>6,425,499</u>	<u>(288,866)</u>	<u>-</u>	<u>6,136,633</u>
Business-type activities capital assets, net				
	<u>\$ 6,852,137</u>	<u>\$ 190,275</u>	<u>\$ -</u>	<u>\$ 7,042,412</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

<b>Business-type activities</b>	
Water	\$ 190,958
Sewer	115,137
Storm water	<u>33,322</u>
Total depreciation expense - business-type activities	<u>\$ 339,417</u>

CITY OF CENTERVILLE, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2014

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

***Construction commitment***

As of December 31, 2014, the City has signed contracts in place for one construction project. The following summarizes this commitment:

Project	Spent to Date	Remaining Commitment
2013 Street and Utility Improvements	<u>\$1,395,538</u>	<u>\$ 150,658</u>

**C. Interfund balances and transfers**

The composition of internal balance as of December 31, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from other funds		
Sewer	Park	\$ 65,935
Sewer	Storm water	23,000
Total due to/from other funds		88,935
Advance to/from other funds		
Sewer	Park	1,075,876
Sewer	Storm water	21,985
Total advances to/from other funds		1,097,861
Subtotal of interfund balances		1,186,796
Interfund activity eliminated from government-wide statements		(44,985)
Total internal balances - government-wide statements		\$ 1,141,811

All of the above interfund advances have associated amortization schedules, of which current payments are being made.

***Interfund transfers***

The composition of interfund transfers for the year ended December 31, 2014 is as follows:

Fund	Transfer In Other Governmental
Transfer out	
General	\$ 223,000

- A transfer of \$54,000 from the General fund to other government funds is for future replacement of equipment, vehicles, and computers in the near future.
- A transfer of \$169,000 from the General fund to other government funds is for future street maintenance projects.

CITY OF CENTERVILLE, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2014

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**D. Long-term debt**

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

General obligation improvement bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments collections and tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2009A	\$ 3,715,000	2.65 - 5.60 %	08/19/09	08/01/25	\$ 3,190,000
G.O. Crossover Bonds of 2009B	2,430,000	2.00 - 3.00	10/29/09	09/01/18	1,770,000
G.O. Improvement Bonds of 2011A	2,760,000	.70 - 2.45	04/14/11	07/01/19	1,855,000
G.O. Improvement Refunding Bonds of 2012A	515,000	1.00 - 1.70	06/14/12	02/01/21	395,000
G.O. Improvement Bonds of 2013A	1,465,000	1.63 - 3.00	06/01/13	02/01/29	<u>1,485,000</u>
Total General Obligation Improvement Bonds					<u><u>\$ 8,695,000</u></u>

Annual debt service requirements for general obligation improvement bonds are as follows:

Year Ending December 31,	<b>General Obligation Improvement Bonds</b>		
	Governmental Activities		
	Principal	Interest	Total
2015	\$ 880,000	\$ 276,077	\$ 1,156,077
2016	895,000	255,532	1,150,532
2017	920,000	231,464	1,151,464
2018	1,935,000	190,040	2,125,040
2019	730,000	149,195	879,195
2020-2024	2,210,000	443,792	2,653,792
2025-2029	<u>1,125,000</u>	<u>67,274</u>	<u>1,192,274</u>
Total	<u><u>\$ 8,695,000</u></u>	<u><u>\$ 1,613,374</u></u>	<u><u>\$ 10,308,374</u></u>

CITY OF CENTERVILLE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Changes in long-term liabilities

During the year ended December 31, 2014, the following changes occurred in noncurrent liabilities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
G.O Bonds	\$ 9,550,000	\$ -	\$ (855,000)	\$ 8,695,000	\$ 880,000
Compensated absences payable	36,931	38,312	(41,265)	33,978	28,373
Governmental activities long-term liabilities	<u>\$ 9,586,931</u>	<u>\$ 38,312</u>	<u>\$ (896,265)</u>	<u>\$ 8,728,978</u>	<u>\$ 908,373</u>
<b>Business-type activities</b>					
Compensated absences payable	<u>\$ 15,715</u>	<u>\$ 18,075</u>	<u>\$ (17,103)</u>	<u>\$ 16,687</u>	<u>\$ 15,610</u>

**E. Fund equity**

At December 31, 2014, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	<u>General</u>	<u>Debt Service</u>	<u>Park</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable					
Prepaid items	\$ 1,272	\$ 23,797	\$ -	\$ -	\$ 25,069
Restricted for					
Debt service	-	1,775,752	-	-	1,775,752
Street projects	-	-	-	165,065	165,065
Cable TV	-	-	-	20,403	20,403
Assigned for					
Street projects	-	-	-	8,365	8,365
Street maintenance	-	-	-	247,653	247,653
Capital equipment	-	-	-	9,017	9,017
Capital projects	-	-	-	15,838	15,838
Unassigned	<u>1,317,741</u>	<u>-</u>	<u>(1,103,264)</u>	<u>-</u>	<u>214,477</u>
Total	<u>\$ 1,319,013</u>	<u>\$ 1,799,549</u>	<u>\$ (1,103,264)</u>	<u>\$ 466,341</u>	<u>\$ 2,481,639</u>

CITY OF CENTERVILLE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE**

**A. Plan description**

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minnesota statutes, chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

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

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

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

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

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

**B. Funding policy**

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERF Basis Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2014. In 2014, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.25 percent for Coordinated Plan members. The City's contributions to the Public Employees Retirement Fund for the years ended December 31, 2014, 2013 and 2012 were \$35,215, \$38,179, and \$38,899, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

CITY OF CENTERVILLE, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2014

**Note 5: JOINT POWERS AGREEMENTS**

**A. Centennial Fire District**

The Centennial Fire District (the District) was formed under the authority of Minnesota statutes 471.59 in 1985 by agreement of the member cities of Centerville, Lino Lakes and Circle Pines. The district was created to provide fire protection services to the residents of the member cities. The District is managed through a three tier system consisting of a Fire Chief, a Steering Committee, and the City Councils of the member cities. The Fire Chief is an appointed position. Each member city appoints two commissioners. One of these commissioners must be an elected official of the City. Each member city contributes funds to cover the budgeted costs of operations as determined by the commissioners. The amount of contributions required by each member is based on each city's population, number of fire calls, and assessed valuations. Contributions made by member cities for 2013, the most recent data available, were as follows:

City of Centerville	\$ 132,244	15.11 %
City of Circle Pines	154,946	17.70
City of Lino Lakes	<u>588,208</u>	<u>67.19</u>
 Total	 <u>\$ 875,398</u>	 <u>100.00 %</u>

Volunteer firefighters of the District are members of the Centennial Firefighter's Relief Association (the Association). The Association is a single-employer pension plan (the Plan) that operates under the provisions of Minnesota statutes 69 and 424, as amended. It is governed by a board of six officers and trustees elected by the members of the Association for three-year terms. The ex-officio, non-voting members of the Board of trustees are two representatives from the Centennial Fire Steering Committee and the Fire Chief of the District.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Centennial Fire District 7741 Lake Drive, Lino Lakes, MN 55014.

**B. Centennial Lakes Police Department**

The Centennial Lakes Police Department (the Department) was formed under the authority of Minnesota statutes 436.06 in 2005 by agreement of the member cities of Centerville, Circle Pines and Lexington. The Department was created to provide police protection services to its member cities. The Department is managed through a three tier system consisting of a Governing Board, an Operations committee, and a Chief of Police. The Governing Board consists of six members, two elected officials appointed by each member city. The Operations Committee is made up of the City administrators from each member city and the Chief of Police. The Chief of Police is appointed by mutual agreement of the City Councils of all member cities. Annual contributions required by each member city are calculated based on complaint history, population, and staffing formulas. Contributions made by member cities for 2013, the most recent data available, were as follows:

City of Centerville	\$ 665,597	31.13 %
City of Circle Pines	848,672	39.69
City of Lexington	<u>624,173</u>	<u>29.19</u>
 Total	 <u>\$ 2,138,442</u>	 <u>100.00 %</u>

CITY OF CENTERVILLE, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2014

**Note 5: JOINT POWERS AGREEMENTS - CONTINUED**

**C. Summary financial information of the joint powers agreements entities**

The contribution to the joint fire district and the joint police commission are reflected as expenditures in the City's General fund. The fire district and police commission's assets, liabilities, equity and operations are excluded from the City's financial statements as further explained in note 1A.

The following information is from the financial statements of the District and the Department as of December 31, 2013, the most recent audited information available at the time of this report. The amounts reported for the District are those presented in its government-wide financial statements. These financial statements are available for viewing at the Centerville City hall.

	Centennial Fire District	Centennial Lakes Police Department
Total assets	\$ 1,911,866	\$ 598,852
Total liabilities	150,937	317,391
Total net position	1,760,929	281,461
Total revenue	1,239,594	2,219,442
Total expenses	1,066,861	2,275,386

Volunteer firefighters of the District are members of the Centennial Firefighter's Relief Association (the Association). The Association is a single-employer pension plan (the Plan) that operates under the provisions of Minnesota statutes 69 and 424, as amended. It is governed by a board of six officers and trustees elected by the members of the Association for three-year terms. The ex-officio, non-voting members of the Board of trustees are two representatives from the Centennial Fire Steering Committee and the Fire Chief of the District.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Centennial Fire District 7741 Lake Drive, Lino Lakes, MN 55014.

**D. North Metro Telecommunications Commission**

The general purpose of the Commission is to award, administer and enforce a cable communications franchise in member municipalities. The member Cities included the City of Blaine, Centerville, Circle Pines, Ham Lake, Lexington, Lino Lakes, and Spring Lake Park. Each member has a representative on the Commissions Board.

**E. 21<sup>st</sup> Avenue Street and utility improvements**

The City entered into a joint agreement with the City of Lino Lakes for the reconstruction of 21st Avenue Street and related utility improvements. The cities of Centerville and Lino Lakes will jointly participate and share costs related to the project. The City of Lino Lakes will administer the project and bill the City of Centerville for their share of the costs.

CITY OF CENTERVILLE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 6: OTHER INFORMATION**

**A. Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

**B. Legal debt margin**

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, Enterprise fund revenues or tax increments. The market value of taxable property is \$285,605,600 which leaves a debt margin of \$8,568,168. Currently the City has \$395,000 of general obligation debt outstanding, leaving a debt margin of \$8,173,168.

**C. Subsequent event**

On January 15, 2015, the City issued \$1,385,000 General Obligation Improvement Refunding Bonds, Series 2015A. The refunding bonds will mature on February 1, 2025 and carries an average coupon rate of 1.81 percent. The issue will refund the General Obligation Improvement Crossover Refunding Bond, Series 2009B.

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF CENTERVILLE  
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2014

CITY OF CENTERVILLE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2014

	Special Revenue Fund	Capital Project Funds			Total Nonmajor Governmental Funds	
	<b>614</b>	<b>401</b>	<b>414</b>	<b>409</b>		<b>452</b>
	Cable T.V.	Revolving Street Fund	Pedestrian Trail Ways	Capital Equipment Revolving	2013 Street Project	
<b>ASSETS</b>						
Cash and temporary investments	\$ 9,715	\$ 247,898	\$ 15,815	9,004	\$ 243,887	\$ 526,319
Receivables						
Accrued interest	14	358	23	13	333	741
Special assessments	-	15,127	-	-	-	15,127
Due from other governments	10,832	-	-	-	-	10,832
<b>TOTAL ASSETS</b>	<b>\$ 20,561</b>	<b>\$ 263,383</b>	<b>\$ 15,838</b>	<b>\$ 9,017</b>	<b>\$ 244,220</b>	<b>\$ 553,019</b>
<b>LIABILITIES</b>						
Accounts and contracts payable	\$ 27	\$ 603	\$ -	\$ -	\$ 70,790	\$ 71,420
Accrued salaries payable	131	-	-	-	-	131
<b>TOTAL LIABILITIES</b>	<b>158</b>	<b>603</b>	<b>-</b>	<b>-</b>	<b>70,790</b>	<b>71,551</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - special assessments	-	15,127	-	-	-	15,127
<b>FUND BALANCES</b>						
Restricted for						
Cable TV	20,403	-	-	-	-	20,403
Street projects	-	-	-	-	165,065	165,065
Assigned for						
Street projects	-	-	-	-	8,365	8,365
Street maintenance	-	247,653	-	-	-	247,653
Capital equipment	-	-	-	9,017	-	9,017
Trail projects	-	-	15,838	-	-	15,838
<b>TOTAL FUND BALANCES</b>	<b>20,403</b>	<b>247,653</b>	<b>15,838</b>	<b>9,017</b>	<b>173,430</b>	<b>466,341</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 20,561</b>	<b>\$ 263,383</b>	<b>\$ 15,838</b>	<b>\$ 9,017</b>	<b>\$ 244,220</b>	<b>\$ 553,019</b>

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

	Special	Capital Project Funds				Total Nonmajor Governmental Funds
	Revenue Fund <b>614</b>	<b>401</b> Revolving Street Fund	<b>414</b> Pedestrian Trail Ways	<b>409</b> Capital Equipment Revolving	<b>452</b> 2013 Street Project	
REVENUES						
Special assessments	\$ -	\$ 69,637	\$ -	\$ -	-	\$ 69,637
Interest on investments	126	4,790	216	370	1,850	7,352
Charges for services	-	-	-	-	6,515	6,515
Refunds and reimbursements	10,832	-	-	-	-	10,832
<b>TOTAL REVENUES</b>	<b>10,958</b>	<b>74,427</b>	<b>216</b>	<b>370</b>	<b>8,365</b>	<b>94,336</b>
EXPENDITURES						
Current						
Culture and recreation						
Personal services	4,344	-	-	-	-	4,344
Supplies	1,129	-	-	-	-	1,129
Other services and charges	143	-	-	-	-	143
Capital outlay						
General government	-	-	-	1,186	-	1,186
Public works	-	346,420	-	87,470	72,105	505,995
<b>TOTAL EXPENDITURES</b>	<b>5,616</b>	<b>346,420</b>	<b>-</b>	<b>88,656</b>	<b>72,105</b>	<b>512,797</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,342	(271,993)	216	(88,286)	(63,740)	(418,461)
OTHER FINANCING SOURCES						
Transfers in	-	169,000	-	54,000	-	223,000
NET CHANGE IN FUND BALANCES	5,342	(102,993)	216	(34,286)	(63,740)	(195,461)
FUND BALANCES, JANUARY 1	15,061	350,646	15,622	43,303	237,170	661,802
FUND BALANCES, DECEMBER 31	<u>\$ 20,403</u>	<u>\$ 247,653</u>	<u>\$ 15,838</u>	<u>\$ 9,017</u>	<u>\$ 173,430</u>	<u>\$ 466,341</u>

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CITY OF CENTERVILLE, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(With Comparative Actual Amounts for the Year Ended December 31, 2013)

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
<b>REVENUES</b>					
Taxes					
General property	\$ 1,739,600	\$ 1,739,600	\$ 1,733,187	\$ (6,413)	\$ 1,751,963
Gambling	1,000	1,000	3,123	2,123	6,280
Total	<u>1,740,600</u>	<u>1,740,600</u>	<u>1,736,310</u>	<u>(4,290)</u>	<u>1,758,243</u>
Licenses and permits					
Business	15,000	15,000	16,630	1,630	21,024
Nonbusiness	85,500	85,500	92,291	6,791	101,970
Total	<u>100,500</u>	<u>100,500</u>	<u>108,921</u>	<u>8,421</u>	<u>122,994</u>
Intergovernmental					
State					
Local government aid	53,444	53,444	53,444	-	-
Market value agricultural credit	-	-	98	98	98
State grants aid	1,300	1,300	1,333	33	1,333
Police aid	32,000	32,000	37,928	5,928	34,587
Fire aid	105,000	105,000	148,347	43,347	148,872
County - other	17,000	17,000	18,613	1,613	18,322
Total	<u>208,744</u>	<u>208,744</u>	<u>259,763</u>	<u>51,019</u>	<u>203,212</u>
Charges for services					
General government	1,000	1,000	2,190	1,190	1,235
Culture and recreation	2,500	2,500	4,260	1,760	4,631
Other	100	100	70	(30)	23
Total	<u>3,600</u>	<u>3,600</u>	<u>6,520</u>	<u>2,920</u>	<u>5,889</u>
Fines and forfeitures	<u>35,000</u>	<u>35,000</u>	<u>23,043</u>	<u>(11,957)</u>	<u>34,828</u>
Special assessments	<u>18,000</u>	<u>18,000</u>	<u>18,618</u>	<u>618</u>	<u>57,821</u>
Interest on investments	<u>15,000</u>	<u>15,000</u>	<u>4,050</u>	<u>(10,950)</u>	<u>-</u>
Miscellaneous					
Refunds and reimbursements	7,000	7,000	19,603	12,603	12,053
Other	1,500	1,500	5,651	4,151	642
Total	<u>8,500</u>	<u>8,500</u>	<u>25,254</u>	<u>16,754</u>	<u>12,695</u>
<b>TOTAL REVENUES</b>	<u>2,129,944</u>	<u>2,129,944</u>	<u>2,182,479</u>	<u>52,535</u>	<u>2,195,682</u>

CITY OF CENTERVILLE, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(With Comparative Actual Amounts for the Year Ended December 31, 2013)

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 30,100	\$ 30,100	\$ 30,136	\$ (36)	\$ 30,114
Other services and charges	1,400	1,400	65	1,335	30
Total	31,500	31,500	30,201	1,299	30,144
Elections					
Personal services	5,400	5,400	4,654	746	-
Supplies	700	700	105	595	-
Other services and charges	1,100	1,100	1,318	(218)	-
Total	7,200	7,200	6,077	1,123	-
Planning and zoning					
Other services and charges	2,500	2,500	1,188	1,312	1,332
Administration					
Personal services	276,100	276,100	231,658	44,442	232,860
Supplies	2,300	2,300	2,473	(173)	2,344
Other services and charges	49,400	49,400	68,632	(19,232)	46,630
Total	327,800	327,800	302,763	25,037	281,834
Assessing					
Other services and charges	16,000	16,000	15,912	88	15,662
Legal and auditing					
Other services and charges	96,000	96,000	95,837	163	98,484
General government building					
Personal services	2,800	2,800	1,249	1,551	1,350
Supplies	300	300	436	(136)	370
Other services and charges	15,500	15,500	13,404	2,096	11,168
Total	18,600	18,600	15,089	3,511	12,888
Total general government	499,600	499,600	467,067	32,533	440,344

CITY OF CENTERVILLE, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(With Comparative Actual Amounts for the Year Ended December 31, 2013)

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Public safety					
Police protection					
Other services and charges	\$ 689,855	\$ 689,855	\$ 680,036	\$ 9,819	\$ 676,908
Fire protection					
Remittance to relief association	105,000	105,000	148,347	(43,347)	148,872
Other services and charges	123,761	123,761	123,720	41	123,650
Total	228,761	228,761	272,067	(43,306)	272,522
Building inspection					
Personal services	96,000	96,000	101,580	(5,580)	86,360
Supplies	2,200	2,200	4,280	(2,080)	2,649
Other services and charges	13,300	13,300	6,908	6,392	11,494
Total	111,500	111,500	112,768	(1,268)	100,503
Civil defense					
Other services and charges	1,500	1,500	1,229	271	1,658
Animal control					
Other services and charges	1,000	1,000	-	1,000	-
Total public safety	1,032,616	1,032,616	1,066,100	(33,484)	1,051,591
Public works					
Streets					
Personal services	125,800	125,800	143,473	(17,673)	132,482
Supplies	36,700	36,700	24,742	11,958	32,071
Other services and charges	83,600	83,600	99,817	(16,217)	87,905
Total	246,100	246,100	268,032	(21,932)	252,458
Recycling					
Personal services	8,800	8,800	8,816	(16)	8,541
Supplies	100	100	-	100	-
Other services and charges	8,100	8,100	10,005	(1,905)	3,518
Total	17,000	17,000	18,821	(1,821)	12,059

CITY OF CENTERVILLE, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(With Comparative Actual Amounts for the Year Ended December 31, 2013)

	2014			2013	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Public works - continued					
Engineering services					
Other services and charges	\$ 8,500	\$ 8,500	\$ 38,348	\$ (29,848)	\$ 32,954
Total public works	271,600	271,600	325,201	(53,601)	297,471
Culture and recreation					
Parks and recreation					
Personal services	38,700	38,700	35,032	3,668	34,543
Supplies	3,800	3,800	2,403	1,397	1,924
Other services and charges	45,600	45,600	41,236	4,364	37,439
Total	88,100	88,100	78,671	9,429	73,906
City Festival					
Other services and charges	5,500	5,500	6,287	(787)	5,950
Total culture and recreation	93,600	93,600	84,958	8,642	79,856
Economic development					
Other services and charges	-	-	-	-	2,038
Total current expenditures	1,897,416	1,897,416	1,943,326	(45,910)	1,871,300
Capital outlay					
General government	24,000	24,000	-	24,000	11,248
Public works	30,000	30,000	-	30,000	-
Culture and recreation	-	-	3,236	(3,236)	18,155
Total capital outlay	54,000	54,000	3,236	50,764	29,403
<b>TOTAL EXPENDITURES</b>	<b>1,951,416</b>	<b>1,951,416</b>	<b>1,946,562</b>	<b>4,854</b>	<b>1,900,703</b>

CITY OF CENTERVILLE, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(With Comparative Actual Amounts for the Year Ended December 31, 2013)

	2014			2013	
	Budgeted Amounts		Actual	Variance with	
	Original	Final	Amounts	Final Budget	
EXCESS OF REVENUES OVER EXPENDITURES	\$ 178,528	\$ 178,528	\$ 235,917	\$ 57,389	\$ 294,979
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	47,500	47,500	10,000
Transfers out	(169,000)	(169,000)	(223,000)	(54,000)	(252,203)
TOTAL OTHER FINANCING SOURCES (USES)	(169,000)	(169,000)	(175,500)	(6,500)	(242,203)
NET CHANGE IN FUND BALANCES	9,528	9,528	60,417	50,889	52,776
FUND BALANCES, JANUARY 1	1,258,596	1,258,596	1,258,596	-	1,205,820
FUND BALANCES, DECEMBER 31	\$ 1,268,124	\$ 1,268,124	\$ 1,319,013	\$ 50,889	\$ 1,258,596

CITY OF CENTERVILLE, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2014

	<b>309</b>	<b>348</b>	<b>349</b>
	Joint Police Station 2012A	G.O. Improvement Bonds of 2006A	G.O. Improvement Bonds of 2007A
<b>ASSETS</b>			
Cash and temporary investments	\$ 60,731	\$ 474,829	\$ 364,547
Receivables			
Accrued interest	88	685	523
Special assessments	-	37,168	383,673
Prepaid items	5,496	-	18,301
	<u>5,496</u>	<u>-</u>	<u>18,301</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 66,315</u></u>	<u><u>\$ 512,682</u></u>	<u><u>\$ 767,044</u></u>
<b>LIABILITIES</b>			
Due to other governments	\$ 49	\$ -	\$ 172
Deposits payable	-	27,800	-
	<u>-</u>	<u>27,800</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>49</u>	<u>27,800</u>	<u>172</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - special assessments	-	37,168	383,673
	<u>-</u>	<u>37,168</u>	<u>383,673</u>
<b>FUND BALANCE</b>			
Restricted for debt service	66,266	447,714	383,199
	<u>66,266</u>	<u>447,714</u>	<u>383,199</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u><u>\$ 66,315</u></u>	<u><u>\$ 512,682</u></u>	<u><u>\$ 767,044</u></u>

<b>351</b> G.O. Improvement Bonds of 2009A	<b>352</b> G.O. Improvement Bonds of 2013A	Total
\$ 843,290	\$ 57,381	\$ 1,800,778
1,220	83	2,599
640,370	229,070	1,290,281
<u>-</u>	<u>-</u>	<u>23,797</u>
<u><u>\$ 1,484,880</u></u>	<u><u>\$ 286,534</u></u>	<u><u>\$ 3,117,455</u></u>
\$ 152	\$ 5	\$ 378
<u>-</u>	<u>-</u>	<u>27,800</u>
<u>152</u>	<u>5</u>	<u>28,178</u>
<u>639,817</u>	<u>229,070</u>	<u>1,289,728</u>
<u>844,911</u>	<u>57,459</u>	<u>1,799,549</u>
<u><u>\$ 1,484,880</u></u>	<u><u>\$ 286,534</u></u>	<u><u>\$ 3,117,455</u></u>

CITY OF CENTERVILLE, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<b>309</b> Joint Police Station 2012A	<b>348</b> G.O. Improvement Bonds of 2006A	<b>349</b> G.O. Improvement Bonds of 2007A
REVENUES			
Property taxes	\$ 69,851	\$ -	\$ 243,497
Special assessments	-	-	83,882
Intergovernmental	-	-	-
Interest on investments	686	4,017	4,635
<b>TOTAL REVENUES</b>	<b>70,537</b>	<b>4,017</b>	<b>332,014</b>
EXPENDITURES			
Debt service			
Principal	60,000	175,000	360,000
Interest and other	5,983	53,495	40,698
<b>TOTAL EXPENDITURES</b>	<b>65,983</b>	<b>228,495</b>	<b>400,698</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,554	(224,478)	(68,684)
OTHER FINANCING SOURCES			
Sale of capital assets	-	297,877	-
NET CHANGE IN FUND BALANCES	4,554	73,399	(68,684)
FUND BALANCES, JANUARY 1	61,712	374,315	451,883
FUND BALANCES, DECEMBER 31	<u>\$ 66,266</u>	<u>\$ 447,714</u>	<u>\$ 383,199</u>

<b>351</b> G.O. Improvement Bonds of 2009A	<b>352</b> G.O. Improvement Bonds of 2013A	Total
\$ 214,565	\$ 3,661	\$ 531,574
102,074	36,180	222,136
51,033	-	51,033
11,224	591	21,153
<u>378,896</u>	<u>40,432</u>	<u>825,896</u>
260,000	-	855,000
<u>157,618</u>	<u>43,684</u>	<u>301,478</u>
<u>417,618</u>	<u>43,684</u>	<u>1,156,478</u>
(38,722)	(3,252)	(330,582)
<u>-</u>	<u>-</u>	<u>297,877</u>
(38,722)	(3,252)	(32,705)
<u>883,633</u>	<u>60,711</u>	<u>1,832,254</u>
<u>\$ 844,911</u>	<u>\$ 57,459</u>	<u>\$ 1,799,549</u>

CITY OF CENTERVILLE, MINNESOTA  
SUMMARY FINANCIAL REPORT  
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS  
GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Total		Percent Increase (Decrease)
	2014	2013	
<b>REVENUES</b>			
Taxes	\$ 2,267,884	\$ 2,287,009	(0.84) %
Licenses and permits	108,921	122,994	(11.44)
Intergovernmental	310,796	203,212	52.94
Charges for services	13,035	5,889	121.34
Fines and forfeitures	23,043	34,828	(33.84)
Special assessments	310,391	566,188	(45.18)
Interest on investments	33,080	6,862	382.08
Miscellaneous	36,086	41,566	(13.18)
	<u>3,103,236</u>	<u>3,268,548</u>	
TOTAL REVENUES	<u>\$ 3,103,236</u>	<u>\$ 3,268,548</u>	(5.06) %
Per Capita	\$ 785	\$ 851	(7.75) %
<b>EXPENDITURES</b>			
Current			
General government	\$ 467,067	\$ 440,344	6.07 %
Public safety	1,066,100	1,051,591	1.38
Public works	325,201	358,939	(9.40)
Culture and recreation	90,574	95,700	(5.36)
Economic development	-	2,038	(100.00)
Capital outlay			
General government	1,186	11,248	(89.46)
Public works	505,995	1,236,533	(59.08)
Culture and recreation	3,236	18,155	(82.18)
Debt service			
Principal	855,000	1,229,981	(30.49)
Interest and other	318,352	238,216	33.64
Bond issuance costs	-	10,278	(100.00)
	<u>3,632,711</u>	<u>4,693,023</u>	
TOTAL EXPENDITURES	<u>\$ 3,632,711</u>	<u>\$ 4,693,023</u>	(22.59) %
Per Capita	\$ 919	\$ 1,222	(24.79) %
Total Long-term Indebtedness	\$ 8,695,000	\$ 9,550,000	(8.95) %
Per Capita	2,200	2,486	(11.53)
General Fund Balance - December 31	\$ 1,319,013	\$ 1,258,596	4.80 %
Per Capita	334	328	1.83

The purpose of this report is to provide a summary of financial information concerning the City of Centerville to interested citizens. The complete financial statements may be examined at City Hall, 1880 Main Street, Centerville, MN 55038. Questions about this report should be directed to City Hall at (651) 429-3232.

**OTHER REQUIRED REPORT**

CITY OF CENTERVILLE  
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2014

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**ABDO  
EICK &  
MEYERS** LLP

*Certified Public Accountants & Consultants*

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council  
City of Centerville, Minnesota

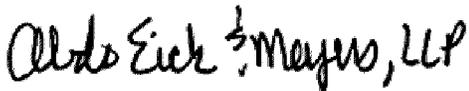
We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Centerville, Minnesota (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories except that we did not test for compliance in tax increment financing because the City has not established a tax increment financing district.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as noted on the Schedule of Findings and Responses as finding 2014-001. However, our audit was not directed primarily toward procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
March 26, 2015

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CITY OF CENTERVILLE, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2014

Finding      Description

**2014-001      Public purpose expenditure**

*Condition:*              Our audit procedures include certain tests of the City's compliance with specific statutes and rules. During our tests we noted that the City Council approved a purchase for a painting for \$296 and presented it as a gift to the retiring City Administrator.

*Criteria:*                According to Minnesota statutes section 15.46, in order for an expenditure of public funds to be lawful it should meet two standards: 1.) There must be a public purpose for the expenditure and 2.) There must be specific or implied authority for the expenditure in statute or in the City's charter. Minnesota statutes do not provide the authority for employee recognition.

*Cause:*                    It appears the City Council did not adequately consider the lawful purpose statutes.

*Effect:*                    While the amount may be considered relatively minor, the expenditure does not meet the criteria for a valid public expenditure and as a result the City is out of compliance with statutes.

*Recommendation:*    We recommend the City Council review the public purpose guidelines to ensure expenditures meet the above requirements.

*Management response:*

The Mayor and City Council members have, subsequently, reimbursed the City for the entire cost of the painting.