

Annual Financial Report

City of Centerville

Centerville, Minnesota

For the Year Ended
December 31, 2016

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CITY OF CENTERVILLE
CENTERVILLE, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2016

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CITY OF CENTERVILLE, MINNESOTA
 ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF CENTERVILLE
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

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CITY OF CENTERVILLE, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016

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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, 2016, 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, 2016, 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

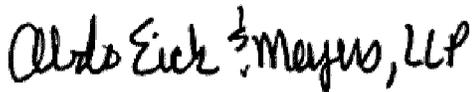
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 13 and the Schedule of Employer's Shares of the Net Pension Liability and the Schedule of Employer's Contributions on page 72 be presented to supplement the basic financial 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 the combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic 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
Minneapolis, Minnesota
June 20, 2017

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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, 2016.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflow of resources at the close of the most recent fiscal year by \$21,092,484 (net position). Of this amount, \$5,431,199 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$27,907. 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 \$1,309,108, or 59.7 percent of total 2016 General fund expenditures.
- The City's total debt increased \$1,405,402, during the current fiscal year. The increase was mainly due to issuance of the crossover refunding bond and an increase in City's proportionate share for pension liability.

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

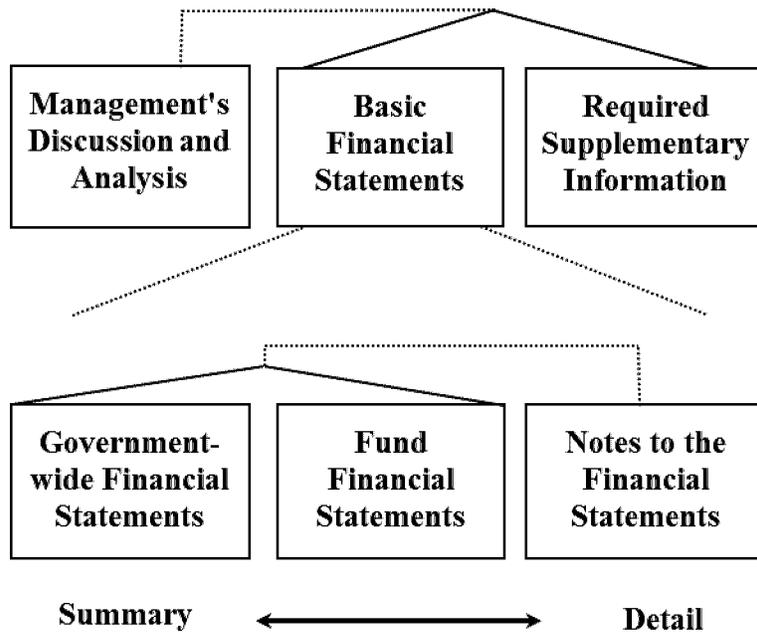


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
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, deferred inflows of resources, liabilities, and deferred inflows of resources with the difference being 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 13 individual governmental funds, six of which are combined into the Debt Service fund. 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 four 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 74 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 \$21,092,484 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (65 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		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Assets						
Current and other assets	\$ 4,695,928	\$ 2,694,410	\$ 2,001,518	\$ 5,704,387	\$ 5,212,075	\$ 492,312
Capital assets	14,040,134	14,844,955	(804,821)	6,362,898	6,713,084	(350,186)
Total assets	18,736,062	17,539,365	1,196,697	12,067,285	11,925,159	142,126
Deferred outflows of resources						
Deferred pension resources	179,845	36,129	143,716	69,726	14,572	55,154
Liabilities						
Noncurrent liabilities outstanding	9,298,120	7,959,225	1,338,895	205,776	139,269	66,507
Other liabilities	341,533	240,076	101,457	32,088	11,521	20,567
Total liabilities	9,639,653	8,199,301	1,440,352	237,864	150,790	87,074
Deferred outflows of resources						
Deferred pension resources	59,752	71,656	(11,904)	23,165	28,901	(5,736)
Net position						
Net investment in capital assets	7,410,615	7,229,955	180,660	6,362,898	6,713,084	(350,186)
Restricted for						
Debt service	1,853,334	2,376,939	(523,605)	-	-	-
Cable TV	34,438	26,936	7,502	-	-	-
Unrestricted	(81,885)	(329,293)	247,408	5,513,084	5,046,956	466,128
Total net position	\$ 9,216,502	\$ 9,304,537	\$ (88,035)	\$11,875,982	\$11,760,040	\$ 115,942

An additional portion of the City's net position (8.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$5,431,199) 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 for the City as a whole, as well as for its separate governmental and business-type activities with the exemption of unrestricted net position for governmental activities. The same situation held true for the prior year.

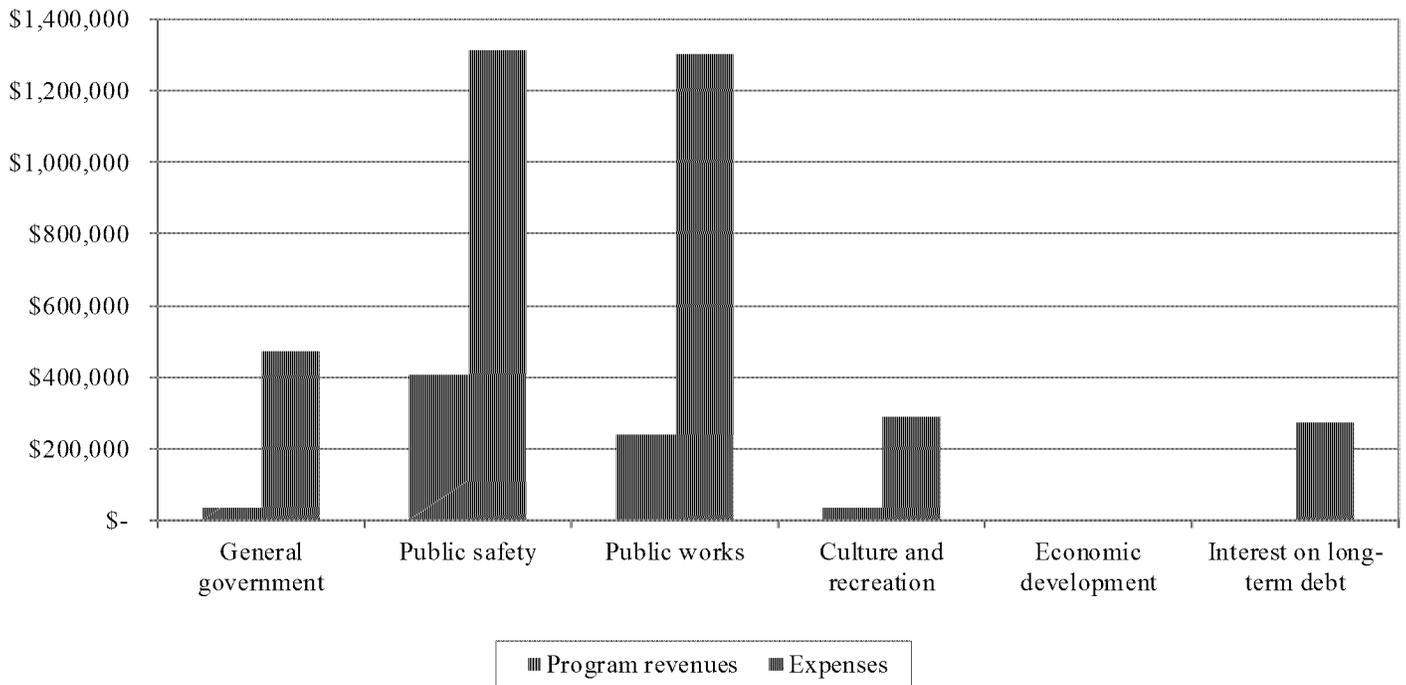
Governmental activities. Governmental activities decreased the City's net position by \$88,035. Key elements of this decrease are as follows:

City of Centerville's Changes in Net position

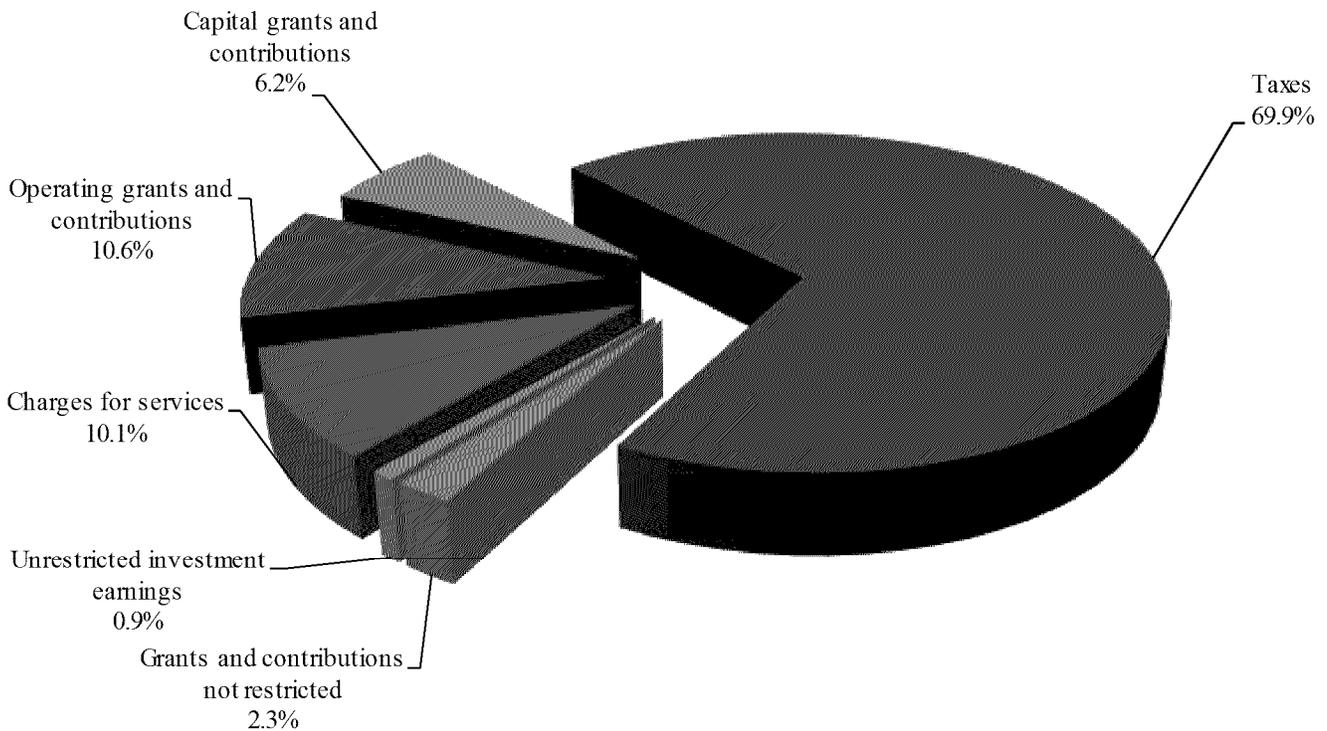
	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 289,245	\$ 352,896	\$ (63,651)	\$ 809,727	\$ 862,656	\$ (52,929)
Operating grants and contributions	300,400	125,643	174,757	-	9,945	(9,945)
Capital grants and contributions	176,280	179,664	(3,384)	191,981	522,149	(330,168)
General revenues						
Taxes						
Property taxes/tax increments	1,976,606	1,800,648	175,958	-	-	-
Property taxes, levied for debt service	591,370	591,496	(126)	-	-	-
Other taxes	108,660	6,752	101,908	-	-	-
Grants and contributions						
not restricted to specific programs	64,842	61,999	2,843	-	-	-
Unrestricted investment earnings	22,409	29,336	(6,927)	51,552	49,385	2,167
Gain on sale of capital assets	35,571	16,109	19,462	-	-	-
Miscellaneous	3,650	-	3,650	-	-	-
Total revenues	3,569,033	3,164,543	404,490	1,053,260	1,444,135	(390,875)
Expenses						
General government	473,357	479,175	(5,818)	-	-	-
Public safety	1,314,615	1,113,185	201,430	-	-	-
Public works	1,305,441	2,002,860	(697,419)	-	-	-
Culture and recreation	292,116	236,418	55,698	-	-	-
Economic development	50	-	50	-	-	-
Interest on long-term debt	271,489	302,941	(31,452)	-	-	-
Water	-	-	-	408,300	353,091	55,209
Sewer	-	-	-	441,318	433,338	7,980
Storm Water	-	-	-	87,700	83,249	4,451
Total expenses	3,657,068	4,134,579	(477,511)	937,318	869,678	67,640
Change in net position	(88,035)	(970,036)	882,001	115,942	574,457	(458,515)
Net position, January 1	9,304,537	10,274,573	(970,036)	11,760,040	11,185,583	574,457
Net position, December 31	\$ 9,216,502	\$ 9,304,537	\$ (88,035)	\$11,875,982	\$11,760,040	\$ 115,942

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

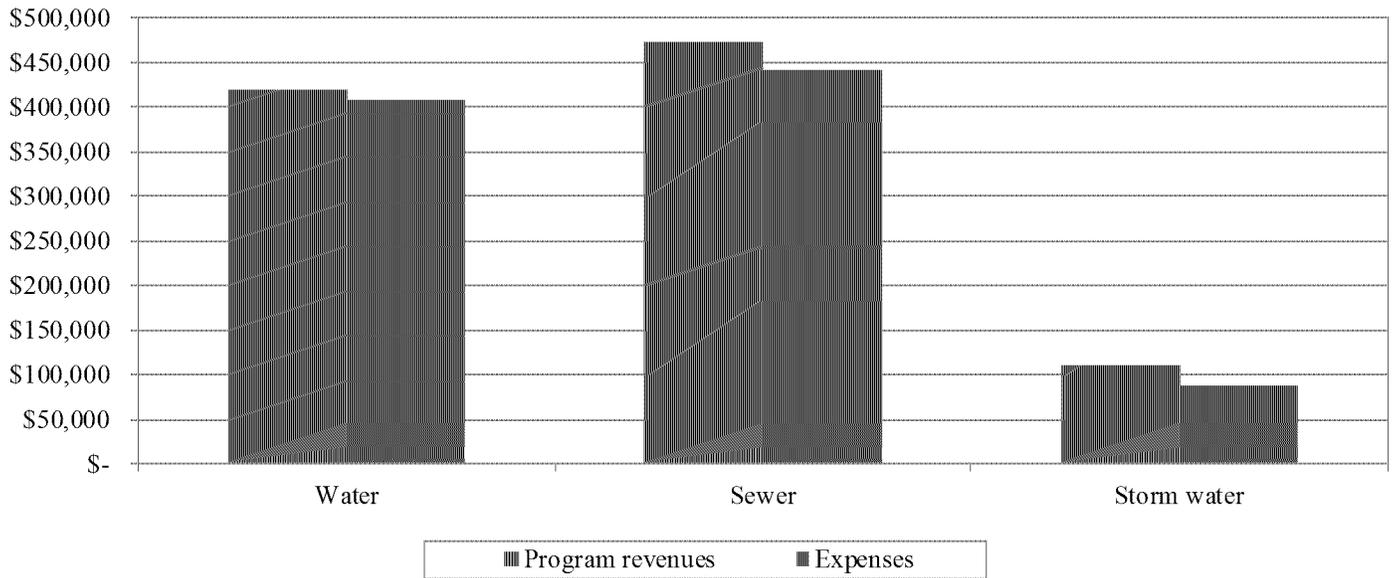


Revenues by Source - Governmental Activities

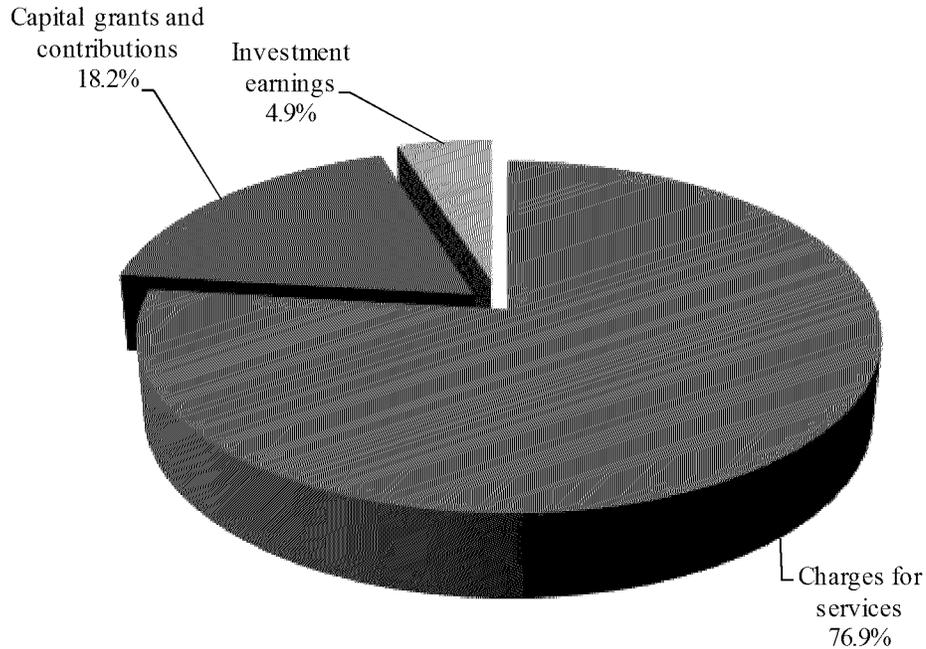


Business-type activities. Business-type activities increased the City’s net position by \$115,942. Key elements of this increase are as follows:

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		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Personnel costs	\$ 555,796	\$ 526,547	\$ 29,249	\$ 206,992	\$ 204,596	\$ 2,396
Supplies	27,760	36,748	(8,988)	17,503	23,324	(5,821)
Other charges for services	1,611,558	1,392,144	219,414	712,483	641,083	71,400
Capital outlay	375,156	1,140,077	(764,921)	-	-	-
Total	\$ 2,570,270	\$ 3,095,516	\$ (525,246)	\$ 936,978	\$ 869,003	\$ 67,975

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)
	2016	2015	
General	\$ 1,310,308	\$ 1,169,065	\$ 141,243
The General fund balance has increased from 2015 by \$141,243 due primarily to licenses and permits coming in higher than expectations. The fund transferred out \$250,000 during the year.			
Debt Service	\$ 3,161,596	\$ 1,369,769	\$ 1,791,827
The Debt Service fund increased \$1,791,827 due primarily to the issuance of crossover refunding bonds. The City manages cash flow in all debt service funds and ensures adequate resources exist to fund future obligations.			
Park	\$ (1,132,980)	\$ (1,116,065)	\$ (16,915)
The Park fund balance decreased \$16,915 from the previous year, due to the 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 \$3,430,908, an increase of \$2,070,169 in comparison with the prior year. A fund balance \$111,824 constitutes *unassigned fund balance*. The remainder of fund balance (\$3,319,084) is not available for spending because it is either: 1) nonspendable (\$22,444), 2) restricted (\$3,174,790, or 3) assigned (\$121,850) 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 \$5,513,084. The total increase in net position for the funds was \$115,942. 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 of \$170,981 and expenditures had negative budget variance of \$29,738. Overall the General fund had a net positive budget variance of \$141,243.

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

- License and permits revenues came in \$97,569 over budget.
- Culture and recreation expenditures came in \$27,793 over budgeted amounts.

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, 2016, amounts to \$20,403,032 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

Additional information on the City’s capital assets can be found in Note 3B starting on page 57 of this report.

City of Centerville’s Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Land	\$ 3,128,823	\$ 3,157,823	\$ (29,000)	\$ 200,655	\$ 200,655	\$ -
Construction in progress	-	-	-	-	-	-
Buildings	787,966	823,112	(35,146)	340,170	348,450	(8,280)
Infrastructure	9,935,037	10,635,736	(700,699)	5,797,476	6,127,022	(329,546)
Machinery and equipment	188,308	228,284	(39,976)	24,597	36,957	(12,360)
Total	<u>\$ 14,040,134</u>	<u>\$ 14,844,955</u>	<u>\$ (804,821)</u>	<u>\$ 6,362,898</u>	<u>\$ 6,713,084</u>	<u>\$ (350,186)</u>

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 \$8,705,000. 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		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
General obligation bonds	\$ 8,705,000	\$ 7,615,000	\$ 1,090,000	\$ -	\$ -	\$ -
General obligation capital notes	59,619	-	59,619	-	-	-
Compensated absences payable	42,012	37,703	4,309	15,227	15,642	(415)
Pension liability	491,489	306,522	184,967	190,549	123,627	66,922
Total	\$ 9,298,120	\$ 7,959,225	\$ 1,338,895	\$ 205,776	\$ 139,269	\$ 66,507

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 \$329,044,100 which calculates to a debt limit of \$9,871,323. 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 \$324,619 of general obligation debt outstanding leaving a debt margin of \$9,546,704.

Additional information on the City's long-term debt can be found in Note 3D starting on page 60 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 2017 increased by 5.1%. The City's net tax capacity increased 6.21% for taxes payable in 2017. The City increased its property tax levy by 5.8% for taxes payable in 2017. Tax capacity rates decreased 2.37% due to the increase in tax capacity. Most taxpayers realized an increase in City property taxes as a result of the increased value of their properties and the increased City levy.

The City's General Fund budget increased for fiscal year 2017 by 9.1%; however, the General Fund tax levy increased 9.8%. The increase in General Fund expenditures, in the amount of \$218,420, was primarily related to increases in police and fire protection fire contracts. Other factors affecting the 2017 General Fund budget include a 2.5% cost-of-living increase on employee wages and a \$40,000 appropriation for a new monument sign.

The debt service levy was reduced by \$45,100 for taxes payable in 2017 due to amortization of principal on outstanding debt.

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, 2016

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CITY OF CENTERVILLE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 2,668,708	\$ 3,334,770	\$ 6,003,478
Cash with fiscal agent	2,135,100	-	2,135,100
Receivables			
Accrued interest	5,265	6,576	11,841
Taxes	59,519	-	59,519
Accounts	50,599	154,810	205,409
Special assessments	996,336	928,833	1,925,169
Due from other governments	34,279	-	34,279
Internal balances	(1,276,322)	1,276,322	-
Inventories	-	2,826	2,826
Prepaid items	22,444	250	22,694
Capital assets			
Land and construction and progress	3,128,823	200,655	3,329,478
Depreciable assets (net of accumulated depreciation)	10,911,311	6,162,243	17,073,554
TOTAL ASSETS	18,736,062	12,067,285	30,803,347
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	179,845	69,726	249,571
LIABILITIES			
Accounts and contracts payable	66,236	14,907	81,143
Accrued salaries payable	11,219	3,456	14,675
Due to other governments	61,964	13,725	75,689
Accrued interest payable	109,423	-	109,423
Deposits payable	92,691	-	92,691
Noncurrent liabilities			
Due within one year	786,209	14,799	801,008
Due in more than one year	8,511,911	190,977	8,702,888
TOTAL LIABILITIES	9,639,653	237,864	9,877,517
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	59,752	23,165	82,917
NET POSITION			
Net investment in capital assets	7,410,615	6,362,898	13,773,513
Restricted for			
Debt service	1,853,334	-	1,853,334
Cable TV	34,438	-	34,438
Unrestricted	(81,885)	5,513,084	5,431,199
TOTAL NET POSITION	\$ 9,216,502	\$ 11,875,982	\$ 21,092,484

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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 473,357	\$ 36,785	\$ -	\$ -
Public safety	1,314,615	180,371	225,116	-
Public works	1,305,441	34,789	30,164	176,280
Culture and recreation	292,116	34,300	-	-
Economic development	50	3,000	-	-
Interest on long-term debt	271,489	-	45,120	-
Total governmental activities	<u>3,657,068</u>	<u>289,245</u>	<u>300,400</u>	<u>176,280</u>
Business-type activities				
Water	408,300	286,840	-	132,114
Sewer	441,318	412,568	-	59,867
Storm water	87,700	110,319	-	-
Total business-type activities	<u>937,318</u>	<u>809,727</u>	<u>-</u>	<u>191,981</u>
Total	<u>\$ 4,594,386</u>	<u>\$ 1,098,972</u>	<u>\$ 300,400</u>	<u>\$ 368,261</u>

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Franchise taxes

Gambling taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Miscellaneous

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
\$ (436,572)	\$ -	\$ (436,572)
(909,128)	-	(909,128)
(1,064,208)	-	(1,064,208)
(257,816)	-	(257,816)
2,950	-	2,950
(226,369)	-	(226,369)
(2,891,143)	-	(2,891,143)
-	10,654	10,654
-	31,117	31,117
-	22,619	22,619
-	64,390	64,390
(2,891,143)	64,390	(2,826,753)
1,976,606	-	1,976,606
591,370	-	591,370
99,490	-	99,490
9,170	-	9,170
64,842	-	64,842
22,409	51,552	73,961
35,571	-	35,571
3,650	-	3,650
2,803,108	51,552	2,854,660
(88,035)	115,942	27,907
9,304,537	11,760,040	21,064,577
\$ 9,216,502	\$ 11,875,982	\$ 21,092,484

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

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FUND FINANCIAL STATEMENTS

CITY OF CENTERVILLE
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF CENTERVILLE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	101	300's	402
	General	Debt Service	Park
ASSETS			
Cash and temporary investments	\$ 1,428,413	\$ 997,205	\$ 43,257
Cash with fiscal agent	-	2,135,100	-
Receivables			
Accrued interest	2,819	1,967	85
Taxes	54,512	5,007	-
Accounts	11,655	-	-
Special assessments	13,190	937,334	-
Due from other governments	22,405	-	-
Prepaid items	1,200	21,244	-
	<u>1,200</u>	<u>21,244</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 1,534,194</u></u>	<u><u>\$ 4,097,857</u></u>	<u><u>\$ 43,342</u></u>
LIABILITIES			
Accounts payable	\$ 64,181	\$ -	\$ -
Deposits payable	92,691	-	-
Accrued salaries payable	10,945	-	-
Due to other governments	5,127	-	-
Due to other funds	-	-	-
Advances from other funds	-	-	1,176,322
	<u>-</u>	<u>-</u>	<u>1,176,322</u>
TOTAL LIABILITIES	<u>172,944</u>	<u>-</u>	<u>1,176,322</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	37,752	-	-
Unavailable revenue - special assessments	13,190	936,261	-
	<u>13,190</u>	<u>936,261</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>50,942</u>	<u>936,261</u>	<u>-</u>
FUND BALANCES			
Nonspendable	1,200	21,244	-
Restricted	-	3,140,352	-
Assigned	-	-	-
Unassigned	1,309,108	-	(1,132,980)
	<u>1,309,108</u>	<u>-</u>	<u>(1,132,980)</u>
TOTAL FUND BALANCES	<u>1,310,308</u>	<u>3,161,596</u>	<u>(1,132,980)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 1,534,194</u></u>	<u><u>\$ 4,097,857</u></u>	<u><u>\$ 43,342</u></u>

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

Other Governmental Funds	Total Governmental Funds
\$ 199,833	\$ 2,668,708
-	2,135,100
394	5,265
-	59,519
38,944	50,599
45,812	996,336
11,874	34,279
-	22,444
<u>\$ 296,857</u>	<u>\$ 5,972,250</u>
\$ 2,055	\$ 66,236
-	92,691
274	11,219
56,837	61,964
100,000	100,000
-	1,176,322
<u>159,166</u>	<u>1,508,432</u>
-	37,752
45,707	995,158
<u>45,707</u>	<u>1,032,910</u>
-	22,444
34,438	3,174,790
121,850	121,850
(64,304)	111,824
<u>91,984</u>	<u>3,430,908</u>
<u>\$ 296,857</u>	<u>\$ 5,972,250</u>

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

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CITY OF CENTERVILLE, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

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

Total fund balances - governmental	\$ 3,430,908
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	23,210,480
Less accumulated depreciation	(9,170,346)
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	(8,764,619)
Compensated absences payable	(42,012)
Pension liability	(491,489)
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	37,752
Special assessments receivable	995,158
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	179,845
Deferred inflows of pension resources	(59,752)
Governmental funds do not report a liability for accrued interest until due and payable.	(109,423)
Total net position - governmental activities	\$ 9,216,502

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, 2016

	101	300's	402
	General	Debt Service	Park
REVENUES			
Taxes			
General property	\$ 1,981,690	\$ 591,370	\$ -
Gambling	9,170	-	-
Franchise	-	-	-
Licenses and permits	216,569	-	-
Intergovernmental	295,570	45,120	-
Charges for services	12,459	-	-
Fines and forfeitures	24,042	-	-
Special assessments	786	236,626	-
Interest on investments	10,764	8,930	469
Miscellaneous	31,934	-	-
	<u>2,582,984</u>	<u>882,046</u>	<u>469</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	437,379	-	-
Public safety	1,304,691	-	-
Public works	327,668	-	-
Culture and recreation	121,093	-	-
Economic development	50	-	-
Capital outlay			
General government	860	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Debt service			
Principal	-	725,000	-
Interest and other	-	252,628	17,384
Bond issuance costs	-	853	-
	<u>2,191,741</u>	<u>978,481</u>	<u>17,384</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>391,243</u>	<u>(96,435)</u>	<u>(16,915)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	64,571	-
Transfers in	-	8,691	-
Refunding bonds issued	-	1,815,000	-
Bonds issued	-	-	-
Transfers out	(250,000)	-	-
	<u>(250,000)</u>	<u>1,888,262</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	141,243	1,791,827	(16,915)
FUND BALANCES, JANUARY 1	<u>1,169,065</u>	<u>1,369,769</u>	<u>(1,116,065)</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,310,308</u>	<u>\$ 3,161,596</u>	<u>\$ (1,132,980)</u>

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

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,573,060
-	9,170
99,490	99,490
-	216,569
21,860	362,550
10,342	22,801
-	24,042
74,945	312,357
2,246	22,409
20,565	52,499
<u>229,448</u>	<u>3,694,947</u>
-	437,379
-	1,304,691
-	327,668
4,662	125,755
-	50
3,776	4,636
308,305	308,305
59,619	59,619
-	725,000
-	270,012
-	853
<u>376,362</u>	<u>3,563,968</u>
<u>(146,914)</u>	<u>130,979</u>
-	64,571
611,602	620,293
-	1,815,000
59,619	59,619
<u>(370,293)</u>	<u>(620,293)</u>
<u>300,928</u>	<u>1,939,190</u>
154,014	2,070,169
<u>(62,030)</u>	<u>1,360,739</u>
<u>\$ 91,984</u>	<u>\$ 3,430,908</u>

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

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, 2016

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

Net change in fund balances - governmental funds	\$ 2,070,169
<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	236,277
Depreciation expense	(1,012,098)
<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	(29,000)
<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	725,000
Debt issued or incurred	(1,874,619)
<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>	
	(8,624)
<p>Long-term pension activity is not reported in government funds.</p>	
Pension expense	(29,347)
<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	(5,084)
Special assessments	(156,401)
<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	(4,308)
Change in net position - governmental activities	\$ (88,035)

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes				
General property	\$ 1,965,204	\$ 1,965,204	\$ 1,981,690	\$ 16,486
Gambling	3,000	3,000	9,170	6,170
Licenses and permits	119,000	119,000	216,569	97,569
Intergovernmental	266,899	266,899	295,570	28,671
Charges for services	4,900	4,900	12,459	7,559
Fines and forfeitures	35,000	35,000	24,042	(10,958)
Special assessments	-	-	786	786
Interest on investments	11,000	11,000	10,764	(236)
Miscellaneous	7,000	7,000	31,934	24,934
TOTAL REVENUES	<u>2,412,003</u>	<u>2,412,003</u>	<u>2,582,984</u>	<u>170,981</u>
EXPENDITURES				
Current				
General government	459,481	459,481	437,379	22,102
Public safety	1,297,522	1,297,522	1,304,691	(7,169)
Public works	311,100	311,100	327,668	(16,568)
Culture and recreation	93,300	93,300	121,093	(27,793)
Economic development	-	-	50	(50)
Capital outlay	600	600	860	(260)
TOTAL EXPENDITURES	<u>2,162,003</u>	<u>2,162,003</u>	<u>2,191,741</u>	<u>(29,738)</u>
EXCESS OF REVENUES OVER EXPENDITURES	250,000	250,000	391,243	141,243
OTHER FINANCING USES				
Transfers out	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	141,243	141,243
FUND BALANCES, JANUARY 1	<u>1,169,065</u>	<u>1,169,065</u>	<u>1,169,065</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,169,065</u>	<u>\$ 1,169,065</u>	<u>\$ 1,310,308</u>	<u>\$ 141,243</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, 2016

	Business-type Activities - Enterprise Funds			Totals
	601	602	603	
	Water	Sewer	Nonmajor Storm Water	
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 1,643,503	\$ 1,528,554	\$ 162,713	\$ 3,334,770
Receivables				
Accrued interest	3,240	3,015	321	6,576
Accounts	50,592	83,012	21,206	154,810
Special assessments	8,271	-	-	8,271
Due from other funds	100,000	-	-	100,000
Advance to other funds	-	1,176,322	-	1,176,322
Inventories	2,826	-	-	2,826
Prepaid items	250	-	-	250
TOTAL CURRENT ASSETS	1,808,682	2,790,903	184,240	4,783,825
NONCURRENT ASSETS				
Special assessments receivable	868,257	52,305	-	920,562
Capital assets				
Land	72,255	124,000	4,400	200,655
Buildings	138,000	276,000	-	414,000
Infrastructure	5,739,590	3,442,483	1,051,222	10,233,295
Machinery and equipment	269,367	96,742	-	366,109
Less accumulated depreciation	(2,567,130)	(1,991,008)	(293,023)	(4,851,161)
Net capital assets	3,652,082	1,948,217	762,599	6,362,898
TOTAL NONCURRENT ASSETS	4,520,339	2,000,522	762,599	7,283,460
TOTAL ASSETS	6,329,021	4,791,425	946,839	12,067,285
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	27,866	27,866	13,994	69,726
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	10,435	4,291	181	14,907
Accrued salaries payable	1,358	1,358	740	3,456
Due to other governments	1,523	12,202	-	13,725
Compensated absences payable - current	6,375	6,397	2,027	14,799
TOTAL CURRENT LIABILITIES	19,691	24,248	2,948	46,887

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

CITY OF CENTERVILLE, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	601	602	603	Totals
	Water	Sewer	Nonmajor Storm Water	
NONCURRENT LIABILITIES				
Compensated absences payable	\$ 103	\$ 81	\$ 244	\$ 428
Pension liability	76,153	76,153	38,243	190,549
TOTAL NONCURRENT LIABILITIES	<u>76,256</u>	<u>76,234</u>	<u>38,487</u>	<u>190,977</u>
TOTAL LIABILITIES	<u>95,947</u>	<u>100,482</u>	<u>41,435</u>	<u>237,864</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	<u>9,258</u>	<u>9,258</u>	<u>4,649</u>	<u>23,165</u>
NET POSITION				
Net investment in capital assets	3,652,082	1,948,217	762,599	6,362,898
Unrestricted	<u>2,599,600</u>	<u>2,761,334</u>	<u>152,150</u>	<u>5,513,084</u>
TOTAL NET POSITION	<u>\$ 6,251,682</u>	<u>\$ 4,709,551</u>	<u>\$ 914,749</u>	<u>\$ 11,875,982</u>

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, 2016

	Business-type Activities - Enterprise Funds			
	601	602	603	Totals
	Water	Sewer	Nonmajor Storm Water	
OPERATING REVENUES				
Charges for services	\$ 286,840	\$ 412,568	\$ 110,319	\$ 809,727
OPERATING EXPENSES				
Salaries and benefits	84,877	83,366	38,749	206,992
Supplies	15,043	1,732	728	17,503
Other services and charges	83,549	41,402	11,272	136,223
Utilities	16,972	3,888	-	20,860
MCES - disposal charges	-	205,214	-	205,214
Depreciation	207,859	105,716	36,611	350,186
TOTAL OPERATING EXPENSES	408,300	441,318	87,360	936,978
OPERATING INCOME (LOSS)	(121,460)	(28,750)	22,959	(127,251)
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	16,769	33,269	1,514	51,552
Interest expense	-	-	(340)	(340)
TOTAL NONOPERATING REVENUES (EXPENSES)	16,769	33,269	1,174	51,212
INCOME BEFORE CONTRIBUTIONS	(104,691)	4,519	24,133	(76,039)
CAPITAL CONTRIBUTIONS	132,114	59,867	-	191,981
CHANGE IN NET POSITION	27,423	64,386	24,133	115,942
NET POSITION, JANUARY 1	6,224,259	4,645,165	890,616	11,760,040
NET POSITION, DECEMBER 31	<u>\$ 6,251,682</u>	<u>\$ 4,709,551</u>	<u>\$ 914,749</u>	<u>\$ 11,875,982</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, 2016

	Business-type Activities - Enterprise Funds			
	601	602	603	Totals
	Water	Sewer	Nonmajor Storm Water	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 292,275	\$ 418,228	\$ 110,205	\$ 820,708
Payments to suppliers	(107,182)	(222,274)	(12,142)	(341,598)
Payments to employees	(81,446)	(79,922)	(38,922)	(200,290)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	103,647	116,032	59,141	278,820
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payment received on advance to other funds	-	105,276	-	105,276
Principal paid on advance from other funds	-	-	(22,660)	(22,660)
Interest paid on advance from other funds	-	-	(340)	(340)
Intergovernmental	9,945	-	-	9,945
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	9,945	105,276	(23,000)	92,221
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Hook up fees and unit charges received	-	40,823	-	40,823
Special assessments received	198,462	16,002	-	214,464
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	198,462	56,825	-	255,287
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	16,336	32,852	1,460	50,648
NET INCREASE IN CASH AND CASH EQUIVALENTS	328,390	310,985	37,601	676,976
CASH AND CASH EQUIVALENTS, JANUARY 1	1,315,113	1,217,569	125,112	2,657,794
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 1,643,503	\$ 1,528,554	\$ 162,713	\$ 3,334,770

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

CITY OF CENTERVILLE, MINNESOTA
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	601	602	603	Totals
	Water	Sewer	Nonmajor Storm water	
RECONCILIATION OF OPERATING (INCOME) LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (121,460)	\$ (28,750)	\$ 22,959	\$ (127,251)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	207,859	105,716	36,611	350,186
(Increase) decrease in assets/deferred outflows of resources				
Accounts receivable	5,435	5,660	(114)	10,981
Inventories	1,793	-	-	1,793
Prepaid items	(212)	17,139	-	16,927
Deferred pension resources	(22,081)	(22,082)	(10,991)	(55,154)
Increase (decrease) in liabilities/deferred inflows of resources				
Accounts payable	7,092	3,540	(142)	10,490
Accrued salaries payable	430	430	225	1,085
Compensated absences payable	223	223	(861)	(415)
Pension liability	27,074	27,086	12,762	66,922
Deferred pension resources	(2,215)	(2,213)	(1,308)	(5,736)
Due to other governments	(291)	9,283	-	8,992
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 103,647</u>	<u>\$ 116,032</u>	<u>\$ 59,141</u>	<u>\$ 278,820</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, 2016

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, 2016

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, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, deferred outflows of resources, 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. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. 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.
8. 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.
9. 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.

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 56 and are valued using quoted market prices (Level 2 inputs).

CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 2016. 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, 2016

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 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 acquisition 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 outflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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.

Deferred inflows of resources

In addition to liabilities, the statement of financial position and fund financial statements 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 City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported 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.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Net position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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".

CITY OF CENTERVILLE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

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 30th, 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 2016.

B. Excess of expenditures over appropriations

The General fund had expenditures in excess of budgeted expenditures as of December 31, 2016:

Fund	Budget	Actual	Excess of Disbursements Over Appropriations
General	\$ 2,162,003	\$ 2,191,741	\$ 29,738

The excess of excess of expenditures over budget were funded by revenues in excess of budget.

C. Deficit fund equity

The following funds had a deficit fund balance as of December 31, 2016:

Fund	Amount
Major	
Park	\$ 1,132,980
2013 Street Project	64,304

The Park fund and 2013 Street Project deficits will be eliminated with transfers in future years.

CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

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 \$3,570,912, and the bank balance was \$3,600,565. 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, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

As of December 31, 2016, 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.

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using	
				Level 1	Level 2
Pooled investments at amortized costs					
Broker Money Market Funds	N/A	less than 6 months	\$ 7,681		
Non-pooled investments at fair value					
State & local government	AAA	less than 1 year	32,516	\$ 32,516	\$ -
State & local government	AAA	1 to 3 years	2,102,584	2,102,584	-
Negotiable certificates of deposits	N/A	6 months to 1 year	245,439	-	245,439
Negotiable certificates of deposits	N/A	1 to 3 years	741,929	-	741,929
Negotiable certificates of deposits	N/A	more than 3 years	1,437,317	-	1,437,317
Total investments			<u>\$ 4,567,466</u>	<u>\$ 2,135,100</u>	<u>\$ 2,424,685</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.

Note: The City has no level 3 investments.

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 Barclays Bank CD (10.1 percent), AMEX Centurion CD (10.2 percent), Sallie May Bank CD (10.2 percent), Capital One Mclean CD (10.1 percent), Wells Fargo Sioux Falls CD (8.7 percent), Discover Bank CD (9.9 percent), HSBC Bank CD (10.1 percent), Goldman Sachs CD (10.2 percent), CIT SLC Bank CD (10.3 percent) and Capital One Glen Allen Bank CD (9.8 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.

CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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	\$ 3,570,912
Investments	4,567,466
Petty cash	200
 Total	 \$ 8,138,578
 Government-wide	
Cash and temporary investments	\$ 6,003,478
Cash with fiscal agent	2,135,100
	\$ 8,138,578

B. Capital assets

Capital asset activity for the governmental activities for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,157,823	\$ -	\$ (29,000)	\$ 3,128,823
Capital assets being depreciated				
Buildings	1,627,438	-	-	1,627,438
Infrastructure	17,467,514	236,277	-	17,703,791
Machinery and equipment	750,428	-	-	750,428
Total capital assets being depreciated	19,845,380	236,277	-	20,081,657
Less accumulated depreciation for				
Buildings	(804,326)	(35,146)	-	(839,472)
Infrastructure	(6,831,778)	(936,976)	-	(7,768,754)
Machinery and equipment	(522,144)	(39,976)	-	(562,120)
Total accumulated depreciation	(8,158,248)	(1,012,098)	-	(9,170,346)
Total capital assets being depreciated, net	11,687,132	(775,821)	-	10,911,311
Governmental activities capital assets, net	\$ 14,844,955	\$ (775,821)	\$ (29,000)	\$ 14,040,134

CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Governmental activities	
General government	\$ 14,244
Public safety	2,339
Public works	890,691
Culture and recreation	<u>104,824</u>
Total depreciation expense - governmental activities	<u><u>\$ 1,012,098</u></u>

Capital asset activity for the business-type activities for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 200,655	\$ -	\$ -	\$ 200,655
Capital assets being depreciated				
Buildings	414,000	-	-	414,000
Infrastructure	10,233,295	-	-	10,233,295
Machinery and equipment	<u>366,109</u>	<u>-</u>	<u>-</u>	<u>366,109</u>
Total capital assets being depreciated	<u>11,013,404</u>	<u>-</u>	<u>-</u>	<u>11,013,404</u>
Less accumulated depreciation for				
Buildings	(65,550)	(8,280)	-	(73,830)
Infrastructure	(4,106,273)	(329,546)	-	(4,435,819)
Machinery and equipment	<u>(329,152)</u>	<u>(12,360)</u>	<u>-</u>	<u>(341,512)</u>
Total accumulated depreciation	<u>(4,500,975)</u>	<u>(350,186)</u>	<u>-</u>	<u>(4,851,161)</u>
Total capital assets being depreciated, net	<u>6,512,429</u>	<u>(350,186)</u>	<u>-</u>	<u>6,162,243</u>
Business-type activities capital assets, net	<u><u>\$ 6,713,084</u></u>	<u><u>\$ (350,186)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,362,898</u></u>

CITY OF CENTERVILLE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Business-type activities	
Water	\$ 207,859
Sewer	105,716
Storm water	<u>36,611</u>
Total depreciation expense - business-type activities	<u><u>\$ 350,186</u></u>

C. Interfund balances and transfers

The composition of internal balance as of December 31, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from other funds		
Water	Nonmajor Governmental funds	\$ 100,000
Advance to/from other funds		
Sewer	Park	<u>1,176,322</u>
Total of interfund balances		<u><u>\$ 1,276,322</u></u>

The above interfund advance and the amount due to/from other funds amortization schedules, of which current payments are being made.

Interfund transfers

The composition of interfund transfers for the year ended December 31, 2016 is as follows:

Fund	Transfer In		
	Debt Service	Other Governmental	Total
Transfer out			
General	\$ -	\$ 250,000	\$ 250,000
Other Governmental	<u>8,691</u>	<u>361,602</u>	<u>370,293</u>
Total	<u><u>\$ 8,691</u></u>	<u><u>\$ 611,602</u></u>	<u><u>\$ 620,293</u></u>

- A transfer of \$250,000 from the General fund to other governmental funds is for future replacement of equipment, vehicles, and computers. Nonmajor governmental funds transferred funds between funds to support capital project costs.

CITY OF CENTERVILLE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

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	02/01/18	\$ 2,660,000
G.O. Improvement Bonds of 2011A	2,760,000	.70 - 2.45	04/14/11	07/01/19	1,125,000
G.O. Improvement Refunding Bonds of 2012A	515,000	1.00 - 1.70	06/14/12	02/01/21	265,000
G.O. Improvement Bonds of 2013A	1,465,000	1.63 - 3.00	06/01/13	02/01/29	1,475,000
G.O. Improvement Refunding Bonds of 2015A	1,385,000	.85 - 2.25	01/15/15	02/01/25	1,365,000
G.O. Improvement Crossover Refunding Bonds of 2016A	1,815,000	1.15 - 1.80	07/01/16	02/01/25	<u>1,815,000</u>
Total General Obligation Improvement Bonds					<u><u>\$ 8,705,000</u></u>

The G.O. Improvement and Refunding Bonds, Series 2012A were issued by the City of Circle Pines, refunding the Capital Improvement Plan Bonds of 2005A. The 2005A issue was for the construction of a police station per the joint powers agreement in Note 5. The \$265,000 represents the City of Centerville's remaining portion of the 2012A issue.

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

Year Ending December 31,	General Obligation Improvement Bonds		
	Governmental Activities		
	Principal	Interest	Total
2017	\$ 745,000	\$ 247,936	\$ 992,936
2018	765,000	224,724	989,724
2019	3,030,000	198,581	3,228,581
2020	470,000	80,348	550,348
2021	605,000	71,906	676,906
2022-2026	2,600,000	191,709	2,791,709
2027-2029	<u>490,000</u>	<u>21,238</u>	<u>511,238</u>
Total	<u><u>\$ 8,705,000</u></u>	<u><u>\$ 1,036,442</u></u>	<u><u>\$ 9,741,442</u></u>

CITY OF CENTERVILLE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

General obligation capital notes

The City issues general obligation capital note to provide funds for the acquisition capital equipment. General obligation capital notes have been issued for governmental activities.

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Capital Notes 2016A	\$ 59,619	2.00 %	04/14/16	02/01/26	<u>\$ 59,619</u>

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

Year Ending December 31,	General Obligation Capital Notes Governmental Activities		
	Principal	Interest	Total
2017	\$ -	\$ 1,547	\$ 1,547
2018	6,179	1,131	7,310
2019	6,179	1,007	7,186
2020	6,346	882	7,228
2021	6,513	753	7,266
2022-2026	<u>34,402</u>	<u>1,819</u>	<u>36,221</u>
Total	<u>\$ 59,619</u>	<u>\$ 7,139</u>	<u>\$ 66,758</u>

CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

During the year ended December 31, 2016, the following changes occurred in noncurrent liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
G.O Bonds	\$ 7,615,000	\$ 1,815,000	\$ (725,000)	\$ 8,705,000	\$ 745,000
G.O. Capital Notes	-	59,619	-	59,619	-
Compensated absences payable	37,703	38,379	(34,070)	42,012	41,209
Pension liability GERF	306,522	212,861	(27,894)	491,489	-
	<u>306,522</u>	<u>212,861</u>	<u>(27,894)</u>	<u>491,489</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 7,959,225</u>	<u>\$ 2,125,859</u>	<u>\$ (786,964)</u>	<u>\$ 9,298,120</u>	<u>\$ 786,209</u>
Business-type activities					
Compensated absences payable	\$ 15,642	\$ 15,949	\$ (16,364)	\$ 15,227	\$ 14,799
Pension liability GERF	123,627	83,644	(16,722)	190,549	-
	<u>123,627</u>	<u>83,644</u>	<u>(16,722)</u>	<u>190,549</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 139,269</u>	<u>\$ 99,593</u>	<u>\$ (33,086)</u>	<u>\$ 205,776</u>	<u>\$ 14,799</u>

Crossover refunding bond

On July 1, 2016 the City issued \$1,815,000 General Obligation Crossover Refunding Bonds, Series 2016A. The bonds bear an average coupon rate of 1.71 percent and the entire amount was used to refund the 2019 - 2025 principal maturities of the 2009A bonds. As a result of the refunding issue, the City will save \$141,720 in debt service payments and achieve an economic gain (the present value of the difference between the old and the new debt service) of \$108,761

CITY OF CENTERVILLE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Fund equity

At December 31, 2016, 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:

	General	Debt Service	Park	Other Governmental Funds	Total
Nonspendable					
Prepaid items	\$ 1,200	\$ 21,244	\$ -	\$ -	\$ 22,444
Restricted for					
Debt service	-	3,140,352	-	-	3,140,352
Cable TV	-	-	-	34,438	34,438
Assigned for					
Street maintenance	-	-	-	-	-
Capital equipment	-	-	-	109,562	109,562
Capital projects	-	-	-	12,288	12,288
Unassigned	1,309,108	-	(1,132,980)	(64,304)	111,824
Total	\$ 1,310,308	\$ 3,161,596	\$ (1,132,980)	\$ 91,984	\$ 3,430,908

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan description

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

General Employees Retirement Fund (GERF)

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

B. Benefits provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota statute and can only be modified by the state legislature.

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

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

GERF benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten 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 ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

C. Contributions

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

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2016. The City's contributions to the GERF for the years ending December 31, 2016, 2015 and 2014 were \$38,675, \$37,110 and \$35,215, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

D. Pension costs

GERF pension costs

At December 31, 2016, the City reported a liability of \$682,038 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$8,898. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.0084 percent which was a decrease of 0.0001 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$74,366 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$2,653 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF.

CITY OF CENTERVILLE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

At December 31, 2016, the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,267	\$ 55,866
Changes in actuarial assumptions	146,914	-
Net difference between projected and actual earnings on plan investments	76,584	-
Changes in proportion	4,150	27,051
Contributions to GERP subsequent to the measurement date	19,656	-
Total	\$ 249,571	\$ 82,917

Deferred outflows of resources totaling \$19,656 related to pensions resulting from the City's contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

2016	\$ 35,286
2017	19,897
2018	67,183
2019	24,632
2020	-
Thereafter	-

E. Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active member payroll growth	3.25% per year
Investment rate of return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disableds were based on RP-2014 tables for the GERP for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for all future years for the GERP.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERP was completed in 2015.

CITY OF CENTERVILLE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

The following changes in actuarial assumptions occurred in 2016:

GERF

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic stocks	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	2.00	0.50
Total	100.00 %	

F. Discount rate

The discount rate used to measure the total pension liability was 7.50 percent, a reduction from the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF CENTERVILLE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

G. Pension liability sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
	GERF	\$ 968,697	\$ 682,038

H. Pension plan fiduciary net position

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

Note 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, 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 2016, were as follows:

City of Centerville	\$ 212,203	40.49 %
City of Circle Pines	273,387	52.17
City of Lino Lakes	38,446	7.34
Total	\$ 524,036	100.00 %

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.

CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 5: JOINT POWERS AGREEMENTS - CONTINUED

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 2016, were as follows:

City of Centerville	\$ 808,719	32.61 %
City of Circle Pines	937,210	37.79
City of Lexington	<u>734,217</u>	<u>29.60</u>
 Total	 <u>\$ 2,480,146</u>	 <u>100.00 %</u>

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, 2016, 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.

	<u>Centennial Fire District</u>	<u>Centennial Lakes Police Department</u>
Total assets and deferred outflows of resources	\$ 2,654,677	\$ 4,717,414
Total liabilities and deferred inflows of resources	1,001,106	6,552,169
Total net position	1,653,571	(1,834,755)
Total revenue	1,060,790	2,576,353
Total expenses	2,350,085	3,057,342

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.

CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 \$329,044,100 which leaves a debt limit of \$9,871,323. Currently the City has \$324,619 of general obligation debt outstanding, leaving a debt margin of \$9,546,704.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CENTERVILLE
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF CENTERVILLE, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 DECEMBER 31, 2016

Schedule of employer's share of PERA net pension liability - General Employees Retirement Fund

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/16	0.0084 %	\$ 682,038	\$ 8,898	\$ 690,936	\$ 519,227	131.4 %	68.9 %
06/30/15	0.0083	430,149	-	430,149	485,532	88.6	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of employer's PERA contributions - General Employees Retirement Fund

Required Supplementary Information					
Year Ending	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/16	\$ 38,675	\$ 38,675	\$ -	\$ 515,667	7.5 %
12/31/15	37,110	37,110	-	494,800	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

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

CITY OF CENTERVILLE
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF CENTERVILLE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	Special	Capital Project Funds				Total Nonmajor Governmental Funds
	Revenue Fund 614	401 Revolving Street Fund	414 Pedestrian Trail Ways	409 Capital Equipment Revolving	452 2013 Street Project	
ASSETS						
Cash and temporary investments	\$ 22,806	\$ -	\$ 12,264	109,346	\$ 55,417	\$ 199,833
Receivables						
Accrued interest	45	-	24	216	109	394
Accounts	-	-	-	-	38,944	38,944
Special assessments	-	-	-	-	45,812	45,812
Due from other governments	11,874	-	-	-	-	11,874
TOTAL ASSETS	\$ 34,725	\$ -	\$ 12,288	\$ 109,562	\$ 140,282	\$ 296,857
LIABILITIES						
Accounts payable	\$ 13	\$ -	\$ -	\$ -	\$ 2,042	\$ 2,055
Accrued salaries payable	274	-	-	-	-	274
Due to other funds	-	-	-	-	100,000	100,000
Due to other governments	-	-	-	-	56,837	56,837
TOTAL LIABILITIES	287	-	-	-	158,879	159,166
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - special assessments	-	-	-	-	45,707	45,707
FUND BALANCES						
Restricted for						
Cable TV	34,438	-	-	-	-	34,438
Assigned for						
Capital equipment	-	-	-	109,562	-	109,562
Trail projects	-	-	12,288	-	-	12,288
Unassigned	-	-	-	-	(64,304)	(64,304)
TOTAL FUND BALANCES	34,438	-	12,288	109,562	(64,304)	91,984
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 34,725	\$ -	\$ 12,288	\$ 109,562	\$ 140,282	\$ 296,857

CITY OF CENTERVILLE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue Fund	Capital Project Funds				Total Nonmajor Governmental Funds
	614	401 Revolving Street Fund	414 Pedestrian Trail Ways	409 Capital Equipment Revolving	452 2013 Street Project	
	Cable T.V.					
REVENUES						
Franchise taxes	\$ -	\$ 21,580	\$ -	\$ -	\$ 77,910	\$ 99,490
Intergovernmental	-	-	750	-	21,110	21,860
Special assessments	-	72,434	-	-	2,511	74,945
Interest on investments	290	709	132	956	159	2,246
Charges for services	-	-	-	-	10,342	10,342
Refunds and reimbursements	20,565	-	-	-	-	20,565
TOTAL REVENUES	20,855	94,723	882	956	112,032	229,448
EXPENDITURES						
Current						
Culture and recreation						
Personal services	4,042	-	-	-	-	4,042
Supplies	429	-	-	-	-	429
Other services and charges	191	-	-	-	-	191
Capital outlay						
General government	-	-	-	3,776	-	3,776
Public works	-	239,166	-	3,148	65,991	308,305
Culture and recreation	59,619	-	-	-	-	59,619
TOTAL EXPENDITURES	64,281	239,166	-	6,924	65,991	376,362
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(43,426)	(144,443)	882	(5,968)	46,041	(146,914)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	200,000	-	50,000	361,602	611,602
Bonds issued	59,619	-	-	-	-	59,619
Transfers out	(8,691)	(361,602)	-	-	-	(370,293)
TOTAL OTHER FINANCING SOURCES (USES)	50,928	(161,602)	-	50,000	361,602	300,928
NET CHANGE IN FUND BALANCES	7,502	(306,045)	882	44,032	407,643	154,014
FUND BALANCES, JANUARY 1	26,936	306,045	11,406	65,530	(471,947)	(62,030)
FUND BALANCES, DECEMBER 31	\$ 34,438	\$ -	\$ 12,288	\$ 109,562	\$ (64,304)	\$ 91,984

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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, 2016
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	2016			Variance with Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
REVENUES					
Taxes					
General property	\$ 1,965,204	\$ 1,965,204	\$ 1,981,690	\$ 16,486	\$ 1,811,893
Gambling	3,000	3,000	9,170	6,170	6,752
Total	<u>1,968,204</u>	<u>1,968,204</u>	<u>1,990,860</u>	<u>22,656</u>	<u>1,818,645</u>
Licenses and permits					
Business	16,000	16,000	14,543	(1,457)	20,370
Nonbusiness	103,000	103,000	202,026	99,026	114,411
Total	<u>119,000</u>	<u>119,000</u>	<u>216,569</u>	<u>97,569</u>	<u>134,781</u>
Intergovernmental					
State					
Local government aid	60,466	60,466	63,303	2,837	60,466
Market value agricultural credit	100	100	206	106	200
PERA aid	1,333	1,333	1,333	-	1,333
Police aid	38,000	38,000	41,792	3,792	39,480
Fire aid	149,000	149,000	159,282	10,282	157,672
County - other	18,000	18,000	29,654	11,654	14,453
Total	<u>266,899</u>	<u>266,899</u>	<u>295,570</u>	<u>28,671</u>	<u>273,604</u>
Charges for services					
General government	1,300	1,300	9,190	7,890	1,440
Culture and recreation	3,500	3,500	3,000	(500)	3,385
Other	100	100	269	169	15
Total	<u>4,900</u>	<u>4,900</u>	<u>12,459</u>	<u>7,559</u>	<u>4,840</u>
Fines and forfeitures	<u>35,000</u>	<u>35,000</u>	<u>24,042</u>	<u>(10,958)</u>	<u>22,230</u>
Special assessments	<u>-</u>	<u>-</u>	<u>786</u>	<u>786</u>	<u>-</u>
Interest on investments	<u>11,000</u>	<u>11,000</u>	<u>10,764</u>	<u>(236)</u>	<u>13,279</u>
Miscellaneous					
Refunds and reimbursements	6,000	6,000	13,196	7,196	22,009
Other	1,000	1,000	18,738	17,738	13,168
Total	<u>7,000</u>	<u>7,000</u>	<u>31,934</u>	<u>24,934</u>	<u>35,177</u>
TOTAL REVENUES	<u>2,412,003</u>	<u>2,412,003</u>	<u>2,582,984</u>	<u>170,981</u>	<u>2,302,556</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, 2016
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	2016			Variance with Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 30,100	\$ 30,100	\$ 30,103	\$ (3)	\$ 30,120
Other services and charges	800	800	30	770	30
Total	<u>30,900</u>	<u>30,900</u>	<u>30,133</u>	<u>767</u>	<u>30,150</u>
Elections					
Personal services	4,700	4,700	4,883	(183)	-
Supplies	700	700	179	521	12
Other services and charges	900	900	861	39	837
Total	<u>6,300</u>	<u>6,300</u>	<u>5,923</u>	<u>377</u>	<u>849</u>
Planning and zoning					
Other services and charges	2,300	2,300	2,295	5	1,309
Administration					
Personal services	230,100	230,100	212,767	17,333	203,272
Supplies	2,400	2,400	2,168	232	3,807
Other services and charges	52,381	52,381	55,576	(3,195)	52,540
Total	<u>284,881</u>	<u>284,881</u>	<u>270,511</u>	<u>14,370</u>	<u>259,619</u>
Assessing					
Other services and charges	16,000	16,000	16,098	(98)	15,951
Legal and auditing					
Other services and charges	102,000	102,000	97,160	4,840	105,535
General government building					
Personal services	2,900	2,900	1,157	1,743	1,171
Supplies	400	400	201	199	5,565
Other services and charges	13,800	13,800	13,901	(101)	13,461
Total	<u>17,100</u>	<u>17,100</u>	<u>15,259</u>	<u>1,841</u>	<u>20,197</u>
Total general government	<u>459,481</u>	<u>459,481</u>	<u>437,379</u>	<u>22,102</u>	<u>433,610</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, 2016
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	2016			Variance with Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Public safety					
Police protection					
Other services and charges	\$ 811,719	\$ 811,719	\$ 812,461	\$ (742)	\$ 730,610
Fire protection					
Remittance to relief association	149,000	149,000	158,282	(9,282)	157,672
Other services and charges	212,503	212,503	212,418	85	104,680
Total	361,503	361,503	370,700	(9,197)	262,352
Building inspection					
Personal services	108,100	108,100	108,930	(830)	103,203
Supplies	3,200	3,200	1,895	1,305	2,431
Other services and charges	11,500	11,500	8,912	2,588	12,512
Total	122,800	122,800	119,737	3,063	118,146
Civil defense					
Other services and charges	1,500	1,500	1,793	(293)	1,054
Animal control					
Other services and charges	-	-	-	-	-
Total public safety	1,297,522	1,297,522	1,304,691	(7,169)	1,112,162
Public works					
Streets					
Personal services	145,000	145,000	143,905	1,095	145,011
Supplies	38,800	38,800	17,537	21,263	20,997
Other services and charges	96,400	96,400	101,360	(4,960)	92,470
Total	280,200	280,200	262,802	17,398	258,478
Recycling					
Personal services	9,100	9,100	15,845	(6,745)	9,420
Supplies	100	100	-	100	-
Other services and charges	7,700	7,700	6,500	1,200	5,769
Total	16,900	16,900	22,345	(5,445)	15,189

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, 2016
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	2016			2015
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
EXPENDITURES - CONTINUED				
Current - continued				
Public works - continued				
Engineering services				
Other services and charges	\$ 14,000	\$ 14,000	\$ 42,521	\$ 15,633
Total public works	311,100	311,100	327,668	289,300
Culture and recreation				
Parks and recreation				
Personal services	40,300	40,300	34,164	30,640
Supplies	3,600	3,600	5,780	3,936
Other services and charges	43,650	43,650	73,215	71,056
Total	87,550	87,550	113,159	105,632
City Festival				
Other services and charges	5,750	5,750	7,934	6,300
Total culture and recreation	93,300	93,300	121,093	111,932
Economic development				
Other services and charges	-	-	50	-
Total current expenditures	2,161,403	2,161,403	2,190,881	1,947,004
Capital outlay				
General government	600	600	860	-
Culture and recreation	-	-	-	7,500
Total capital outlay	600	600	860	7,500
TOTAL EXPENDITURES	2,162,003	2,162,003	2,191,741	1,954,504

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, 2016
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	2016				2015
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXCESS OF REVENUES OVER EXPENDITURES	\$ 250,000	\$ 250,000	\$ 391,243	\$ 141,243	\$ 348,052
OTHER FINANCING USES					
Transfers out	(250,000)	(250,000)	(250,000)	-	(498,000)
NET CHANGE IN FUND BALANCES	-	-	141,243	141,243	(149,948)
FUND BALANCES, JANUARY 1	1,169,065	1,169,065	1,169,065	-	1,319,013
FUND BALANCES, DECEMBER 31	<u>\$ 1,169,065</u>	<u>\$ 1,169,065</u>	<u>\$ 1,310,308</u>	<u>\$ 141,243</u>	<u>\$ 1,169,065</u>

CITY OF CENTERVILLE, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	302 2016 G.O. Capital Notes 2016A	309 Joint Police Station 2012A	348 G.O. Improvement Bonds of 2015A	349 G.O. Improvement Bonds of 2007A
ASSETS				
Cash and temporary investments	\$ -	\$ 66,253	\$ 68,955	\$ 296,490
Cash with fiscal agent	-	-	-	-
Receivables				
Accrued interest	-	131	136	585
Taxes	-	593	-	2,313
Special assessments	-	-	31,298	249,423
Prepaid items	8,691	-	-	12,553
	<u>8,691</u>	<u>-</u>	<u>-</u>	<u>12,553</u>
TOTAL ASSETS	<u><u>\$ 8,691</u></u>	<u><u>\$ 66,977</u></u>	<u><u>\$ 100,389</u></u>	<u><u>\$ 561,364</u></u>
LIABILITIES				
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	\$ -	\$ -	\$ 31,298	\$ 249,084
	<u>-</u>	<u>-</u>	<u>31,298</u>	<u>249,084</u>
FUND BALANCES				
Nonspendable	8,691	-	-	12,553
Restricted for debt service	-	66,977	69,091	299,727
Unassigned				
	<u>-</u>	<u>66,977</u>	<u>69,091</u>	<u>299,727</u>
TOTAL FUND BALANCES	<u>8,691</u>	<u>66,977</u>	<u>69,091</u>	<u>312,280</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 8,691</u></u>	<u><u>\$ 66,977</u></u>	<u><u>\$ 100,389</u></u>	<u><u>\$ 561,364</u></u>

351 G.O. Improvement Bonds of 2009A/2016A	352 G.O. Improvement Bonds of 2013A	Total
\$ 489,777	\$ 75,730	\$ 997,205
2,135,100	-	2,135,100
966	149	1,967
1,949	152	5,007
476,183	180,430	937,334
-	-	21,244
<u>\$ 3,103,975</u>	<u>\$ 256,461</u>	<u>\$ 4,097,857</u>
<u>\$ 475,449</u>	<u>\$ 180,430</u>	<u>\$ 936,261</u>
-	-	21,244
<u>2,628,526</u>	<u>76,031</u>	<u>3,140,352</u>
<u>2,628,526</u>	<u>76,031</u>	<u>3,161,596</u>
<u>\$ 3,103,975</u>	<u>\$ 256,461</u>	<u>\$ 4,097,857</u>

CITY OF CENTERVILLE, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	302 2016 G.O. Capital Notes 2016A	309 Joint Police Station 2012A	348 G.O. Improvement Bonds of 2015A	349 G.O. Improvement Bonds of 2007A
REVENUES				
Property taxes	\$ -	\$ 70,044	\$ -	\$ 273,171
Special assessments	-	-	4,990	89,503
Intergovernmental	-	-	-	-
Interest on investments	-	544	497	2,063
TOTAL REVENUES	-	70,588	5,487	364,737
EXPENDITURES				
Debt service				
Principal	-	65,000	20,000	365,000
Interest and other	-	4,968	23,492	31,988
Bond issuance costs	-	-	-	-
TOTAL EXPENDITURES	-	69,968	43,492	396,988
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	620	(38,005)	(32,251)
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	64,571	-
Transfers in	8,691	-	-	-
Refunding bonds issued	-	-	-	-
TOTAL OTHER FINANCING SOURCES	8,691	-	64,571	-
NET CHANGE IN FUND BALANCES	8,691	620	26,566	(32,251)
FUND BALANCES, JANUARY 1	-	66,357	42,525	344,531
FUND BALANCES, DECEMBER 31	\$ 8,691	\$ 66,977	\$ 69,091	\$ 312,280

351 G.O. Improvement Bonds of 2009A/2016A	352 G.O. Improvement Bonds of 2013A	Total
\$ 230,144	\$ 18,011	\$ 591,370
111,561	30,572	236,626
45,120	-	45,120
5,220	606	8,930
<u>392,045</u>	<u>49,189</u>	<u>882,046</u>
265,000	10,000	725,000
154,747	37,433	252,628
853	-	853
<u>420,600</u>	<u>47,433</u>	<u>978,481</u>
<u>(28,555)</u>	<u>1,756</u>	<u>(96,435)</u>
-	-	64,571
-	-	8,691
<u>1,815,000</u>	<u>-</u>	<u>1,815,000</u>
<u>1,815,000</u>	<u>-</u>	<u>1,888,262</u>
1,786,445	1,756	1,791,827
<u>842,081</u>	<u>74,275</u>	<u>1,369,769</u>
<u>\$ 2,628,526</u>	<u>\$ 76,031</u>	<u>\$ 3,161,596</u>

CITY OF CENTERVILLE, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Total		Percent Increase (Decrease)
	2016	2015	
REVENUES			
Taxes	\$ 2,681,720	\$ 2,410,141	11.27 %
Licenses and permits	216,569	134,781	60.68
Intergovernmental	362,550	364,326	(0.49)
Charges for services	22,801	8,646	163.72
Fines and forfeitures	24,042	22,230	8.15
Special assessments	312,357	311,689	0.21
Interest on investments	22,409	29,336	(23.61)
Miscellaneous	52,499	45,860	14.48
	<u>\$ 3,694,947</u>	<u>\$ 3,327,009</u>	11.06 %
TOTAL REVENUES	<u>\$ 3,694,947</u>	<u>\$ 3,327,009</u>	11.06 %
Per Capita	\$ 923	\$ 846	9.01 %
EXPENDITURES			
Current			
General government	\$ 437,379	\$ 433,610	0.87 %
Public safety	1,304,691	1,112,162	17.31
Public works	327,668	289,300	13.26
Culture and recreation	125,755	120,898	4.02
Economic development	50	-	N/A
Capital outlay			
General government	4,636	-	N/A
Public works	308,305	1,132,577	(72.78)
Culture and recreation	59,619	7,500	694.92
Debt service			
Principal	725,000	695,000	4.32
Interest and other	270,012	321,971	(16.14)
Bond issuance costs	853	-	N/A
	<u>\$ 3,563,968</u>	<u>\$ 4,113,018</u>	(13.35) %
TOTAL EXPENDITURES	<u>\$ 3,563,968</u>	<u>\$ 4,113,018</u>	(13.35) %
Per Capita	\$ 890	\$ 1,046	(14.95) %
Total Long-term Indebtedness	\$ 8,764,619	\$ 7,615,000	15.10 %
Per Capita	2,188	1,937	12.97
General Fund Balance - December 31	\$ 1,310,308	\$ 1,169,065	12.08 %
Per Capita	327	297	10.01

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, 2016

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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, 2016, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2017.

The *Minnesota Legal Compliance Audit Guide for Cities*, 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 audit considered all of the listed categories, except that we did not test for compliance with the provisions for 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 Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
June 20, 2017