

# Annual Financial Report

## City of Centerville

Centerville, Minnesota

For the Year Ended  
December 31, 2018

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City of Centerville, Minnesota  
Annual Financial Report  
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For the Year Ended December 31, 2018

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INTRODUCTORY SECTION  
CITY OF CENTERVILLE  
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2018

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City of Centerville, Minnesota  
Elected and Appointed Officials  
For the Year Ended December 31, 2018

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jeff Paar	Mayor	01/01/21
Michelle Lakso	Council Member	01/01/23
Russ Koski	Council Member	01/01/21
Matt Montain	Council Member	01/01/21
D. Love	Council Member	01/01/23

**APPOINTED**

Mark Statz	City Administrator/City Engineer
Teresa Bender	City Clerk
Bruce DeJong	Finance Director

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FINANCIAL SECTION  
CITY OF CENTERVILLE  
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2018

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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, 2018, 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, 2018, 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**

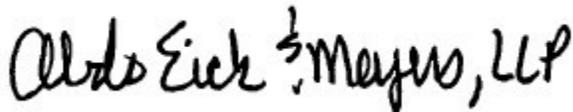
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 15 and the Schedule of Employer's Shares of the Net Pension Liability and the Schedule of Employer's Contributions and related notes to the required supplementary information starting on page 70 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 7, 2019

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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, 2018.

### **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 \$21,791,138 (net position). Of this amount, \$7,395,574 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$566,334. 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 \$1,636,648, or 69.7 percent of total 2018 General fund expenditures.
- The City's total debt decreased \$2,881,179, during the current fiscal year. The decrease was mainly due to scheduled debt payments on the City's bonds.

## 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**

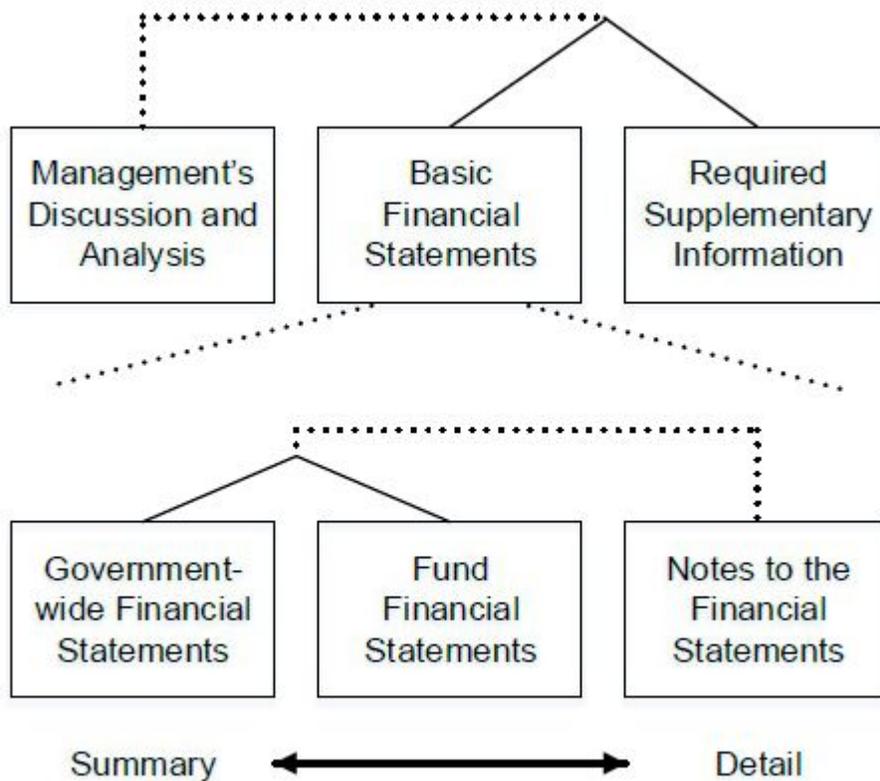


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the 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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred Inflows of resources Information	All deferred inflows of resources, regardless of when cash is received or paid	Only deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred inflows of resources, regardless of when cash is received or paid
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

The *statement of net position* presents information on all of the City's assets, 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 29 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 several 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 34 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, storm water, garbage and recycling.

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 39 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 45 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found starting on page 70 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 and deferred outflows of resources exceeded its liabilities and deferred inflow of resources by \$21,791,138 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (56.0 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		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 3,834,827	\$ 4,793,878	\$ (959,051)	\$ 6,621,477	\$ 6,055,165	\$ 566,312
Capital assets	11,670,816	13,249,110	(1,578,294)	5,669,232	6,015,922	(346,690)
Total Assets	<u>15,505,643</u>	<u>18,042,988</u>	<u>(2,537,345)</u>	<u>12,290,709</u>	<u>12,071,087</u>	<u>219,622</u>
<b>Deferred Outflows of Resources</b>						
Deferred pension resources	<u>53,539</u>	<u>87,729</u>	<u>(34,190)</u>	<u>20,804</u>	<u>37,171</u>	<u>(16,367)</u>
<b>Liabilities</b>						
Noncurrent liabilities outstanding	5,491,643	8,426,078	(2,934,435)	137,307	171,886	(34,579)
Other liabilities	261,487	262,670	(1,183)	59,346	22,345	37,001
Total Liabilities	<u>5,753,130</u>	<u>8,688,748</u>	<u>(2,935,618)</u>	<u>196,653</u>	<u>194,231</u>	<u>2,422</u>
<b>Deferred Outflows of Resources</b>						
Deferred pension resources	<u>93,458</u>	<u>92,149</u>	<u>1,309</u>	<u>36,316</u>	<u>39,043</u>	<u>(2,727)</u>
<b>Net Position</b>						
Net investment in capital assets	6,532,376	7,044,491	(512,115)	5,669,232	6,015,922	(346,690)
Restricted for						
Debt service	2,137,147	1,839,742	297,405	-	-	-
Cable TV	56,809	46,672	10,137	-	-	-
Unrestricted	<u>986,262</u>	<u>418,915</u>	<u>567,347</u>	<u>6,409,312</u>	<u>5,859,062</u>	<u>550,250</u>
Total Net Position	<u>\$ 9,712,594</u>	<u>\$ 9,349,820</u>	<u>\$ 362,774</u>	<u>\$ 12,078,544</u>	<u>\$ 11,874,984</u>	<u>\$ 203,560</u>

An additional portion of the City's net position (10.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$7,395,574) 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.

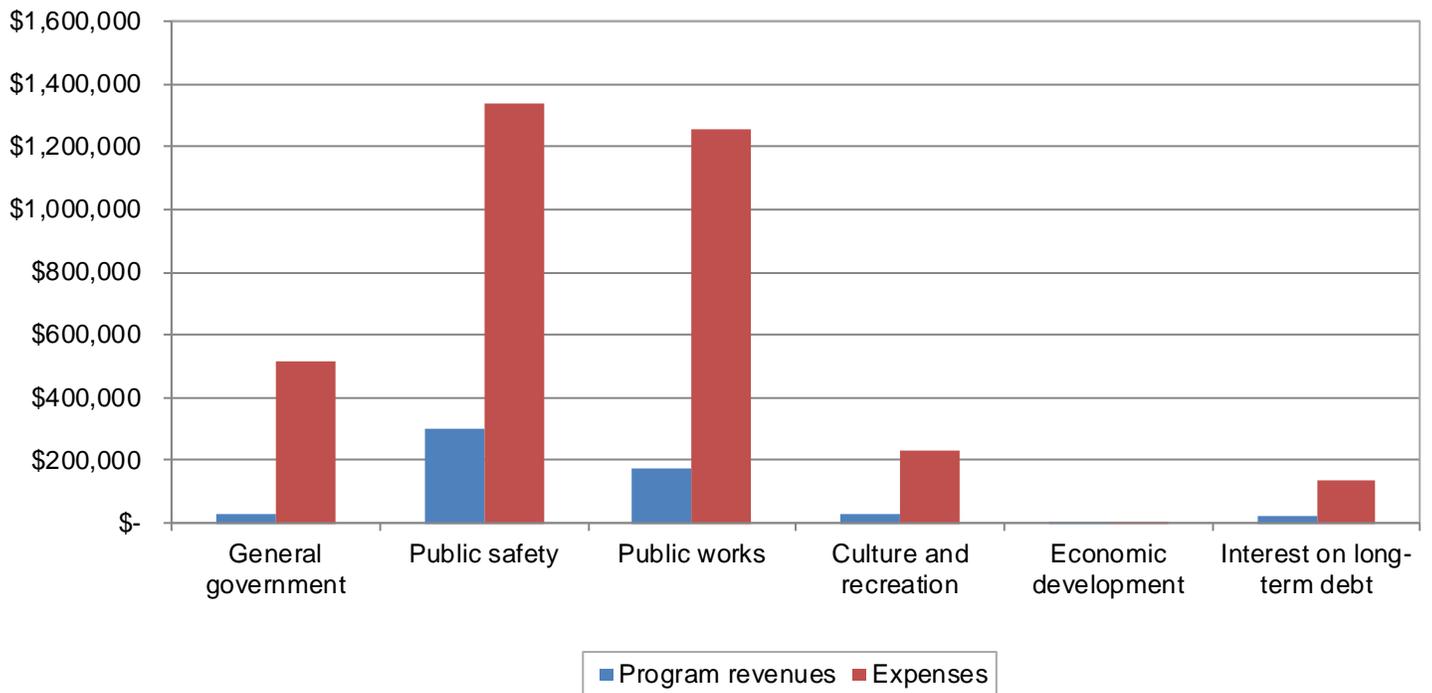
**Governmental Activities.** Governmental activities increased the City's net position by \$362,774. Key elements of this increase are as follows:

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

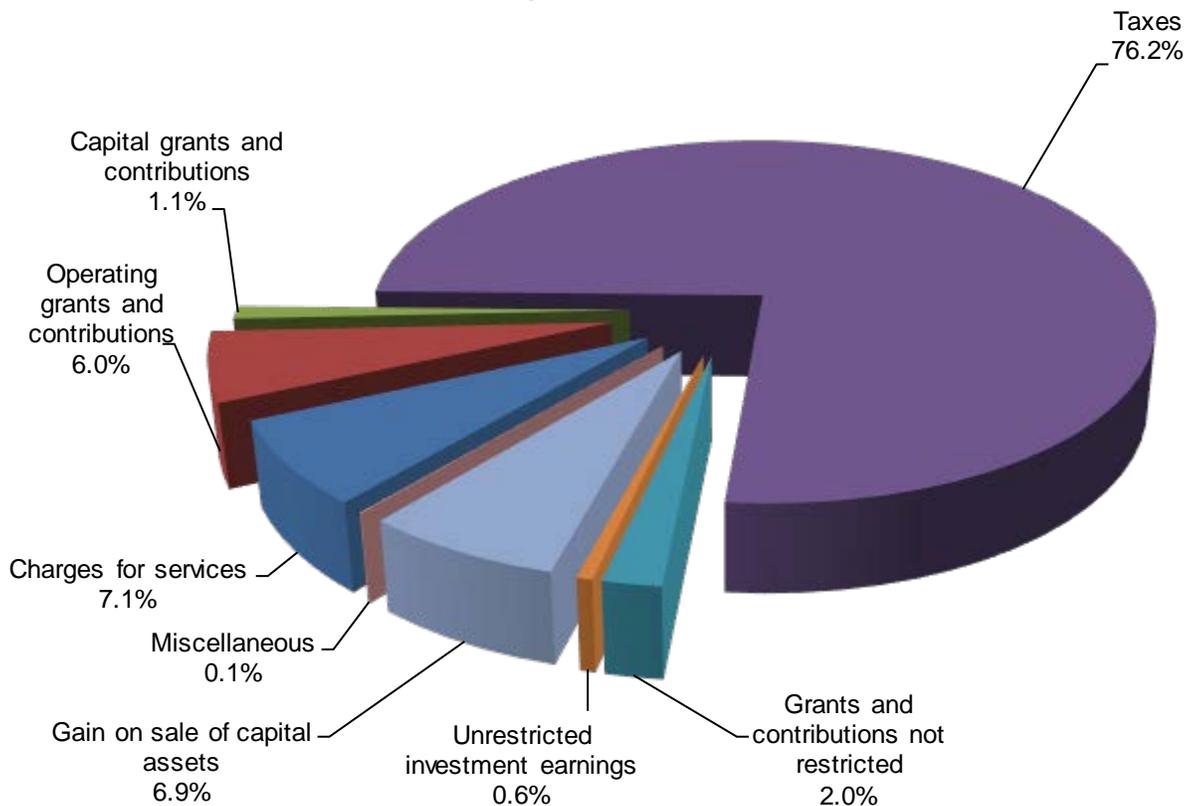
	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 276,394	\$ 399,424	\$ (123,030)	\$ 951,377	\$ 842,367	\$ 109,010
Operating grants and contributions	229,658	240,592	(10,934)	534	57	477
Capital grants and contributions	42,341	74,309	(31,968)	312,136	101,242	210,894
General Revenues						
Taxes						
Property taxes/tax increments	2,183,561	2,159,055	24,506	-	-	-
Property taxes, levied for debt service	574,288	546,847	27,441	-	-	-
Other taxes	173,919	177,193	(3,274)	-	-	-
Grants and contributions						
not restricted to specific programs	78,146	65,418	12,728	-	-	-
Unrestricted investment earnings	21,183	25,511	(4,328)	44,941	43,107	1,834
Gain on sale of capital assets	266,455	-	266,455	-	-	-
Miscellaneous	2,397	6,134	(3,737)	-	-	-
<b>Total Revenues</b>	<b>3,848,342</b>	<b>3,694,483</b>	<b>153,859</b>	<b>1,308,988</b>	<b>986,773</b>	<b>322,215</b>
Expenses						
General government	514,464	505,603	8,861	-	-	-
Public safety	1,338,845	1,326,808	12,037	-	-	-
Public works	1,257,295	1,216,802	40,493	-	-	-
Culture and recreation	233,204	250,626	(17,422)	-	-	-
Economic development	5,750	1,314	4,436	-	-	-
Interest on long-term debt	136,010	260,012	(124,002)	-	-	-
Water	-	-	-	381,142	415,453	(34,311)
Sewer	-	-	-	568,484	465,069	103,415
Storm water	-	-	-	66,337	107,249	(40,912)
Garbage	-	-	-	70,332	-	70,332
Recycling	-	-	-	19,133	-	19,133
<b>Total Expenses</b>	<b>3,485,568</b>	<b>3,561,165</b>	<b>(75,597)</b>	<b>1,105,428</b>	<b>987,771</b>	<b>117,657</b>
Change in Net Position	362,774	133,318	229,456	203,560	(998)	204,558
Net Position, January 1	9,349,820	9,216,502	133,318	11,874,984	11,875,982	(998)
Net Position, December 31	<b>\$ 9,712,594</b>	<b>\$ 9,349,820</b>	<b>\$ 362,774</b>	<b>\$ 12,078,544</b>	<b>\$ 11,874,984</b>	<b>\$ 203,560</b>

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

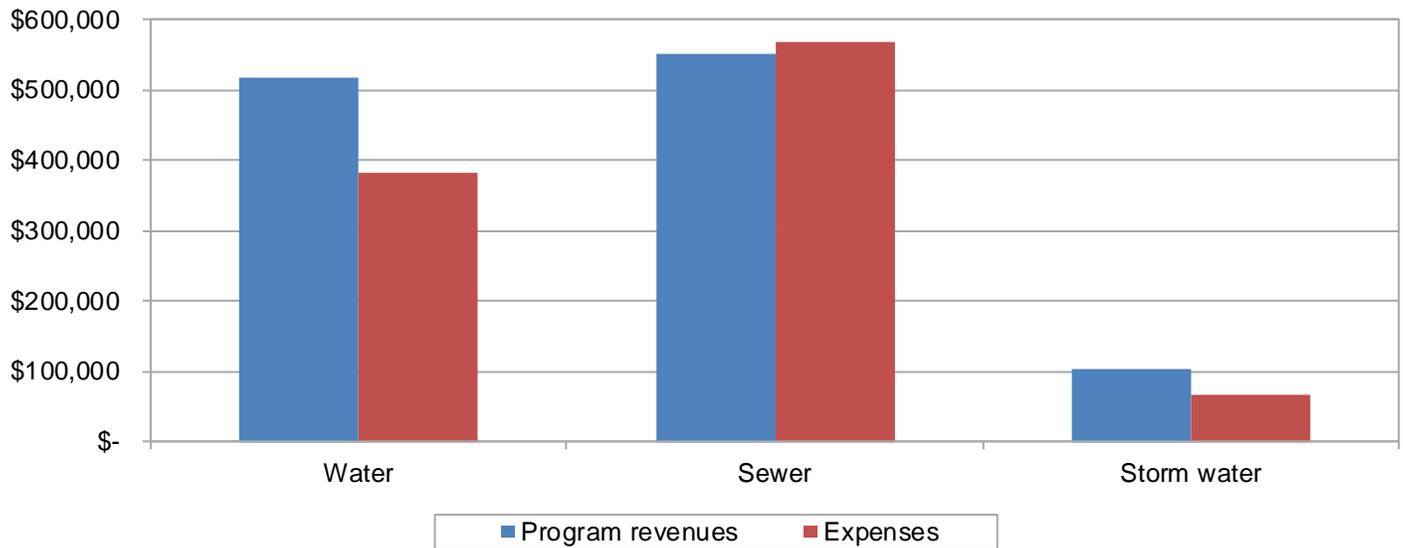


### Revenues by Source - Governmental Activities

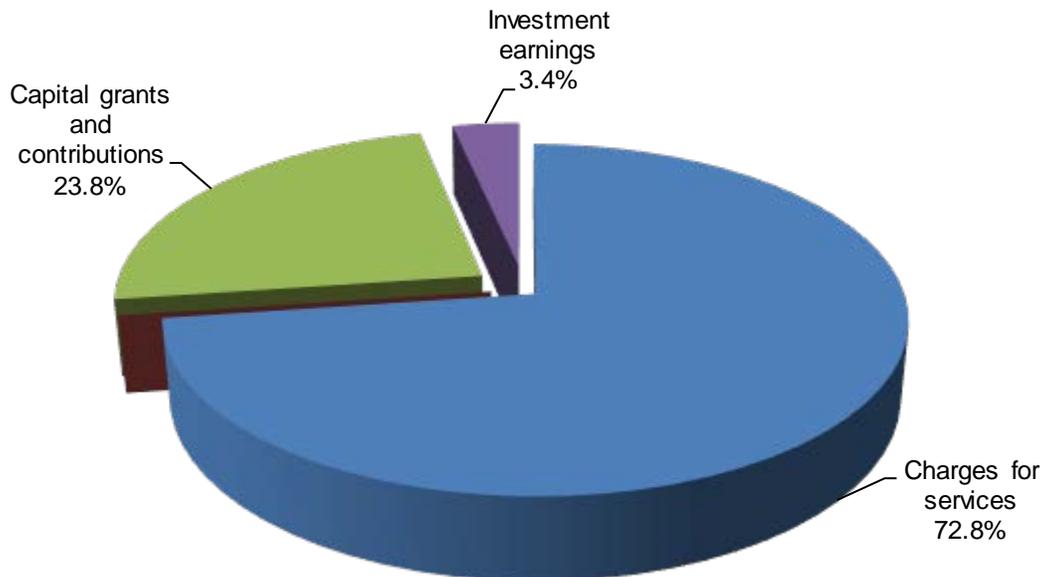


**Business-type Activities.** Business-type activities increased the City's net position by \$203,560. Key elements of this increase are as follows:

### 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		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Personnel Costs	\$ 588,431	\$ 586,366	\$ 2,065	\$ 200,420	\$ 227,086	\$ (26,666)
Supplies	39,966	30,517	9,449	81,579	19,043	62,536
Other Charges for Services	2,718,574	2,681,326	37,248	823,429	741,642	81,787
Capital Outlay	2,587	43,814	(41,227)	-	-	-
<b>Total</b>	<b>\$ 3,349,558</b>	<b>\$ 3,342,023</b>	<b>\$ 7,535</b>	<b>\$ 1,105,428</b>	<b>\$ 987,771</b>	<b>\$ 117,657</b>

## Financial Analysis of the Government's Funds

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

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

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

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2018	2017	
<b>General</b>	\$ 1,641,989	\$ 1,529,950	\$ 112,039
The General fund balance increased \$112,039 from 2017 primarily due to licenses and permits revenues coming in higher than expectations and public safety expenditures coming in under budget. The fund transferred out \$250,000 during the year.			
<b>Debt Service</b>	\$ 1,656,072	\$ 2,997,445	\$ (1,341,373)
The Debt Service fund decreased \$1,341,373 primarily due to the payment from escrow of the payment of the 2009A bond. The City manages cash flow in all debt service funds and ensures adequate resources exist to fund future obligations.			
<b>Park</b>	\$ (1,148,935)	\$ (1,142,304)	\$ (6,631)
The Park fund balance decreased \$6,631 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 \$3,039,343, a decrease of \$766,453 in comparison with the prior year. Fund balance of \$487,713 constitutes *unassigned fund balance*. The remainder of fund balance (\$2,551,630) is not available for spending because it is either: 1) nonspendable (\$17,257), 2) restricted (\$1,700,965), or 3) assigned (\$833,408) 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 \$6,409,312. The total increase in net position for the funds was \$203,560.

### General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. Revenues had a positive budget variance of \$46,395 and expenditures had a positive budget variance of \$65,644. Overall the General fund had a net positive budget variance of \$112,039 after transfers.

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

- License and permits revenues came in \$107,955 over budget.
- Intergovernmental revenues were under budget by \$103,521.
- Public works expenditures were over budget by \$22,319.
- Public safety expenditures came in \$102,199 under 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, 2018, amounts to \$17,340,048 (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 55 of this report.

### City of Centerville's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Land	\$ 2,562,856	\$ 3,128,823	\$ (565,967)	\$ 200,655	\$ 200,655	\$ -
Buildings	752,820	787,966	(35,146)	323,610	331,890	(8,280)
Infrastructure	8,176,175	9,129,650	(953,475)	5,144,804	5,471,140	(326,336)
Machinery and Equipment	178,965	202,671	(23,706)	163	12,237	(12,074)
Total	<u>\$ 11,670,816</u>	<u>\$ 13,249,110</u>	<u>\$ (1,578,294)</u>	<u>\$ 5,669,232</u>	<u>\$ 6,015,922</u>	<u>\$ (346,690)</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 \$5,085,000. 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		
	2018	2017	Increase (Decrease)
General Obligation Bonds	\$ 5,085,000	\$ 7,960,000	\$ (2,875,000)
General Obligation Capital Notes	53,440	59,619	(6,179)
<b>Total</b>	<b>\$ 5,138,440</b>	<b>\$ 8,019,619</b>	<b>\$ (2,881,179)</b>

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The taxable market value totals \$382,308,100 which calculates to a debt limit of \$11,469,243. 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 \$188,440 of general obligation debt outstanding leaving a debt margin of \$11,280,803.

Additional information on the City's long-term debt can be found in Note 3D starting on page 58 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 2018 increased by 8.3%. The City's net tax capacity increased 9.2% for taxes payable in 2019. The City decreased its property tax levy by 1.75% for taxes payable in 2019. The tax capacity rate decreased from 64.138 to 57.483 for a 10.4% drop due to the increase in tax capacity. Most taxpayers realized a decrease on average of 1.4% in City property taxes as a result of the increased value of their properties and the decreased City levy.

The City's General fund budget decreased for fiscal year 2019 by 0.3%; however, the General fund tax levy increased by 1.05%. The minimal decrease in General fund expenditures, in the amount of \$8,231, was primarily related to a decrease in the amount of state fire aid and increases in personnel costs with the addition of two part-time employees, and a \$20,000 increase in funding for the newly established Economic Development Authority.

The debt service levy was decreased by \$71,164 for taxes payable in 2019 due to the adjustments to the levy requirement for several bond issues. The debt service levy is anticipated to be again reduced in 2020 because the City received proceeds from property sales available to reduce future bond levies on the 2015A bonds.

#### **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, 2018

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City of Centerville, Minnesota

Statement of Net Position

December 31, 2018

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and temporary investments	\$ 4,361,622	\$ 4,437,823	\$ 8,799,445
Receivables			
Accrued interest	4,405	4,485	8,890
Taxes	42,183	-	42,183
Accounts	43,704	199,745	243,449
Special assessments	558,001	751,256	1,309,257
Due from other governments	19,531	-	19,531
Internal balances	(1,211,876)	1,211,876	-
Inventories	-	14,342	14,342
Prepaid items	17,257	1,950	19,207
Capital assets			
Land and construction and progress	2,562,856	200,655	2,763,511
Depreciable assets (net of accumulated depreciation)	9,107,960	5,468,577	14,576,537
Total Assets	<u>15,505,643</u>	<u>12,290,709</u>	<u>27,796,352</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	<u>53,539</u>	<u>20,804</u>	<u>74,343</u>
<b>Liabilities</b>			
Accounts and contracts payable	70,195	47,905	118,100
Accrued salaries payable	10,381	3,802	14,183
Due to other governments	1,150	7,639	8,789
Accrued interest payable	43,070	-	43,070
Deposits payable	136,691	-	136,691
Noncurrent liabilities			
Due within one year	967,758	16,218	983,976
Due in more than one year	4,523,885	121,089	4,644,974
Total Liabilities	<u>5,753,130</u>	<u>196,653</u>	<u>5,949,783</u>
<b>Deferred Inflows of Resources</b>			
Deferred pension resources	<u>93,458</u>	<u>36,316</u>	<u>129,774</u>
<b>Net Position</b>			
Net investment in capital assets	6,532,376	5,669,232	12,201,608
Restricted for			
Debt service	2,137,147	-	2,137,147
Cable TV	56,809	-	56,809
Unrestricted	<u>986,262</u>	<u>6,409,312</u>	<u>7,395,574</u>
Total Net Position	<u>\$ 9,712,594</u>	<u>\$ 12,078,544</u>	<u>\$ 21,791,138</u>

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, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 514,464	\$ 28,979	\$ -	\$ -
Public safety	1,338,845	185,790	112,313	-
Public works	1,257,295	33,031	97,456	42,341
Culture and recreation	233,204	26,074	-	-
Economic development	5,750	2,520	-	-
Interest on long-term debt	136,010	-	19,889	-
<b>Total Governmental Activities</b>	<b>3,485,568</b>	<b>276,394</b>	<b>229,658</b>	<b>42,341</b>
<b>Business-type Activities</b>				
Water	381,142	326,763	-	191,585
Sewer	568,484	430,186	400	120,551
Storm water	66,337	104,076	134	-
Garbage	70,332	70,550	-	-
Recycling	19,133	19,802	-	-
<b>Total Business-type Activities</b>	<b>1,105,428</b>	<b>951,377</b>	<b>534</b>	<b>312,136</b>
<b>Total</b>	<b>\$ 4,590,996</b>	<b>\$ 1,227,771</b>	<b>\$ 230,192</b>	<b>\$ 354,477</b>

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**

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
\$ (485,485)	\$ -	\$ (485,485)
(1,040,742)	-	(1,040,742)
(1,084,467)	-	(1,084,467)
(207,130)	-	(207,130)
(3,230)	-	(3,230)
(116,121)	-	(116,121)
<u>(2,937,175)</u>	<u>-</u>	<u>(2,937,175)</u>
-	137,206	137,206
-	(17,347)	(17,347)
-	37,873	37,873
-	218	218
-	669	669
<u>-</u>	<u>158,619</u>	<u>158,619</u>
<u>(2,937,175)</u>	<u>158,619</u>	<u>(2,778,556)</u>
2,183,561	-	2,183,561
574,288	-	574,288
164,549	-	164,549
9,370	-	9,370
78,146	-	78,146
21,183	44,941	66,124
266,455	-	266,455
2,397	-	2,397
<u>3,299,949</u>	<u>44,941</u>	<u>3,344,890</u>
362,774	203,560	566,334
<u>9,349,820</u>	<u>11,874,984</u>	<u>21,224,804</u>
<u>\$ 9,712,594</u>	<u>\$ 12,078,544</u>	<u>\$ 21,791,138</u>

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, 2018

City of Centerville, Minnesota

Balance Sheet

Governmental Funds

December 31, 2018

	101	300's	402	Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Park		
<b>Assets</b>					
Cash and temporary investments	\$ 1,824,759	\$ 1,637,710	\$ 62,877	\$ 836,276	\$ 4,361,622
Receivables					
Accrued interest	1,839	1,656	64	846	4,405
Taxes	37,606	4,577	-	-	42,183
Accounts	4,108	208	-	39,388	43,704
Special assessments	19,552	524,150	-	14,299	558,001
Due from other governments	5,747	-	-	13,784	19,531
Prepaid items	5,341	11,916	-	-	17,257
<b>Total Assets</b>	<b><u>\$ 1,898,952</u></b>	<b><u>\$ 2,180,217</u></b>	<b><u>\$ 62,941</u></b>	<b><u>\$ 904,593</u></b>	<b><u>\$ 5,046,703</u></b>
<b>Liabilities</b>					
Accounts payable	\$ 70,195	\$ -	\$ -	\$ -	\$ 70,195
Deposits payable	136,691	-	-	-	136,691
Accrued salaries payable	10,304	-	-	77	10,381
Due to other governments	1,150	-	-	-	1,150
Advances from other funds	-	-	1,211,876	-	1,211,876
<b>Total Liabilities</b>	<b><u>218,340</u></b>	<b><u>-</u></b>	<b><u>1,211,876</u></b>	<b><u>77</u></b>	<b><u>1,430,293</u></b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	19,425	-	-	-	19,425
Unavailable revenue - special assessments	19,198	524,145	-	14,299	557,642
<b>Total Deferred Inflows of Resources</b>	<b><u>38,623</u></b>	<b><u>524,145</u></b>	<b><u>-</u></b>	<b><u>14,299</u></b>	<b><u>577,067</u></b>
<b>Fund Balances</b>					
Nonspendable	5,341	11,916	-	-	17,257
Restricted	-	1,644,156	-	56,809	1,700,965
Assigned	-	-	-	833,408	833,408
Unassigned	1,636,648	-	(1,148,935)	-	487,713
<b>Total Fund Balances</b>	<b><u>1,641,989</u></b>	<b><u>1,656,072</u></b>	<b><u>(1,148,935)</u></b>	<b><u>890,217</u></b>	<b><u>3,039,343</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 1,898,952</u></b>	<b><u>\$ 2,180,217</u></b>	<b><u>\$ 62,941</u></b>	<b><u>\$ 904,593</u></b>	<b><u>\$ 5,046,703</u></b>

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

City of Centerville, Minnesota  
 Reconciliation of the Balance Sheet  
 to the Statement of Net Position  
 Governmental Funds  
 December 31, 2018

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

Total Fund Balances - Governmental	\$ 3,039,343
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	22,861,570
Less accumulated depreciation	(11,190,754)
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	(5,138,440)
Compensated absences payable	(41,579)
Pension liability	(311,624)
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	19,425
Special assessments receivable	557,642
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	53,539
Deferred inflows of pension resources	(93,458)
Governmental funds do not report a liability for accrued interest until due and payable.	(43,070)
Total Net Position - Governmental Activities	\$ 9,712,594

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, 2018

	101	300's	402	Other	Total
	General	Debt Service	Park	Governmental Funds	Governmental Funds
<b>Revenues</b>					
Taxes					
General property	\$ 2,186,698	\$ 574,288	\$ -	\$ -	\$ 2,760,986
Gambling	9,370	-	-	-	9,370
Franchise	-	-	-	156,893	156,893
Licenses and permits	234,455	-	-	-	234,455
Intergovernmental	194,269	19,889	-	26,289	240,447
Charges for services	6,355	-	10,875	6,185	23,415
Fines and forfeitures	14,371	-	-	-	14,371
Special assessments	37	268,617	-	18,064	286,718
Interest on investments	5,721	11,096	404	3,962	21,183
Miscellaneous	57,689	7,656	-	13,784	79,129
Total Revenues	<u>2,708,965</u>	<u>881,546</u>	<u>11,279</u>	<u>225,177</u>	<u>3,826,967</u>
<b>Expenditures</b>					
Current					
General government	503,589	-	-	-	503,589
Public safety	1,339,721	-	-	-	1,339,721
Public works	370,419	-	-	-	370,419
Culture and recreation	126,560	-	-	3,965	130,525
Economic development	5,750	-	-	-	5,750
Capital outlay					
General government	887	-	-	1,700	2,587
Debt service					
Principal	-	2,881,179	-	-	2,881,179
Interest and other	-	174,162	17,910	-	192,072
Total Expenditures	<u>2,346,926</u>	<u>3,055,341</u>	<u>17,910</u>	<u>5,665</u>	<u>5,425,842</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>362,039</u>	<u>(2,173,795)</u>	<u>(6,631)</u>	<u>219,512</u>	<u>(1,598,875)</u>
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	-	832,422	-	-	832,422
Transfers in	-	-	-	250,000	250,000
Transfers out	(250,000)	-	-	-	(250,000)
Total Other Financing Sources (Uses)	<u>(250,000)</u>	<u>832,422</u>	<u>-</u>	<u>250,000</u>	<u>832,422</u>
Net Change in Fund Balances	112,039	(1,341,373)	(6,631)	469,512	(766,453)
Fund Balances, January 1	<u>1,529,950</u>	<u>2,997,445</u>	<u>(1,142,304)</u>	<u>420,705</u>	<u>3,805,796</u>
Fund Balances, December 31	<u>\$ 1,641,989</u>	<u>\$ 1,656,072</u>	<u>\$ (1,148,935)</u>	<u>\$ 890,217</u>	<u>\$ 3,039,343</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, 2018

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

Net Change in Fund Balances - Governmental Funds	\$ (766,453)
<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>	
Depreciation expense	(1,012,327)
<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	(565,967)
<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	2,881,179
<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>	
	56,062
<p>Long-term pension activity is not reported in government funds.</p>	
Pension expense	18,175
Pension revenue	2,397
<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	(3,137)
Special assessments	(244,340)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences payable	(2,815)
Change in Net Position - Governmental Activities	\$ 362,774

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
General property	\$ 2,179,980	\$ 2,179,980	\$ 2,186,698	\$ 6,718
Gambling	5,500	5,500	9,370	3,870
Licenses and permits	126,500	126,500	234,455	107,955
Intergovernmental	297,790	297,790	194,269	(103,521)
Charges for services	6,100	6,100	6,355	255
Fines and forfeitures	26,000	26,000	14,371	(11,629)
Special assessments	200	200	37	(163)
Interest on investments	13,000	13,000	5,721	(7,279)
Miscellaneous	7,500	7,500	57,689	50,189
Total Revenues	<u>2,662,570</u>	<u>2,662,570</u>	<u>2,708,965</u>	<u>46,395</u>
Expenditures				
Current				
General government	505,700	505,700	503,589	2,111
Public safety	1,441,920	1,441,920	1,339,721	102,199
Public works	348,100	348,100	370,419	(22,319)
Culture and recreation	114,950	114,950	126,560	(11,610)
Economic development	1,000	1,000	5,750	(4,750)
Capital outlay	900	900	887	13
Total Expenditures	<u>2,412,570</u>	<u>2,412,570</u>	<u>2,346,926</u>	<u>65,644</u>
Excess of Revenues Over Expenditures	250,000	250,000	362,039	112,039
Other Financing Uses				
Transfers out	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>
Net Change in Fund Balances	-	-	112,039	112,039
Fund Balances, January 1	<u>1,529,950</u>	<u>1,529,950</u>	<u>1,529,950</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,529,950</u>	<u>\$ 1,529,950</u>	<u>\$ 1,641,989</u>	<u>\$ 112,039</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, 2018

	Business-type Activities - Enterprise Funds					Totals
	601	602	603	604	605	
	Water	Sewer	Nonmajor Storm Water	Nonmajor Garbage	Nonmajor Recycling	
<b>Assets</b>						
<b>Current Assets</b>						
Cash and temporary investments	\$ 2,450,166	\$ 1,723,371	\$ 266,237	\$ (887)	\$ (1,064)	\$ 4,437,823
Receivables						
Accrued interest	2,393	1,823	269	-	-	4,485
Accounts	50,193	87,984	20,110	32,161	9,297	199,745
Special assessments	5,676	540	-	-	-	6,216
Advance to other funds	-	1,211,876	-	-	-	1,211,876
Inventories	14,342	-	-	-	-	14,342
Prepaid items	1,950	-	-	-	-	1,950
<b>Total Current Assets</b>	<b>2,524,720</b>	<b>3,025,594</b>	<b>286,616</b>	<b>31,274</b>	<b>8,233</b>	<b>5,876,437</b>
<b>Noncurrent Assets</b>						
Special assessments receivable	694,711	50,329	-	-	-	745,040
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	(2,978,682)	(2,199,900)	(366,245)	-	-	(5,544,827)
<b>Net Capital Assets</b>	<b>3,240,530</b>	<b>1,739,325</b>	<b>689,377</b>	<b>-</b>	<b>-</b>	<b>5,669,232</b>
<b>Total Noncurrent Assets</b>	<b>3,935,241</b>	<b>1,789,654</b>	<b>689,377</b>	<b>-</b>	<b>-</b>	<b>6,414,272</b>
<b>Total Assets</b>	<b>6,459,961</b>	<b>4,815,248</b>	<b>975,993</b>	<b>31,274</b>	<b>8,233</b>	<b>12,290,709</b>
<b>Deferred Outflows of Resources</b>						
Deferred pension resources	8,871	8,926	3,007	-	-	20,804
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Accounts payable	7,969	3,812	634	27,926	7,564	47,905
Accrued salaries payable	1,532	1,532	738	-	-	3,802
Due to other governments	1,850	2,661	-	3,128	-	7,639
Compensated absences payable - current	7,048	7,048	2,122	-	-	16,218
<b>Total Current Liabilities</b>	<b>18,399</b>	<b>15,053</b>	<b>3,494</b>	<b>31,054</b>	<b>7,564</b>	<b>75,564</b>
<b>Noncurrent Liabilities</b>						
Pension liability	51,634	51,951	17,504	-	-	121,089
<b>Total Liabilities</b>	<b>70,033</b>	<b>67,004</b>	<b>20,998</b>	<b>31,054</b>	<b>7,564</b>	<b>196,653</b>
<b>Deferred Inflows of Resources</b>						
Deferred pension resources	15,486	15,580	5,250	-	-	36,316
<b>Net Position</b>						
Investment in capital assets	3,240,530	1,739,325	689,377	-	-	5,669,232
Unrestricted	3,142,783	3,002,265	263,375	220	669	6,409,312
<b>Total Net Position</b>	<b>\$ 6,383,313</b>	<b>\$ 4,741,590</b>	<b>\$ 952,752</b>	<b>\$ 220</b>	<b>\$ 669</b>	<b>\$ 12,078,544</b>

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

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City of Centerville, Minnesota  
Statement of Revenues, Expenses  
and Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds					Totals
	601	602	603	604	605	
	Water	Sewer	Nonmajor Storm Water	Nonmajor Garbage	Nonmajor Recycling	
Operating Revenues						
Charges for services	\$ 324,566	\$ 430,186	\$ 104,076	\$ 70,550	\$ 19,802	\$ 949,180
Operating Expenses						
Salaries and benefits	90,271	89,505	20,644	-	-	200,420
Supplies	9,803	71,115	661	-	-	81,579
Other services and charges	57,048	65,781	8,421	70,332	19,133	220,715
Utilities	18,387	4,733	-	-	-	23,120
MCES - disposal charges	-	232,904	-	-	-	232,904
Depreciation	205,633	104,446	36,611	-	-	346,690
Total Operating Expenses	381,142	568,484	66,337	70,332	19,133	1,105,428
Operating Income (Loss)	(56,576)	(138,298)	37,739	218	669	(156,248)
Nonoperating Revenues						
Interest earnings	13,878	29,545	1,516	2	-	44,941
Intergovernmental	-	44,245	-	-	-	44,245
Miscellaneous revenue	2,197	400	134	-	-	2,731
Total Nonoperating Revenues	16,075	74,190	1,650	2	-	91,917
Income (Loss) Before Contributions	(40,501)	(64,108)	39,389	220	669	(64,331)
Capital Contributions	191,585	76,306	-	-	-	267,891
Change in Net Position	151,084	12,198	39,389	220	669	203,560
Net Position, January 1	6,232,229	4,729,392	913,363	-	-	11,874,984
Net Position, December 31	\$ 6,383,313	\$ 4,741,590	\$ 952,752	\$ 220	\$ 669	\$ 12,078,544

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, 2018

Business-type Activities - Enterprise Funds

	Business-type Activities - Enterprise Funds					Totals
	601	602	603	604	605	
	Water	Sewer	Nonmajor Storm Water	Nonmajor Garbage	Nonmajor Recycling	
Cash Flows from Operating Activities						
Receipts from customers and users	\$ 332,545	\$ 433,628	\$ 104,924	\$ 38,389	\$ 10,505	\$ 919,991
Payments to suppliers	(95,222)	(375,393)	(8,759)	(39,278)	(11,569)	(530,221)
Payments to employees	(94,999)	(93,877)	(31,873)	-	-	(220,749)
Net Cash Provided (Used) by Operating Activities	<u>142,324</u>	<u>(35,642)</u>	<u>64,292</u>	<u>(889)</u>	<u>(1,064)</u>	<u>169,021</u>
Cash Flows from Noncapital Financing Activities						
Payment made on advance to other funds	-	(17,909)	-	-	-	(17,909)
Payment received on due from other funds	100,000	-	-	-	-	100,000
Net Cash Provided (Used) by Noncapital Financing Activities	<u>100,000</u>	<u>(17,909)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,091</u>
Cash Flows from Capital and Related Financing Activities						
Intergovernmental	-	44,245	-	-	-	44,245
Hook up fees and unit charges received	115,025	14,099	-	-	-	129,124
Special assessments received	128,587	48,774	-	-	-	177,361
Net Cash Provided by Capital and Related Financing Activities	<u>243,612</u>	<u>107,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,730</u>
Cash Flows From Investing Activities						
Interest received on investments	14,082	29,964	1,539	2	-	45,587
Net Increase (Decrease) in Cash and Cash Equivalents	500,018	83,531	65,831	(887)	(1,064)	647,429
Cash and Cash Equivalents, January 1	1,950,148	1,639,840	200,406	-	-	3,790,394
Cash and Cash Equivalents, December 31	<u>\$ 2,450,166</u>	<u>\$ 1,723,371</u>	<u>\$ 266,237</u>	<u>\$ (887)</u>	<u>\$ (1,064)</u>	<u>\$ 4,437,823</u>

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, 2018

	Business-type Activities - Enterprise Funds					Totals
	601	602	603	603	605	
	Water	Sewer	Nonmajor Storm water	Nonmajor Garbage	Nonmajor Recycling	
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities						
Operating income (loss)	\$ (56,576)	\$ (138,298)	\$ 37,739	\$ 218	\$ 669	\$ (156,248)
Other income related to operations	2,197	400	134	-	-	2,731
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation	205,633	104,446	36,611	-	-	346,690
(Increase) decrease in assets/deferred outflows of resources						
Accounts receivable	5,782	3,042	714	(32,161)	(9,297)	(31,920)
Inventories	(8,369)	-	-	-	-	(8,369)
Prepaid items	37	38	-	-	-	75
Deferred pension resources	6,056	6,001	4,310	-	-	16,367
Increase (decrease) in liabilities/deferred inflows of resources						
Accounts payable	(1,498)	(798)	323	27,926	7,564	33,517
Accrued salaries payable	266	266	78	-	-	610
Compensated absences payable	70	70	(20)	-	-	120
Pension liability	(10,927)	(10,610)	(13,162)	-	-	(34,699)
Deferred pension resources	(193)	(99)	(2,435)	-	-	(2,727)
Due to other governments	(154)	(100)	-	3,128	-	2,874
 Net Cash Provided (Used) by Operating Activities	 <u>\$ 142,324</u>	 <u>\$ (35,642)</u>	 <u>\$ 64,292</u>	 <u>\$ (889)</u>	 <u>\$ (1,064)</u>	 <u>\$ 169,021</u>

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

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## 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, 2018

**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.

## 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.

## **Note 1: Summary of Significant Accounting Policies (Continued)**

The City has the following recurring fair value measurements as of December 31, 2018:

- Negotiable certificates of deposits of \$2,419,715 are valued using a matrix pricing model (Level 2 inputs).

### ***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 2018. 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, 2018

**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 acquisition value at the date of donation.

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

<u>Assets</u>	<u>Useful Lives in Years</u>
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. The General fund is typically used to liquidate the governmental net pension liability. Total 2018 pension expense is \$3,970.

## **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.

## 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, 2018

**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 2018.

**B. Deficit Fund Equity**

The following fund had a deficit fund balance as of December 31, 2018:

Fund	Amount
Major Park	\$ 1,148,935

The Park fund deficit will be eliminated with park dedication fees collected in future years.

City of Centerville, Minnesota  
Notes to the Financial Statements  
December 31, 2018

### Note 3: Detailed Notes on All Funds

#### A. Deposits and Investments

##### *Deposits*

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

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

At year end, the City's carrying amount of deposits was \$6,334,283, and the bank balance was \$6,345,928. 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, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

**Investments**

As of December 31, 2018, 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	Level 3
Pooled Investments at Amortized Costs						
Broker Money Market Funds	N/A	less than 6 months	\$ 45,247			
Pooled Investments at Fair Value						
Negotiable certificates of deposits	N/A	6 months to 1 year	506,970	\$ -	\$ 506,970	\$ -
Negotiable certificates of deposits	N/A	1 to 3 years	1,397,496	-	1,397,496	-
Negotiable certificates of deposits	N/A	more than 3 years	515,249	-	515,249	-
Total Investments			<u>\$ 2,464,962</u>	<u>\$ -</u>	<u>\$ 2,419,715</u>	<u>\$ -</u>

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

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

N/A Indicates not applicable or available.

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

- **Credit Risk.** The credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments to the list on page 47 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 Enterprise Bank CD (7.8 percent), Sallie Mae Bank CD (9.9 percent), Capital One CD (9.8 percent), Wells Fargo CD (8.3 percent), Discover Bank CD (9.5 percent), Goldman Sachs CD (9.8 percent), CIT SLC Bank CD (9.8 percent), Capital One Bank CD (9.75 percent), MS Bank CD (9.9 percent) and Comenity Bank (7.7 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, 2018

**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:

	Total
Carrying Amount of Deposits	\$ 6,334,283
Investments	2,464,962
Petty Cash	200
 Total	 \$ 8,799,445

**B. Capital Assets**

Capital asset activity for the governmental activities for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 3,128,823	\$ -	\$ (565,967)	\$ 2,562,856
Capital Assets Being Depreciated				
Buildings	1,627,438	-	-	1,627,438
Infrastructure	17,879,978	-	-	17,879,978
Machinery and equipment	791,298	-	-	791,298
Total Capital Assets Being Depreciated	20,298,714	-	-	20,298,714
Less Accumulated Depreciation for				
Buildings	(839,472)	(35,146)	-	(874,618)
Infrastructure	(8,750,328)	(953,475)	-	(9,703,803)
Machinery and equipment	(588,627)	(23,706)	-	(612,333)
Total Accumulated Depreciation	(10,178,427)	(1,012,327)	-	(11,190,754)
 Total Capital Assets Being Depreciated, Net	 10,120,287	 (1,012,327)	 -	 9,107,960
 Governmental Activities Capital Assets, Net	 \$ 13,249,110	 \$ (1,012,327)	 \$ (565,967)	 \$ 11,670,816

City of Centerville, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**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	\$ 15,989
Public safety	2,339
Public works	891,313
Culture and recreation	<u>102,686</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 1,012,327</u></u>

Capital asset activity for the business-type activities for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets not Being Depreciated				
Land	<u>\$ 200,655</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,655</u>
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	(82,110)	(8,280)	-	(90,390)
Infrastructure	(4,762,155)	(326,336)	-	(5,088,491)
Machinery and equipment	<u>(353,872)</u>	<u>(12,074)</u>	<u>-</u>	<u>(365,946)</u>
Total Accumulated Depreciation	<u>(5,198,137)</u>	<u>(346,690)</u>	<u>-</u>	<u>(5,544,827)</u>
 Total Capital Assets Being Depreciated, Net	 <u>5,815,267</u>	 <u>(346,690)</u>	 <u>-</u>	 <u>5,468,577</u>
 Business-type Activities Capital Assets, Net	 <u><u>\$ 6,015,922</u></u>	 <u><u>\$ (346,690)</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 5,669,232</u></u>

City of Centerville, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**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	\$ 205,633
Sewer	104,446
Storm water	<u>36,611</u>
 Total Depreciation Expense - Business-type Activities	 <u><u>\$ 346,690</u></u>

**C. Interfund Balances and Transfers**

The composition of internal balance as of December 31, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
Advance to/from other Funds		
Sewer	Park	<u><u>\$ 1,211,876</u></u>

The above interfund advance and the amount due to/from other funds are being paid back according to the amortization schedules.

***Interfund Transfers***

A transfer of \$250,000 was made from the General fund to the nonmajor governmental funds for future capital projects and replacement of equipment, vehicles and computers.

City of Centerville, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**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 2011A	\$ 2,760,000	.70 - 2.45 %	04/14/11	07/01/19	\$ 365,000
G.O. Improvement Refunding Bonds of 2012A	515,000	1.00 - 1.70	06/14/12	02/01/21	135,000
G.O. Improvement Bonds of 2013A	1,465,000	1.63 - 3.00	06/01/13	02/01/29	1,455,000
G.O. Improvement Refunding Bonds of 2015A	1,385,000	.85 - 2.25	01/15/15	02/01/25	1,315,000
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>\$ 5,085,000</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 \$135,000 represents the City of Centerville's remaining portion of the 2012A issue.

City of Centerville, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

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

<u>Year Ending December 31,</u>	<b>General Obligation Improvement Bonds</b>		
	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 920,000	\$ 96,456	\$ 1,016,456
2020	470,000	80,348	550,348
2021	605,000	71,906	676,906
2022	605,000	61,459	666,459
2023	605,000	50,237	655,237
2024 - 2028	1,730,000	99,001	1,829,001
2029	150,000	2,250	152,250
<b>Total</b>	<b><u>\$ 5,085,000</u></b>	<b><u>\$ 461,657</u></b>	<b><u>\$ 5,546,657</u></b>

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:

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O. Capital Notes					
2016A	\$ 59,619	2.00 %	04/14/16	02/01/26	<u>\$ 53,440</u>

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

<u>Year Ending December 31,</u>	<b>General Obligation Capital Notes</b>		
	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 6,179	\$ 1,007	\$ 7,186
2020	6,346	882	7,228
2021	6,513	753	7,266
2022	6,680	621	7,301
2023	6,680	488	7,168
2024 - 2026	21,042	710	21,752
<b>Total</b>	<b><u>\$ 53,440</u></b>	<b><u>\$ 4,461</u></b>	<b><u>\$ 57,901</u></b>

City of Centerville, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

Changes in Long-term Liabilities

During the year ended December 31, 2018, the following changes occurred in noncurrent liabilities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
G.O Improvement Bonds	\$ 7,960,000	\$ -	\$ (2,875,000)	\$ 5,085,000	\$ 920,000
G.O. Capital Notes	59,619	-	(6,179)	53,440	6,179
Compensated Absences Payable	38,764	41,579	(38,764)	41,579	41,579
Pension Liability GERF	<u>367,695</u>	<u>7,687</u>	<u>(63,758)</u>	<u>311,624</u>	<u>-</u>
Governmental Activities Long-term Liabilities	<u>\$ 8,426,078</u>	<u>\$ 49,266</u>	<u>\$ (2,983,701)</u>	<u>\$ 5,491,643</u>	<u>\$ 967,758</u>
<b>Business-type Activities</b>					
Compensated Absences Payable	\$ 16,098	\$ 16,217	\$ (16,097)	\$ 16,218	\$ 16,218
Pension Liability GERF	<u>155,788</u>	<u>239</u>	<u>(34,938)</u>	<u>121,089</u>	<u>-</u>
Business-type Activities Long-term Liabilities	<u>\$ 171,886</u>	<u>\$ 16,456</u>	<u>\$ (51,035)</u>	<u>\$ 137,307</u>	<u>\$ 16,218</u>

City of Centerville, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 3: Detailed Notes on All Funds (Continued)**

**E. Fund Equity**

At December 31, 2018, 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	\$ 5,341	\$ 11,916	\$ -	\$ -	\$ 17,257
Restricted for					
Debt service	-	1,644,156	-	-	1,644,156
Cable TV	-	-	-	56,809	56,809
Total Restricted	-	1,644,156	-	56,809	1,700,965
Assigned for					
Street projects	-	-	-	612,887	612,887
Capital equipment	-	-	-	208,055	208,055
Trail projects	-	-	-	12,466	12,466
Total Assigned	-	-	-	833,408	833,408
Unassigned	1,636,648	-	(1,148,935)	-	487,713
Total	<u>\$ 1,641,989</u>	<u>\$ 1,656,072</u>	<u>\$ (1,148,935)</u>	<u>\$ 890,217</u>	<u>\$ 3,039,343</u>

**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 the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**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. 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.

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

### **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

Plan members were required to contribute 6.50 percent of their annual covered salary and the City was required to contribute 7.50 percent of pay for Coordinated Plan members in fiscal year 2018. The City's contributions to the GERF for the years ending December 31, 2018, 2017 and 2016 were \$42,276, \$38,001 and \$38,675, 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, 2018, the City reported a liability of \$432,713 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 \$16 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$14,272. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.0078 percent which was a decrease of 0.0004 percent from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense of \$642 for its proportionate share of GERF's pension expense. In addition, the City recognize \$3,328 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERF.

City of Centerville, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

At December 31, 2018, the City reported its proportionate share of GERF'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 Economic Experience	\$ 11,437	\$ 9,432
Changes in Actuarial Assumptions	40,519	48,619
Net Difference Between Projected and Actual Earnings on Plan Investments	-	46,305
Changes in Proportion	1,382	25,418
Contributions to GERF Subsequent to the Measurement Date	21,005	-
Total	\$ 74,343	\$ 129,774

Deferred outflows of resources totaling \$21,005 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2019	\$ 8,868
2020	(32,918)
2021	(43,350)
2022	(9,036)

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2018 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 disability rates were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for GERF and 1.0 percent per year for PEPFF.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the GERF plan was completed in 2015. The most recent four-year experience study for PEPFF was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

City of Centerville, Minnesota  
Notes to the Financial Statements  
December 31, 2018

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

The following changes in actuarial assumptions occurred in 2018:

GERF

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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	36.00 %	5.10 %
International Stocks	17.00	5.30
Bonds (Fixed Income)	20.00	0.75
Alternative Assets (Private Markets)	25.00	5.90
Cash	2.00	-
Total	100.00 %	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. 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 were 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, 2018

**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	\$ 703,212	\$ 432,713

**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](http://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 2018, were as follows:

City of Centerville	\$ 269,969	45.00 %
City of Circle Pines	329,962	55.00
Total	\$ 599,931	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, 2018

**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 2018 were as follows:

City of Centerville	\$ 736,697	28.42 %
City of Circle Pines	980,270	37.82
City of Lexington	<u>875,154</u>	<u>33.76</u>
 Total	 <u>\$ 2,592,121</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, 2018, the most recent audited information available at the time of this report. The amounts reported for the District are those presented in its government-wide financial statements. These financial statements are available for viewing at the Centerville City hall.

	Centennial Fire District	Centennial Lakes Police Department
Total Assets and Deferred Outflows of Resources	\$ 2,379,107	\$ 3,041,728
Total Liabilities and Deferred Inflows of Resources	976,233	4,658,045
Total Net Position	1,402,874	(1,616,317)
Total Revenue	745,646	2,737,799
Total Expenses	940,438	2,451,581

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, 2018

**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. As of December 31, 2018, the City is under the legal debt margin.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CENTERVILLE  
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2018

City of Centerville, Minnesota  
Required Supplementary Information  
December 31, 2018

**Schedule of Employer's Share of PERA Net Pension Liability - General Employees Retirement Fund**

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
06/30/18	0.0078 %	\$ 432,713	\$ 14,272	\$ 446,985	\$524,878	85.2 %	79.5 %
06/30/17	0.0082	523,483	6,573	530,056	527,475	100.5	75.9
06/30/16	0.0084	682,038	8,898	690,936	519,227	133.1	68.9
06/30/15	0.0083	430,149	-	430,149	485,521	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**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/18	\$ 42,276	\$ 42,276	\$ -	\$ 563,678	7.5 %
12/31/17	38,001	38,001	-	506,678	7.5
12/31/16	38,675	38,675	-	515,669	7.5
12/31/15	37,110	37,110	-	494,796	7.5

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

City of Centerville, Minnesota  
Required Supplementary Information (Continued)  
December 31, 2018

**Notes to the Required Supplementary Information - General Employee Retirement Fund**

Changes in Actuarial Assumptions

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - 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.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2017 - The State's special funding contribution increased from \$6 million to \$16 million.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

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COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF CENTERVILLE  
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2018

City of Centerville, Minnesota  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 December 31, 2018

	Special Revenue Fund	Capital Project Funds			Total Nonmajor Governmental Funds
	<b>614</b>	<b>409</b>	<b>414</b>	<b>452</b>	
	Cable T.V.	Capital Equipment Revolving	Pedestrian Trail Ways	2013 Street Project	
<b>Assets</b>					
Cash and temporary investments	\$ 43,058	207,845	\$ 12,453	\$ 572,920	\$ 836,276
Receivables					
Accrued interest	44	210	13	579	846
Accounts	-	-	-	39,388	39,388
Special assessments	-	-	-	14,299	14,299
Due from other governments	13,784	-	-	-	13,784
	<u>56,886</u>	<u>208,055</u>	<u>12,466</u>	<u>627,186</u>	<u>904,593</u>
<b>Total Assets</b>	<b>\$ 56,886</b>	<b>\$ 208,055</b>	<b>\$ 12,466</b>	<b>\$ 627,186</b>	<b>\$ 904,593</b>
<b>Liabilities</b>					
Accrued salaries payable	\$ 77	\$ -	\$ -	\$ -	\$ 77
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - special assessments	-	-	-	14,299	14,299
<b>Fund Balances</b>					
Restricted for					
Cable TV	56,809	-	-	-	56,809
Assigned for					
Street projects	-	-	-	612,887	612,887
Capital equipment	-	208,055	-	-	208,055
Trail projects	-	-	12,466	-	12,466
<b>Total Fund Balances</b>	<b>56,809</b>	<b>208,055</b>	<b>12,466</b>	<b>612,887</b>	<b>890,217</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
	<b>\$ 56,886</b>	<b>\$ 208,055</b>	<b>\$ 12,466</b>	<b>\$ 627,186</b>	<b>\$ 904,593</b>

City of Centerville, Minnesota  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 For the Year Ended December 31, 2018

	Special Revenue Fund	Capital Project Funds			Total Nonmajor Governmental Funds
	<b>614</b>	<b>409</b>	<b>414</b>	<b>452</b>	
	Cable T.V.	Capital Equipment Revolving	Pedestrian Trail Ways	2013 Street Project	
<b>Revenues</b>					
Franchise taxes	\$ -	\$ -	\$ -	\$ 156,893	\$ 156,893
Intergovernmental	-	-	-	26,289	26,289
Charges for services	-	-	-	6,185	6,185
Special assessments	-	-	-	18,064	18,064
Interest on investments	318	1,282	89	2,273	3,962
Miscellaneous					
Refunds and reimbursements	13,784	-	-	-	13,784
<b>Total Revenues</b>	<u>14,102</u>	<u>1,282</u>	<u>89</u>	<u>209,704</u>	<u>225,177</u>
<b>Expenditures</b>					
<b>Current</b>					
Culture and recreation					
Personal services	3,965	-	-	-	3,965
Capital outlay					
General government	-	1,700	-	-	1,700
<b>Total Expenditures</b>	<u>3,965</u>	<u>1,700</u>	<u>-</u>	<u>-</u>	<u>5,665</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,137	(418)	89	209,704	219,512
<b>Other Financing Sources</b>					
Transfers in	-	50,000	-	200,000	250,000
Net Change in Fund Balances	10,137	49,582	89	409,704	469,512
Fund Balances, January 1	<u>46,672</u>	<u>158,473</u>	<u>12,377</u>	<u>203,183</u>	<u>420,705</u>
Fund Balances, December 31	<u>\$ 56,809</u>	<u>\$ 208,055</u>	<u>\$ 12,466</u>	<u>\$ 612,887</u>	<u>\$ 890,217</u>

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, 2018  
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			Variance with Final Budget	2017
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			Amounts
Revenues					
Taxes					
General property	\$ 2,179,980	\$ 2,179,980	\$ 2,186,698	\$ 6,718	\$ 2,174,244
Gambling	5,500	5,500	9,370	3,870	10,631
Total taxes	<u>2,185,480</u>	<u>2,185,480</u>	<u>2,196,068</u>	<u>10,588</u>	<u>2,184,875</u>
Licenses and permits					
Business	18,500	18,500	21,910	3,410	27,395
Nonbusiness	108,000	108,000	212,545	104,545	323,600
Total licenses and permits	<u>126,500</u>	<u>126,500</u>	<u>234,455</u>	<u>107,955</u>	<u>350,995</u>
Intergovernmental					
State					
Local government aid	76,357	76,357	76,357	-	63,869
Market value agricultural credit	100	100	206	106	216
PERA aid	1,333	1,333	1,333	-	12,310
Police aid	42,000	42,000	45,773	3,773	42,054
Fire aid	160,000	160,000	52,169	(107,831)	46,200
County - other	18,000	18,000	18,431	431	26,933
Total intergovernmental	<u>297,790</u>	<u>297,790</u>	<u>194,269</u>	<u>(103,521)</u>	<u>191,582</u>
Charges for services					
General government	2,500	2,500	3,815	1,315	4,910
Culture and recreation	3,500	3,500	2,520	(980)	2,740
Other	100	100	20	(80)	42
Total charges for services	<u>6,100</u>	<u>6,100</u>	<u>6,355</u>	<u>255</u>	<u>7,692</u>
Fines and forfeitures	<u>26,000</u>	<u>26,000</u>	<u>14,371</u>	<u>(11,629)</u>	<u>18,068</u>
Special assessments	<u>200</u>	<u>200</u>	<u>37</u>	<u>(163)</u>	<u>-</u>
Interest on investments	<u>13,000</u>	<u>13,000</u>	<u>5,721</u>	<u>(7,279)</u>	<u>5,291</u>
Miscellaneous					
Refunds and reimbursements	6,000	6,000	54,616	48,616	33,960
Other	1,500	1,500	3,073	1,573	7,185
Total miscellaneous	<u>7,500</u>	<u>7,500</u>	<u>57,689</u>	<u>50,189</u>	<u>41,145</u>
Total Revenues	<u>2,662,570</u>	<u>2,662,570</u>	<u>2,708,965</u>	<u>46,395</u>	<u>2,799,648</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, 2018  
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			Variance with Final Budget	2017
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and council					
Personal services	\$ 30,100	\$ 30,100	\$ 30,097	\$ 3	\$ 30,092
Other services and charges	1,000	1,000	75	925	1,577
Total mayor and council	<u>31,100</u>	<u>31,100</u>	<u>30,172</u>	<u>928</u>	<u>31,669</u>
Elections					
Personal services	5,400	5,400	5,842	(442)	-
Supplies	200	200	139	61	180
Other services and charges	1,300	1,300	783	517	-
Total elections	<u>6,900</u>	<u>6,900</u>	<u>6,764</u>	<u>136</u>	<u>180</u>
Planning and zoning					
Other services and charges	<u>15,400</u>	<u>15,400</u>	<u>28,352</u>	<u>(12,952)</u>	<u>3,311</u>
Administration					
Personal services	248,900	248,900	236,004	12,896	235,243
Supplies	2,500	2,500	6,187	(3,687)	3,769
Other services and charges	59,800	59,800	54,665	5,135	76,353
Total administration	<u>311,200</u>	<u>311,200</u>	<u>296,856</u>	<u>14,344</u>	<u>315,365</u>
Assessing					
Other services and charges	<u>16,500</u>	<u>16,500</u>	<u>16,201</u>	<u>299</u>	<u>16,126</u>
Legal and auditing					
Other services and charges	<u>106,000</u>	<u>106,000</u>	<u>107,625</u>	<u>(1,625)</u>	<u>106,607</u>
General government building					
Personal services	3,100	3,100	1,554	1,546	901
Supplies	400	400	659	(259)	339
Other services and charges	15,100	15,100	15,406	(306)	15,389
Total general government building	<u>18,600</u>	<u>18,600</u>	<u>17,619</u>	<u>981</u>	<u>16,629</u>
Total general government	<u>505,700</u>	<u>505,700</u>	<u>503,589</u>	<u>2,111</u>	<u>489,887</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, 2018  
 (With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			Variance with Final Budget	2017
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety					
Police protection					
Other services and charges	\$ 878,101	\$ 878,101	\$ 876,794	\$ 1,307	\$ 875,604
Fire protection					
Remittance to relief association	158,000	158,000	52,169	105,831	47,200
Other services and charges	270,269	270,269	265,405	4,864	270,443
Total fire protection	428,269	428,269	317,574	110,695	317,643
Building inspection					
Personal services	118,900	118,900	128,087	(9,187)	117,977
Supplies	2,900	2,900	2,880	20	2,013
Other services and charges	12,250	12,250	12,845	(595)	9,758
Total building inspection	134,050	134,050	143,812	(9,762)	129,748
Civil defense					
Other services and charges	1,500	1,500	1,107	393	1,054
Animal control					
Other services and charges	-	-	434	(434)	-
Total public safety	1,441,920	1,441,920	1,339,721	102,199	1,324,049
Public works					
Streets					
Personal services	153,300	153,300	141,303	11,997	146,205
Supplies	30,400	30,400	24,745	5,655	17,015
Other services and charges	108,200	108,200	140,263	(32,063)	103,155
Total streets	291,900	291,900	306,311	(14,411)	266,375
Recycling					
Personal services	9,700	9,700	16,686	(6,986)	15,408
Supplies	100	100	-	100	47
Other services and charges	8,400	8,400	11,450	(3,050)	11,792
Total recycling	18,200	18,200	28,136	(9,936)	27,247

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, 2018  
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			Variance with Final Budget	2017
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works (continued)					
Engineering services					
Other services and charges	\$ 38,000	\$ 38,000	\$ 35,972	\$ 2,028	\$ 36,072
Total public works	348,100	348,100	370,419	(22,319)	329,694
Culture and recreation					
Parks and recreation					
Personal services	42,850	42,850	40,253	2,597	38,927
Supplies	3,300	3,300	5,313	(2,013)	7,154
Other services and charges	61,900	61,900	70,727	(8,827)	85,835
Total parks and recreation	108,050	108,050	116,293	(8,243)	131,916
City Festival					
Other services and charges	6,900	6,900	10,267	(3,367)	11,397
Total culture and recreation	114,950	114,950	126,560	(11,610)	143,313
Economic development					
Supplies	-	-	43	(43)	-
Other services and charges	1,000	1,000	5,707	(4,707)	1,314
Total economic development	1,000	1,000	5,750	(4,750)	1,314
Total current	2,411,670	2,411,670	2,346,039	65,631	2,288,257
Capital outlay					
General government	900	900	887	13	41,749
Total Expenditures	2,412,570	2,412,570	2,346,926	65,644	2,330,006
Excess of Revenues Over Expenditures	250,000	250,000	362,039	112,039	469,642
Other Financing Uses					
Transfers out	(250,000)	(250,000)	(250,000)	-	(250,000)
Net Change in Fund Balances	-	-	112,039	112,039	219,642
Fund Balances, January 1	1,529,950	1,529,950	1,529,950	-	1,310,308
Fund Balances, December 31	<u>\$ 1,529,950</u>	<u>\$ 1,529,950</u>	<u>\$ 1,641,989</u>	<u>\$ 112,039</u>	<u>\$ 1,529,950</u>

City of Centerville, Minnesota  
Debt Service Funds  
Combining Balance Sheet  
December 31, 2018

	<b>302</b> 2016 G.O. Capital Notes 2016A	<b>309</b> Joint Police Station 2012A	<b>348</b> G.O. Improvement Bonds of 2015A
<b>Assets</b>			
Cash and temporary investments	\$ 7,672	\$ 66,863	\$ 841,498
Receivables			
Accrued interest	8	68	850
Taxes	-	582	-
Accounts	-	-	208
Special assessments	-	-	24,733
Prepaid items	7,445	-	-
	<u>15,125</u>	<u>67,513</u>	<u>867,289</u>
<b>Total Assets</b>	<u>\$ 15,125</u>	<u>\$ 67,513</u>	<u>\$ 867,289</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - special assessments	\$ -	\$ -	\$ 24,733
	<u>-</u>	<u>-</u>	<u>24,733</u>
<b>Fund Balances</b>			
Nonspendable	7,445	-	-
Restricted for debt service	7,680	67,513	842,556
<b>Total Fund Balances</b>	<u>15,125</u>	<u>67,513</u>	<u>842,556</u>
	<u>15,125</u>	<u>67,513</u>	<u>867,289</u>
<b>Total Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 15,125</u>	<u>\$ 67,513</u>	<u>\$ 867,289</u>

<b>349</b> G.O. Improvement Bonds of 2007A	<b>351</b> G.O. Improvement Bonds of 2009A/2016A	<b>352</b> G.O. Improvement Bonds of 2013A	Total
\$ 269,958	\$ 375,638	\$ 76,081	\$ 1,637,710
196	457	77	1,656
2,269	1,579	147	4,577
-	-	-	208
39,441	328,301	131,675	524,150
4,471	-	-	11,916
<u>\$ 316,335</u>	<u>\$ 705,975</u>	<u>\$ 207,980</u>	<u>\$ 2,180,217</u>
<u>\$ 39,436</u>	<u>\$ 328,301</u>	<u>\$ 131,675</u>	<u>\$ 524,145</u>
4,471	-	-	11,916
272,428	377,674	76,305	1,644,156
<u>276,899</u>	<u>377,674</u>	<u>76,305</u>	<u>1,656,072</u>
<u>\$ 316,335</u>	<u>\$ 705,975</u>	<u>\$ 207,980</u>	<u>\$ 2,180,217</u>

City of Centerville, Minnesota  
Debt Service Funds  
Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
For the Year Ended December 31, 2018

	<b>302</b> 2016 G.O. Capital Notes 2016A	<b>309</b> Joint Police Station 2012A	<b>348</b> G.O. Improvement Bonds of 2015A
Revenues			
Property taxes	\$ -	\$ 69,828	\$ 24,939
Intergovernmental	-	-	-
Special assessments	-	-	4,990
Interest on investments	25	291	2,458
Miscellaneous	7,656	-	-
Total Revenues	<u>7,681</u>	<u>70,119</u>	<u>32,387</u>
Expenditures			
Debt service			
Principal	6,179	65,000	25,000
Interest and other	1,131	3,384	23,089
Total Expenditures	<u>7,310</u>	<u>68,384</u>	<u>48,089</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	371	1,735	(15,702)
Other Financing Sources			
Sale of capital assets	-	-	832,422
Net Change in Fund Balances	371	1,735	816,720
Fund Balances, January 1	<u>14,754</u>	<u>65,778</u>	<u>25,836</u>
Fund Balances, December 31	<u>\$ 15,125</u>	<u>\$ 67,513</u>	<u>\$ 842,556</u>

<b>349</b> G.O. Improvement Bonds of 2007A	<b>351</b> G.O. Improvement Bonds of 2009A/2016A	<b>352</b> G.O. Improvement Bonds of 2013A	Total
\$ 272,330	\$ 189,534	\$ 17,657	\$ 574,288
-	19,889	-	19,889
156,077	84,245	23,305	268,617
159	7,873	290	11,096
-	-	-	7,656
<u>428,566</u>	<u>301,541</u>	<u>41,252</u>	<u>881,546</u>
385,000	2,390,000	10,000	2,881,179
18,100	91,350	37,108	174,162
<u>403,100</u>	<u>2,481,350</u>	<u>47,108</u>	<u>3,055,341</u>
25,466	(2,179,809)	(5,856)	(2,173,795)
-	-	-	832,422
25,466	(2,179,809)	(5,856)	(1,341,373)
<u>251,433</u>	<u>2,557,483</u>	<u>82,161</u>	<u>2,997,445</u>
<u>\$ 276,899</u>	<u>\$ 377,674</u>	<u>\$ 76,305</u>	<u>\$ 1,656,072</u>

City of Centerville, Minnesota  
 Summary Financial Report  
 Revenues and Expenditures For General Operations  
 Governmental Funds  
 For the Years Ended December 31, 2018 and 2017

	Total		Percent Increase (Decrease)
	2018	2017	
Revenues			
Taxes	\$ 2,927,249	\$ 2,890,674	1.27 %
Licenses and permits	234,455	350,995	(33.20)
Intergovernmental	240,447	259,972	(7.51)
Charges for services	23,415	16,058	45.82
Fines and forfeitures	14,371	18,068	(20.46)
Special assessments	286,718	267,485	7.19
Interest on investments	21,183	25,511	(16.97)
Miscellaneous	79,129	73,951	7.00
Total Revenues	<u>\$ 3,826,967</u>	<u>\$ 3,902,714</u>	(1.94) %
Per Capita	\$ 957	\$ 986	(2.99) %
Expenditures			
Current			
General government	\$ 503,589	\$ 489,887	2.80 %
Public safety	1,339,721	1,324,049	1.18
Public works	370,419	329,694	12.35
Culture and recreation	130,525	147,579	(11.56)
Economic development	5,750	1,314	337.60
Capital outlay			
General government	2,587	43,814	(94.10)
Public works	-	176,187	(100.00)
Debt service			
Principal	2,881,179	745,000	286.74
Interest and other	192,072	270,302	(28.94)
Total Expenditures	<u>\$ 5,425,842</u>	<u>\$ 3,527,826</u>	53.80 %
Per Capita	\$ 1,356	\$ 891	52.15 %
Total Long-term Indebtedness	\$ 5,138,440	\$ 8,019,619	(35.93) %
Per Capita	1,284	2,026	(36.62)
General Fund Balance - December 31	\$ 1,641,989	\$ 1,529,950	7.32 %
Per Capita	410	387	6.17

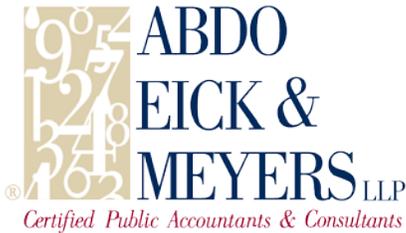
The purpose of this report is to provide a summary of financial information concerning the City of Centerville to interested citizens. The complete financial statements may be examined at City Hall, 1880 Main Street, Centerville, MN 55038. Questions about this report should be directed to City Hall at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

OTHER REQUIRED REPORT

CITY OF CENTERVILLE  
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2018

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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, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 7, 2019.

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.

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*

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
June 7, 2019