

# Annual Financial Report

## City of Centerville

Centerville, Minnesota

For the Year Ended  
December 31, 2019

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City of Centerville, Minnesota  
 Annual Financial Report  
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INTRODUCTORY SECTION  
CITY OF CENTERVILLE  
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

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City of Centerville, Minnesota  
Elected and Appointed Officials  
For the Year Ended December 31, 2019

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
D. Love	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

**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, 2019

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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, 2019, 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, 2019, 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**

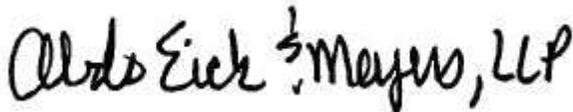
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 15 and the Schedule of Employer's Shares of the Net Pension Liability and the Schedule of Employer's Contributions and related notes to the required supplementary information starting on page 66 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  
May 22, 2020

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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, 2019.

### **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 \$21,970,216 (net position). Of this amount, \$8,176,011 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$179,078. 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 \$1,649,217, or 68.8 percent of total 2019 General fund expenditures.
- The City's total debt decreased \$926,179, 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**

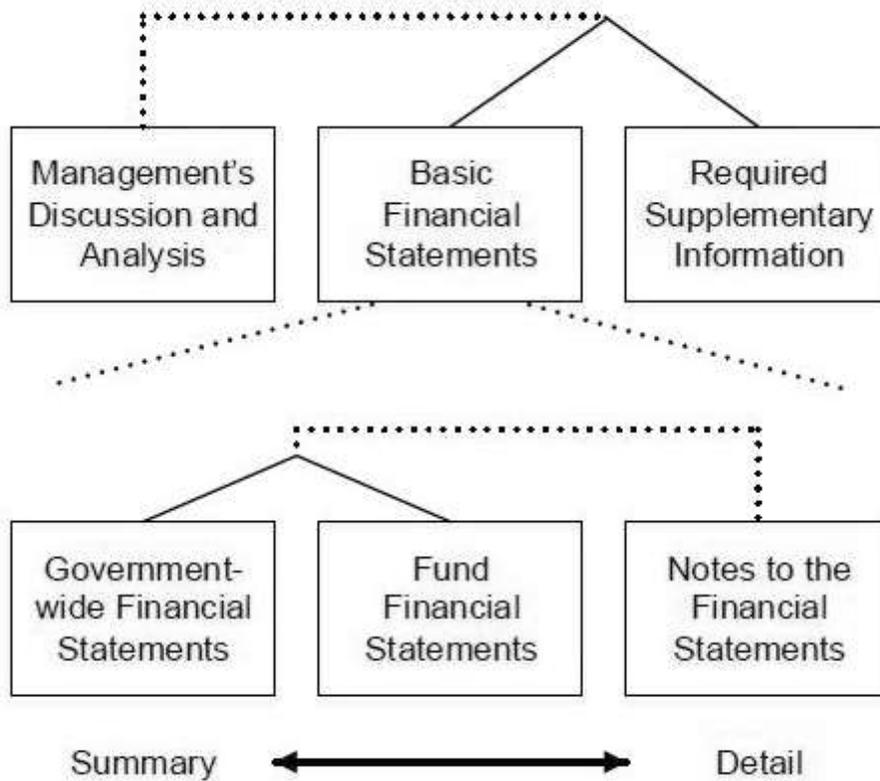


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the 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, Park, and 2013 Street Project 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 43 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 66 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 70 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 \$21,970,216 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (53.0 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		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 4,403,868	\$ 3,834,827	\$ 569,041	\$ 6,920,076	\$ 6,621,477	\$ 298,599
Capital assets	10,506,606	11,670,816	(1,164,210)	5,356,950	5,669,232	(312,282)
Total Assets	<u>14,910,474</u>	<u>15,505,643</u>	<u>(595,169)</u>	<u>12,277,026</u>	<u>12,290,709</u>	<u>(13,683)</u>
<b>Deferred Outflows of Resources</b>						
Deferred pension resources	<u>38,086</u>	<u>53,539</u>	<u>(15,453)</u>	<u>14,724</u>	<u>20,804</u>	<u>(6,080)</u>
<b>Liabilities</b>						
Noncurrent liabilities outstanding	4,578,036	5,491,643	(913,607)	140,458	137,307	3,151
Other liabilities	366,033	261,487	104,546	84,475	59,346	25,129
Total Liabilities	<u>4,944,069</u>	<u>5,753,130</u>	<u>(809,061)</u>	<u>224,933</u>	<u>196,653</u>	<u>28,280</u>
<b>Deferred Outflows of Resources</b>						
Deferred pension resources	<u>72,905</u>	<u>93,458</u>	<u>(20,553)</u>	<u>28,187</u>	<u>36,316</u>	<u>(8,129)</u>
<b>Net Position</b>						
Net investment in capital assets	6,294,345	6,532,376	(238,031)	5,356,950	5,669,232	(312,282)
Restricted for						
Debt service	2,075,218	2,137,147	(61,929)	-	-	-
Cable TV	67,692	56,809	10,883	-	-	-
Unrestricted	<u>1,494,331</u>	<u>986,262</u>	<u>508,069</u>	<u>6,681,680</u>	<u>6,409,312</u>	<u>272,368</u>
Total Net Position	<u>\$ 9,931,586</u>	<u>\$ 9,712,594</u>	<u>\$ 218,992</u>	<u>\$ 12,038,630</u>	<u>\$ 12,078,544</u>	<u>\$ (39,914)</u>

An additional portion of the City's net position (9.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$8,176,011) 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.

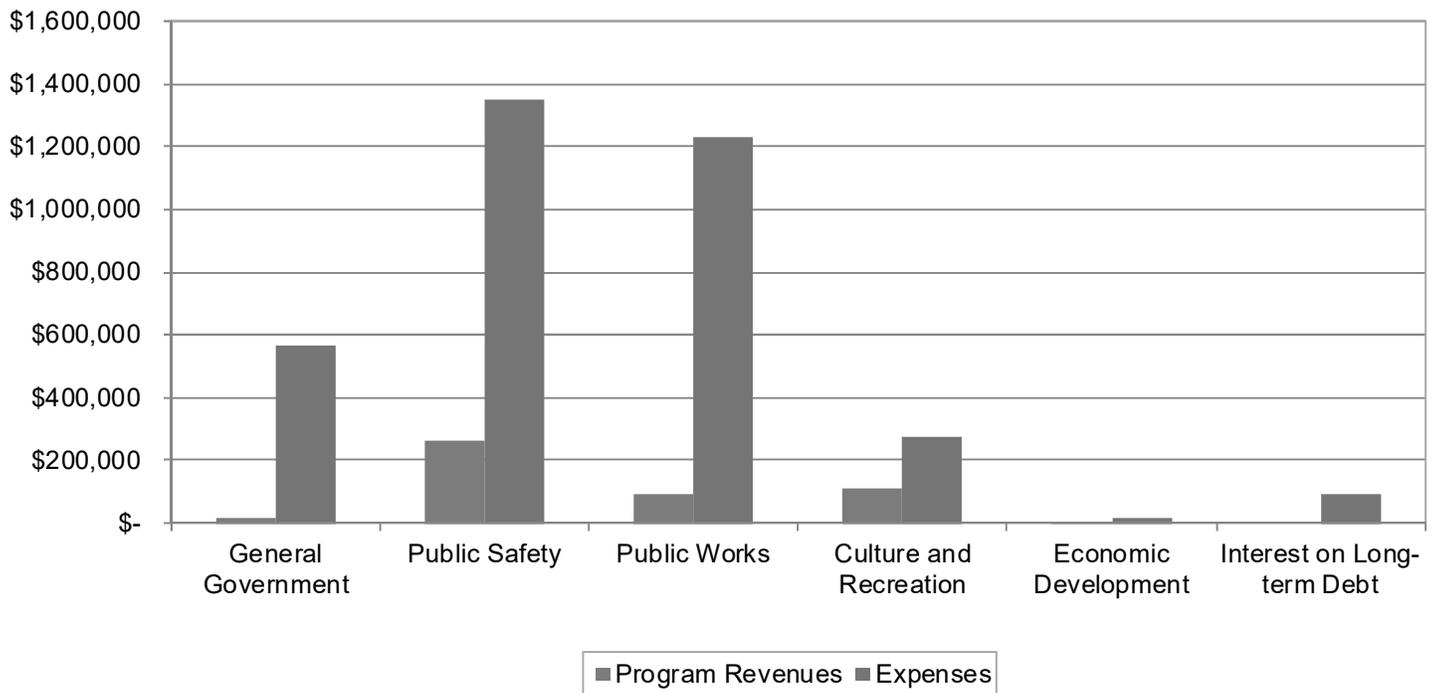
**Governmental Activities.** Governmental activities increased the City's net position by \$218,992. Key elements of this increase are as follows:

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

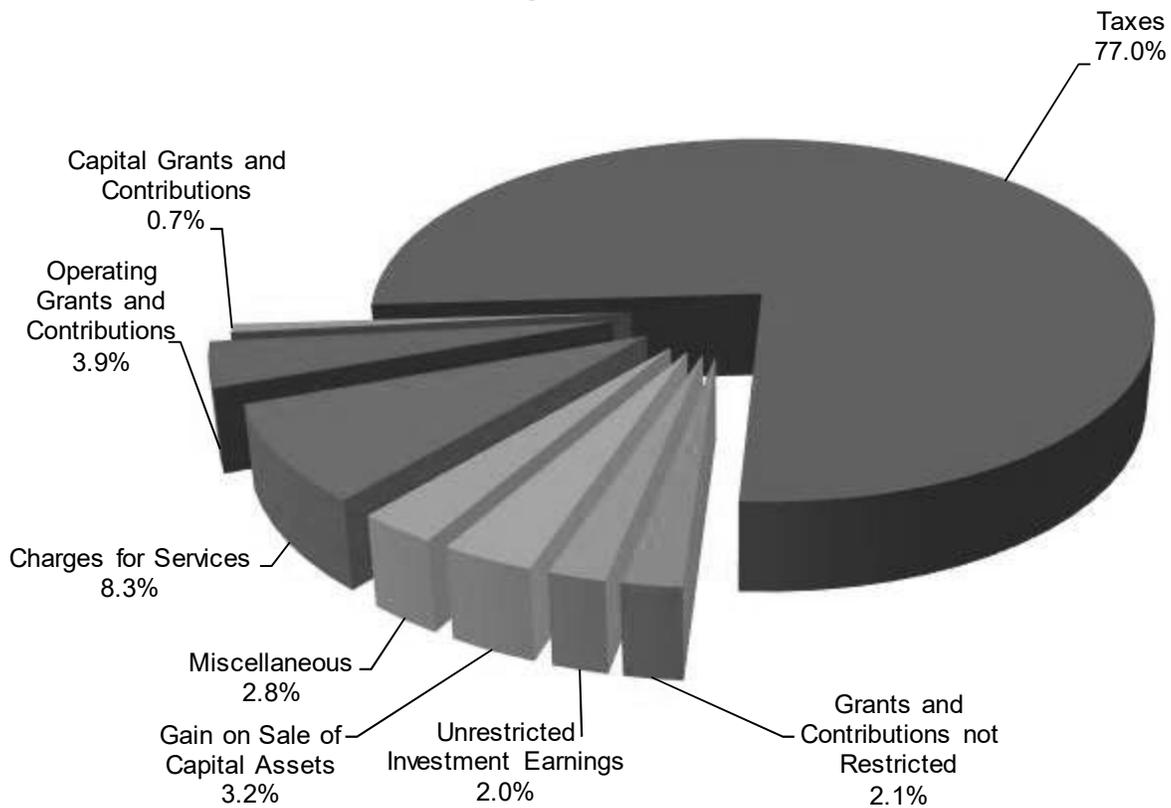
	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 312,598	\$ 276,394	\$ 36,204	\$ 1,116,195	\$ 951,377	\$ 164,818
Operating grants and contributions	145,240	229,658	(84,418)	9,880	534	9,346
Capital grants and contributions	27,196	42,341	(15,145)	134,425	312,136	(177,711)
General Revenues						
Taxes						
Property taxes/tax increments	2,210,721	2,183,561	27,160	-	-	-
Property taxes, levied for debt service	501,652	574,288	(72,636)	-	-	-
Other taxes	173,187	173,919	(732)	-	-	-
Grants and contributions						
not restricted to specific programs	78,331	78,146	185	-	-	-
Unrestricted investment earnings	75,141	21,183	53,958	86,648	44,941	41,707
Gain on sale of capital assets	120,787	266,455	(145,668)	-	-	-
Miscellaneous	104,320	2,397	101,923	(103,564)	-	(103,564)
Total Revenues	3,749,173	3,848,342	(99,169)	1,243,584	1,308,988	(65,404)
Expenses						
General government	566,557	514,464	52,093	-	-	-
Public safety	1,348,319	1,338,845	9,474	-	-	-
Public works	1,231,003	1,257,295	(26,292)	-	-	-
Culture and recreation	273,731	233,204	40,527	-	-	-
Economic development	16,235	5,750	10,485	-	-	-
Interest on long-term debt	94,336	136,010	(41,674)	-	-	-
Water	-	-	-	424,437	381,142	43,295
Sewer	-	-	-	500,599	568,484	(67,885)
Storm water	-	-	-	102,659	66,337	36,322
Garbage	-	-	-	201,196	70,332	130,864
Recycling	-	-	-	54,607	19,133	35,474
Total Expenses	3,530,181	3,485,568	44,613	1,283,498	1,105,428	178,070
Change in Net Position	218,992	362,774	(143,782)	(39,914)	203,560	(243,474)
Net Position, January 1	9,712,594	9,349,820	362,774	12,078,544	11,874,984	203,560
Net Position, December 31	\$ 9,931,586	\$ 9,712,594	\$ 218,992	\$ 12,038,630	\$ 12,078,544	\$ (39,914)

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

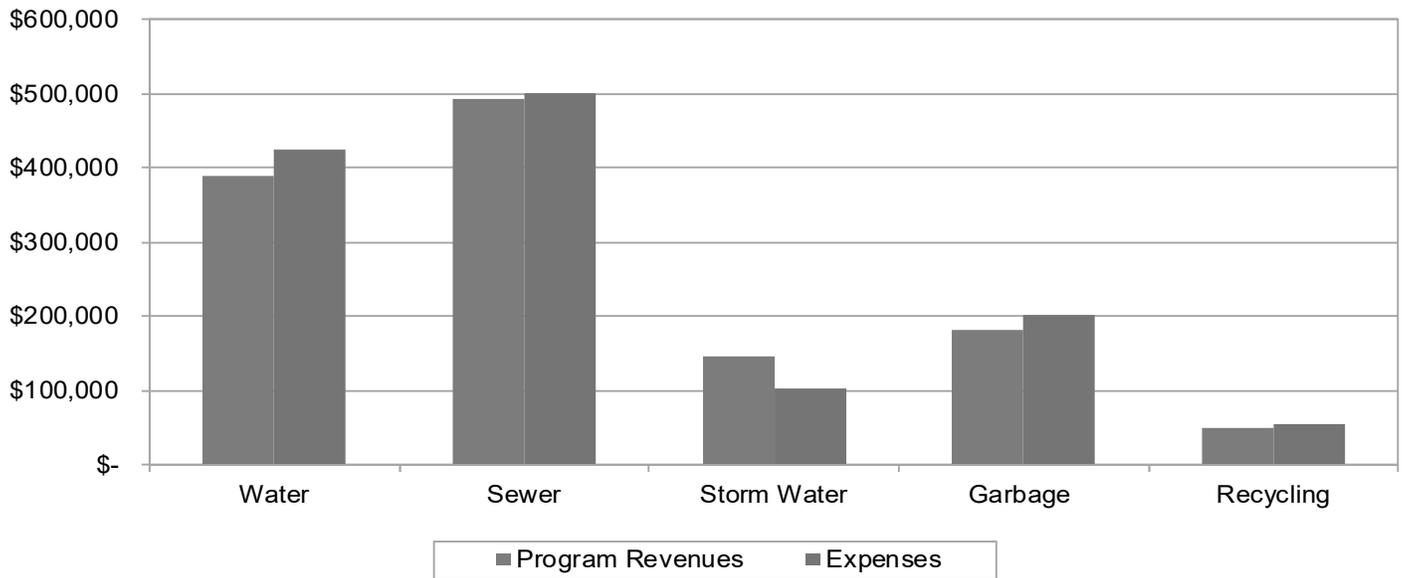


### Revenues by Source - Governmental Activities

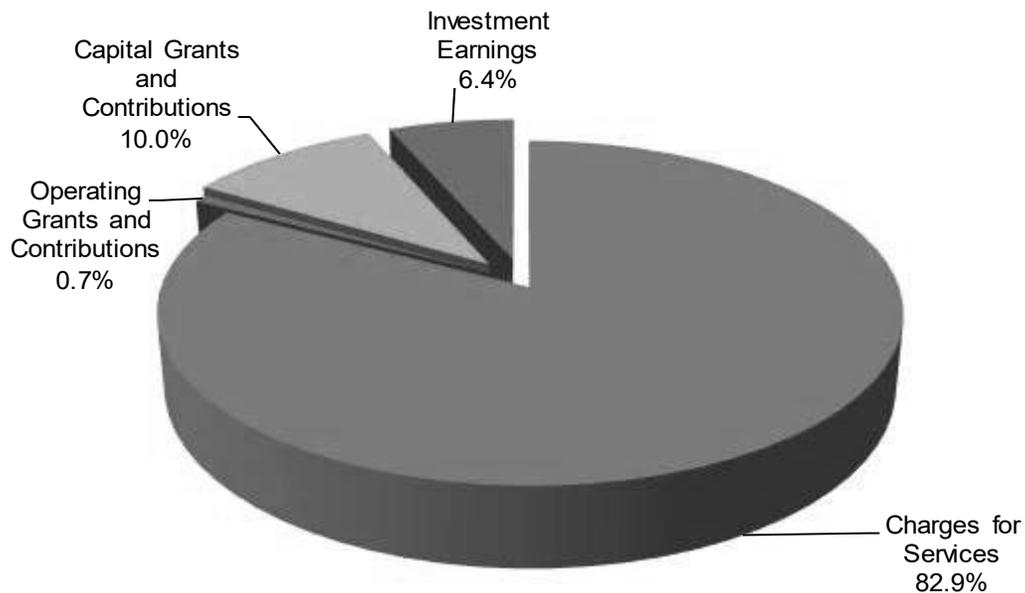


**Business-type Activities.** Business-type activities decreased the City's net position by \$39,914. Key elements of this decrease are as follows:

### 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		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Personnel Costs	\$ 626,032	\$ 588,431	\$ 37,601	\$ 239,842	\$ 200,420	\$ 39,422
Supplies	46,255	39,966	6,289	19,056	81,579	(62,523)
Other Charges for Services	2,733,261	2,718,574	14,687	1,024,600	823,429	201,171
Capital Outlay	116,048	2,587	113,461	-	-	-
<b>Total</b>	<b>\$ 3,521,596</b>	<b>\$ 3,349,558</b>	<b>\$ 172,038</b>	<b>\$ 1,283,498</b>	<b>\$ 1,105,428</b>	<b>\$ 178,070</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)
	2019	2018	
<b>General</b>	\$ 1,652,471	\$ 1,641,989	\$ 10,482
The General fund balance increased \$10,482 from 2018 primarily due to a positive budget variance of \$13,129 in revenues. The main drivers of this positive budget variance was intergovernmental and interest on investments.			
<b>Debt Service</b>	\$ 1,687,095	\$ 1,656,072	\$ 31,023
The Debt Service fund increased \$31,023 primarily due to a \$381,653 sale of land which was recognized in the 2015A bond fund.			
<b>Park</b>	\$ (949,099)	\$ (1,148,935)	\$ 199,836
The Park fund balance increased \$199,836 from the previous year due to a resolution passed by the City Council to forgive interest on the interfund loan with the Sewer fund and transfer of park dedication feeds from new developments.			
<b>2013 Street Project</b>	\$ 889,590	\$ 612,887	\$ 276,703
The 2013 Street Projects fund increased \$276,703 from 2018 primarily due to franchise fees in excess of 2019 capital outlay expenditures and a \$200,000 transfer in from the General fund for future project costs.			

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,621,033, an increase of \$581,690 in comparison with the prior year. Fund balance of \$694,418 constitutes *unassigned fund balance*. The remainder of fund balance (\$2,926,615) is not available for spending because it is either: 1) nonspendable (\$18,866), 2) restricted (\$1,744,875), or 3) assigned (\$1,162,874) 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 \$6,681,680. The total decrease in net position for the funds was \$39,914.

### General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. Revenues had a positive budget variance of \$13,129 and expenditures had a negative budget variance of \$2,647. Overall the General fund had a net positive budget variance of \$10,482 after transfers.

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

- Intergovernmental revenues came in \$25,192 over budget.
- Interest on investment revenues were over budget by \$16,885
- Culture and recreation expenditures were over budget by \$35,207 which was offset by public works expenditures being under budget by \$34,760.

## 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, 2019, amounts to \$15,863,556 (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 53 of this report.

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

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Land	\$ 2,301,990	\$ 2,562,856	\$ (260,866)	\$ 200,655	\$ 200,655	\$ -
Construction in Progress	104,659	-	104,659	31,268	-	31,268
Buildings	717,674	752,820	(35,146)	315,330	323,610	(8,280)
Infrastructure	7,222,700	8,176,175	(953,475)	4,818,468	5,144,804	(326,336)
Machinery and Equipment	159,583	178,965	(19,382)	(8,771)	163	(8,934)
Total	<u>\$ 10,506,606</u>	<u>\$ 11,670,816</u>	<u>\$ (1,164,210)</u>	<u>\$ 5,356,950</u>	<u>\$ 5,669,232</u>	<u>\$ (312,282)</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. No project was done in 2019. Funds have been accumulated for the final full depth street reconstruction project in town along with the installation of water service and storm water improvements.

**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 \$4,165,000. 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		
	2019	2018	Increase (Decrease)
General Obligation Bonds	\$ 4,165,000	\$ 5,085,000	\$ (920,000)
General Obligation Capital Notes	47,261	53,440	(6,179)
 Total	 \$ 4,212,261	 \$ 5,138,440	 \$ (926,179)

Additional information on the City's long-term debt can be found in Note 3D starting on page 55 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 2020 increased by 8.3%. The City's net tax capacity increased 9.5% for taxes payable in 2020. The City raised its property tax levy by 0.5% for taxes payable in 2020. The tax capacity rate decreased from 57.483 to 52.960 for a 7.9% drop due to the increase in tax capacity. Most taxpayers realized an increase on average of 0.9% in City property taxes as a result of the increased value of their properties and the increased City levy.

The City's General fund budget increased for fiscal year 2020 by 2.1%; however, the General fund tax levy increased by only 0.5%. The minimal increase in General fund expenditures, in the amount of \$56,294, was primarily related to increases in the amount of election expenses, fire contract increases, and transfers out to capital replacement funds.

The debt service levy was decreased by \$47,273 for taxes payable in 2020 due to the adjustments to the levy requirement for several bond issues. The debt service levy is anticipated to be again reduced in 2021 because of cash on hand in the debt service funds.

### 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, 2019

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City of Centerville, Minnesota

Statement of Net Position

December 31, 2019

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and temporary investments	\$ 4,819,862	\$ 5,036,455	\$ 9,856,317
Receivables			
Accrued interest	5,701	6,002	11,703
Taxes	57,375	-	57,375
Accounts	46,037	203,798	249,835
Special assessments	432,623	643,150	1,075,773
Due from other governments	25,838	-	25,838
Internal balances	(1,002,434)	1,002,434	-
Inventories	-	6,451	6,451
Prepaid items	18,866	21,786	40,652
Capital assets			
Land and construction and progress	2,406,649	231,923	2,638,572
Depreciable assets (net of accumulated depreciation)	8,099,957	5,125,027	13,224,984
Total Assets	<u>14,910,474</u>	<u>12,277,026</u>	<u>27,187,500</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	<u>38,086</u>	<u>14,724</u>	<u>52,810</u>
<b>Liabilities</b>			
Accounts and contracts payable	64,888	34,255	99,143
Accrued salaries payable	14,708	5,292	20,000
Due to other governments	2,246	44,928	47,174
Accrued interest payable	35,395	-	35,395
Deposits payable	240,191	-	240,191
Unearned revenue	8,605	-	8,605
Noncurrent liabilities			
Due within one year	519,157	15,591	534,748
Due in more than one year	3,735,915	-	3,735,915
Net pension liability	322,964	124,867	447,831
Total Liabilities	<u>4,944,069</u>	<u>224,933</u>	<u>5,169,002</u>
<b>Deferred Inflows of Resources</b>			
Deferred pension resources	<u>72,905</u>	<u>28,187</u>	<u>101,092</u>
<b>Net Position</b>			
Net investment in capital assets	6,294,345	5,356,950	11,651,295
Restricted for			
Debt service	2,075,218	-	2,075,218
Cable TV	67,692	-	67,692
Unrestricted	<u>1,494,331</u>	<u>6,681,680</u>	<u>8,176,011</u>
Total Net Position	<u>\$ 9,931,586</u>	<u>\$ 12,038,630</u>	<u>\$ 21,970,216</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, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 566,557	\$ 16,424	\$ -	\$ -
Public safety	1,348,319	148,203	115,580	-
Public works	1,231,003	36,583	29,660	27,196
Culture and recreation	273,731	110,033	-	-
Economic development	16,235	1,355	-	-
Interest on long-term debt	94,336	-	-	-
<b>Total Governmental Activities</b>	<b>3,530,181</b>	<b>312,598</b>	<b>145,240</b>	<b>27,196</b>
<b>Business-type Activities</b>				
Water	424,437	307,168	9,717	73,803
Sewer	500,599	432,581	133	60,622
Storm water	102,659	146,938	30	-
Garbage	201,196	180,570	-	-
Recycling	54,607	48,938	-	-
<b>Total Business-type Activities</b>	<b>1,283,498</b>	<b>1,116,195</b>	<b>9,880</b>	<b>134,425</b>
<b>Total</b>	<b>\$ 4,813,679</b>	<b>\$ 1,428,793</b>	<b>\$ 155,120</b>	<b>\$ 161,621</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
\$ (550,133)	\$ -	\$ (550,133)
(1,084,536)	-	(1,084,536)
(1,137,564)	-	(1,137,564)
(163,698)	-	(163,698)
(14,880)	-	(14,880)
(94,336)	-	(94,336)
<u>(3,045,147)</u>	<u>-</u>	<u>(3,045,147)</u>
-	(33,749)	(33,749)
-	(7,263)	(7,263)
-	44,309	44,309
-	(20,626)	(20,626)
-	(5,669)	(5,669)
<u>-</u>	<u>(22,998)</u>	<u>(22,998)</u>
<u>(3,045,147)</u>	<u>(22,998)</u>	<u>(3,068,145)</u>
2,210,721	-	2,210,721
501,652	-	501,652
164,919	-	164,919
8,268	-	8,268
78,331	-	78,331
75,141	86,648	161,789
120,787	-	120,787
104,320	(103,564)	756
<u>3,264,139</u>	<u>(16,916)</u>	<u>3,247,223</u>
218,992	(39,914)	179,078
<u>9,712,594</u>	<u>12,078,544</u>	<u>21,791,138</u>
<u>\$ 9,931,586</u>	<u>\$ 12,038,630</u>	<u>\$ 21,970,216</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, 2019

City of Centerville, Minnesota

Balance Sheet

Governmental Funds

December 31, 2019

	<b>101</b>	<b>300's</b>	<b>402</b>	<b>452</b>		
	General	Debt Service	Park	2013 Street Project	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and temporary investments	\$ 1,913,074	\$ 1,665,582	\$ 53,272	\$ 860,939	\$ 326,995	\$ 4,819,862
Receivables						
Accrued interest	2,260	1,992	63	1,017	369	5,701
Taxes	52,114	5,261	-	-	-	57,375
Accounts	460	-	-	45,577	-	46,037
Special assessments	8,699	418,618	-	5,306	-	432,623
Due from other governments	12,116	-	-	-	13,722	25,838
Prepaid items	3,254	15,612	-	-	-	18,866
<b>Total Assets</b>	<b>\$ 1,991,977</b>	<b>\$ 2,107,065</b>	<b>\$ 53,335</b>	<b>\$ 912,839</b>	<b>\$ 341,086</b>	<b>\$ 5,406,302</b>
<b>Liabilities</b>						
Accounts payable	\$ 44,376	\$ 2,152	\$ -	\$ 18,360	\$ -	\$ 64,888
Deposits payable	240,191	-	-	-	-	240,191
Accrued salaries payable	14,598	-	-	-	110	14,708
Due to other governments	2,246	-	-	-	-	2,246
Advances from other funds	-	-	1,002,434	-	-	1,002,434
Unearned revenue	8,605	-	-	-	-	8,605
<b>Total Liabilities</b>	<b>310,016</b>	<b>2,152</b>	<b>1,002,434</b>	<b>18,360</b>	<b>110</b>	<b>1,333,072</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue - property taxes	20,791	-	-	-	-	20,791
Unavailable revenue - special assessments	8,699	417,818	-	4,889	-	431,406
<b>Total Deferred Inflows of Resources</b>	<b>29,490</b>	<b>417,818</b>	<b>-</b>	<b>4,889</b>	<b>-</b>	<b>452,197</b>
<b>Fund Balances</b>						
Nonspendable	3,254	15,612	-	-	-	18,866
Restricted	-	1,677,183	-	-	67,692	1,744,875
Assigned	-	-	-	889,590	273,284	1,162,874
Unassigned	1,649,217	(5,700)	(949,099)	-	-	694,418
<b>Total Fund Balances</b>	<b>1,652,471</b>	<b>1,687,095</b>	<b>(949,099)</b>	<b>889,590</b>	<b>340,976</b>	<b>3,621,033</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,991,977</b>	<b>\$ 2,107,065</b>	<b>\$ 53,335</b>	<b>\$ 912,839</b>	<b>\$ 341,086</b>	<b>\$ 5,406,302</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, 2019

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

Total Fund Balances - Governmental	\$ 3,621,033
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	22,705,363
Less accumulated depreciation	(12,198,757)
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	(4,212,261)
Compensated absences payable	(42,811)
Net pension liability	(322,964)
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	20,791
Special assessments receivable	431,406
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	38,086
Deferred inflows of pension resources	(72,905)
Governmental funds do not report a liability for accrued interest until due and payable.	(35,395)
Total Net Position - Governmental Activities	\$ 9,931,586

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, 2019

	101	300's	402	452	Other	Total
	General	Debt Service	Park	2013 Street Project	Governmental Funds	Governmental Funds
<b>Revenues</b>						
<b>Taxes</b>						
General property	\$ 2,209,355	\$ 501,652	\$ -	\$ -	\$ -	\$ 2,711,007
Gambling	8,268	-	-	-	-	8,268
Franchise	-	7,698	-	157,221	-	164,919
Licenses and permits	188,316	-	-	-	-	188,316
Intergovernmental	209,629	-	-	-	-	209,629
Charges for services	2,522	-	95,003	4,944	-	102,469
Fines and forfeitures	13,942	-	-	-	-	13,942
Special assessments	-	142,865	-	10,567	-	153,432
Interest on investments	29,885	25,345	1,217	13,600	5,094	75,141
Miscellaneous	5,551	-	105,564	-	14,262	125,377
<b>Total Revenues</b>	<u>2,667,468</u>	<u>677,560</u>	<u>201,784</u>	<u>186,332</u>	<u>19,356</u>	<u>3,752,500</u>
<b>Expenditures</b>						
<b>Current</b>						
General government	528,834	-	-	-	-	528,834
Public safety	1,344,351	-	-	-	-	1,344,351
Public works	335,440	-	-	-	-	335,440
Culture and recreation	164,457	-	-	-	4,139	168,596
Economic development	16,235	-	-	-	-	16,235
<b>Capital outlay</b>						
General government	6,419	-	-	-	12,821	19,240
Public works	-	-	-	109,629	-	109,629
Culture and recreation	-	-	1,948	-	-	1,948
<b>Debt service</b>						
Principal	-	926,179	-	-	-	926,179
Interest and other	-	102,011	-	-	-	102,011
<b>Total Expenditures</b>	<u>2,395,736</u>	<u>1,028,190</u>	<u>1,948</u>	<u>109,629</u>	<u>16,960</u>	<u>3,552,463</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>271,732</u>	<u>(350,630)</u>	<u>199,836</u>	<u>76,703</u>	<u>2,396</u>	<u>200,037</u>
<b>Other Financing Sources (Uses)</b>						
Sale of capital assets	-	381,653	-	-	-	381,653
Transfers in	-	-	-	200,000	61,250	261,250
Transfers out	(261,250)	-	-	-	-	(261,250)
<b>Total Other Financing Sources (Uses)</b>	<u>(261,250)</u>	<u>381,653</u>	<u>-</u>	<u>200,000</u>	<u>61,250</u>	<u>381,653</u>
<b>Net Change in Fund Balances</b>	10,482	31,023	199,836	276,703	63,646	581,690
<b>Fund Balances, January 1</b>	<u>1,641,989</u>	<u>1,656,072</u>	<u>(1,148,935)</u>	<u>612,887</u>	<u>277,330</u>	<u>3,039,343</u>
<b>Fund Balances, December 31</b>	<u>\$ 1,652,471</u>	<u>\$ 1,687,095</u>	<u>\$ (949,099)</u>	<u>\$ 889,590</u>	<u>\$ 340,976</u>	<u>\$ 3,621,033</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, 2019

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

Net Change in Fund Balances - Governmental Funds	\$ 581,690
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlay	104,659
Depreciation expense	(1,008,003)
<p>Governmental fund report a 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	(260,866)
<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	926,179
<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>	
	7,675
<p>Long-term pension activity is not reported in government funds.</p>	
Pension expense	(6,996)
Pension revenue	756
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	1,366
Special assessments	(126,236)
<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	(1,232)
Change in Net Position - Governmental Activities	\$ 218,992

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
General property	\$ 2,202,802	\$ 2,202,802	\$ 2,209,355	\$ 6,553
Gambling	5,500	5,500	8,268	2,768
Licenses and permits	211,500	211,500	188,316	(23,184)
Intergovernmental	184,437	184,437	209,629	25,192
Charges for services	6,000	6,000	2,522	(3,478)
Fines and forfeitures	24,000	24,000	13,942	(10,058)
Interest on investments	13,000	13,000	29,885	16,885
Miscellaneous	7,100	7,100	5,551	(1,549)
Total Revenues	<u>2,654,339</u>	<u>2,654,339</u>	<u>2,667,468</u>	<u>13,129</u>
Expenditures				
Current				
General government	534,900	534,900	528,834	6,066
Public safety	1,335,039	1,335,039	1,344,351	(9,312)
Public works	370,200	370,200	335,440	34,760
Culture and recreation	129,250	129,250	164,457	(35,207)
Economic development	22,800	22,800	16,235	6,565
Capital outlay	900	900	6,419	(5,519)
Total Expenditures	<u>2,393,089</u>	<u>2,393,089</u>	<u>2,395,736</u>	<u>(2,647)</u>
Excess of Revenues Over Expenditures	261,250	261,250	271,732	10,482
Other Financing Uses				
Transfers out	<u>(261,250)</u>	<u>(261,250)</u>	<u>(261,250)</u>	<u>-</u>
Net Change in Fund Balances	-	-	10,482	10,482
Fund Balances, January 1	<u>1,641,989</u>	<u>1,641,989</u>	<u>1,641,989</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 1,641,989</u></u>	<u><u>\$ 1,641,989</u></u>	<u><u>\$ 1,652,471</u></u>	<u><u>\$ 10,482</u></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, 2019

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	Nonmajor Enterprise Funds	Totals
<b>Assets</b>				
<b>Current Assets</b>				
Cash and temporary investments	\$ 2,716,250	\$ 1,984,921	\$ 335,284	\$ 5,036,455
Receivables				
Accrued interest	3,260	2,346	396	6,002
Accounts	50,738	85,864	67,196	203,798
Special assessments	83,888	15,016	-	98,904
Due from other funds	46,004	-	-	46,004
Advance to other funds	-	1,002,434	-	1,002,434
Inventories	6,451	-	-	6,451
Prepaid items	1,950	19,836	-	21,786
<b>Total Current Assets</b>	<u>2,908,541</u>	<u>3,110,417</u>	<u>402,876</u>	<u>6,421,834</u>
<b>Noncurrent Assets</b>				
Special assessments receivable	511,610	32,636	-	544,246
<b>Capital assets</b>				
Land	72,255	124,000	4,400	200,655
Construction in progress	17,867	-	13,401	31,268
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	<u>(3,181,175)</u>	<u>(2,304,346)</u>	<u>(402,856)</u>	<u>(5,888,377)</u>
<b>Net Capital Assets</b>	<u>3,055,904</u>	<u>1,634,879</u>	<u>666,167</u>	<u>5,356,950</u>
<b>Total Noncurrent Assets</b>	<u>3,567,514</u>	<u>1,667,515</u>	<u>666,167</u>	<u>5,901,196</u>
<b>Total Assets</b>	<u>6,476,055</u>	<u>4,777,932</u>	<u>1,069,043</u>	<u>12,323,030</u>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	6,559	6,665	1,500	14,724
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	8,336	1,981	23,938	34,255
Accrued salaries payable	2,342	2,408	542	5,292
Due to other funds	-	-	46,004	46,004
Due to other governments	510	40,133	4,285	44,928
Compensated absences payable - current	6,400	6,400	2,791	15,591
<b>Total Current Liabilities</b>	<u>17,588</u>	<u>50,922</u>	<u>77,560</u>	<u>146,070</u>
<b>Noncurrent Liabilities</b>				
Net pension liability	55,625	56,519	12,723	124,867
<b>Total Liabilities</b>	<u>73,213</u>	<u>107,441</u>	<u>90,283</u>	<u>270,937</u>
<b>Deferred Inflows of Resources</b>				
Deferred pension resources	12,557	12,758	2,872	28,187
<b>Net Position</b>				
Investment in capital assets	3,055,904	1,634,879	666,167	5,356,950
Unrestricted	<u>3,340,940</u>	<u>3,029,519</u>	<u>311,221</u>	<u>6,681,680</u>
<b>Total Net Position</b>	<u>\$ 6,396,844</u>	<u>\$ 4,664,398</u>	<u>\$ 977,388</u>	<u>\$ 12,038,630</u>

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

City of Centerville, Minnesota  
Statement of Revenues, Expenses  
and Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds			Totals
	601 Water	602 Sewer	Nonmajor Enterprise Funds	
Operating Revenues				
Charges for services	\$ 307,038	\$ 432,581	\$ 376,446	\$ 1,116,065
Operating Expenses				
Salaries and benefits	107,641	112,631	19,570	239,842
Supplies	16,939	1,380	737	19,056
Other services and charges	81,116	49,070	301,544	431,730
Utilities	16,248	3,107	-	19,355
MCES - disposal charges	-	229,965	-	229,965
Depreciation	202,493	104,446	36,611	343,550
Total Operating Expenses	<u>424,437</u>	<u>500,599</u>	<u>358,462</u>	<u>1,283,498</u>
Operating Income (Loss)	<u>(117,399)</u>	<u>(68,018)</u>	<u>17,984</u>	<u>(167,433)</u>
Nonoperating Revenues				
Interest earnings	47,280	33,635	5,733	86,648
Intergovernmental	9,717	-	-	9,717
Miscellaneous revenue (expense)	130	(103,431)	30	(103,271)
Total Nonoperating Revenues (Expenses)	<u>57,127</u>	<u>(69,796)</u>	<u>5,763</u>	<u>(6,906)</u>
Income (Loss) Before Contributions	(60,272)	(137,814)	23,747	(174,339)
Capital Contributions	<u>73,803</u>	<u>60,622</u>	<u>-</u>	<u>134,425</u>
Change in Net Position	13,531	(77,192)	23,747	(39,914)
Net Position, January 1	<u>6,383,313</u>	<u>4,741,590</u>	<u>953,641</u>	<u>12,078,544</u>
Net Position, December 31	<u>\$ 6,396,844</u>	<u>\$ 4,664,398</u>	<u>\$ 977,388</u>	<u>\$ 12,038,630</u>

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

City of Centerville, Minnesota  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds			
	601 Water	602 Sewer	Nonmajor Enterprise Funds	Totals
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 306,623	\$ 434,701	\$ 370,848	\$ 1,112,172
Payments to suppliers	(113,034)	(267,584)	(271,543)	(652,161)
Payments to employees	(104,105)	(108,396)	(24,749)	(237,250)
Net Cash Provided (Used) by Operating Activities	<u>89,484</u>	<u>58,721</u>	<u>74,556</u>	<u>222,761</u>
Cash Flows from Noncapital Financing Activities				
Payment received on advance to other funds	-	105,878	-	105,878
Interfund loan issued	(46,004)	-	-	(46,004)
Intergovernmental	9,717	-	-	9,717
Net Cash Provided by Noncapital Financing Activities	<u>(36,287)</u>	<u>105,878</u>	<u>-</u>	<u>69,591</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(12,218)	-	(9,164)	(21,382)
Hook up fees and unit charges received	41,900	45,047	-	86,947
Special assessments received	136,792	18,792	-	155,584
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>166,474</u>	<u>63,839</u>	<u>(9,164)</u>	<u>221,149</u>
Cash Flows From Investing Activities				
Interest received on investments	46,413	33,112	5,606	85,131
Net Increase (Decrease) in Cash and Cash Equivalents	266,084	261,550	70,998	598,632
Cash and Cash Equivalents, January 1	<u>2,450,166</u>	<u>1,723,371</u>	<u>264,286</u>	<u>4,437,823</u>
Cash and Cash Equivalents, December 31	<u>\$ 2,716,250</u>	<u>\$ 1,984,921</u>	<u>\$ 335,284</u>	<u>\$ 5,036,455</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ (117,399)	\$ (68,018)	\$ 17,984	\$ (167,433)
Other income related to operations	130	133	30	293
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	202,493	104,446	36,611	343,550
(Increase) decrease in assets/deferred outflows of resources				
Accounts receivable	(545)	2,120	(5,628)	(4,053)
Inventories	7,891	-	-	7,891
Prepaid items	-	(19,836)	-	(19,836)
Deferred pension resources	2,312	2,261	1,507	6,080
Increase (decrease) in liabilities/deferred inflows of resources				
Accounts payable	(5,282)	(1,831)	(16,423)	(23,536)
Due to other funds	-	-	46,004	46,004
Accrued salaries payable	810	876	(196)	1,490
Compensated absences payable	(648)	(648)	669	(627)
Pension liability	3,991	4,568	(4,781)	3,778
Deferred pension resources	(2,929)	(2,822)	(2,378)	(8,129)
Due to other governments	(1,340)	37,472	1,157	37,289
Net Cash Provided (Used) by Operating Activities	<u>\$ 89,484</u>	<u>\$ 58,721</u>	<u>\$ 74,556</u>	<u>\$ 222,761</u>
Noncash Capital and Related Financing Activities				
Interfund loan interest forgiveness	\$ -	\$ (103,564)	\$ -	\$ -
Acquisition of capital assets on account	<u>\$ 5,649</u>	<u>\$ -</u>	<u>\$ 4,237</u>	<u>\$ 9,886</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, 2019

**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 *2013 Street Project fund* accounts for resources accumulated and payments made for street projects within the City.

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.

## 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, 2019:

- Negotiable certificates of deposits of \$1,967,404 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 2019. 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, 2019

**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 backtrending (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 2019 pension expense is \$54,635.

## **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 232 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".

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

City of Centerville, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**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 2019.

**B. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2019, expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess of Disbursements Over Appropriations
General	\$ 2,393,089	\$ 2,395,736	\$ 2,647

This excess of expenditures was funded by excess fund balance and greater than anticipated revenues.

**C. Deficit Fund Equity**

The following fund had a deficit fund balance as of December 31, 2019:

Fund	Amount
Major	
Park	\$ 949,099
Nonmajor	
G.O. Improvement Bonds of 2007A	5,700
Garbage	20,414
Recycling	5,003

The Park fund deficit will be eliminated with park dedication fees collected in future years. The G.O. Improvement Bonds of 2007A fund will be closed with a future transfer. The Garbage and Recycling fund deficits will be eliminated with future revenues from charges for services.

City of Centerville, Minnesota  
Notes to the Financial Statements  
December 31, 2019

### 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 fair 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 \$7,331,865, and the bank balance was \$7,405,764. 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, 2019

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

**Investments**

As of December 31, 2019, 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
<b>Pooled Investments at Amortized Costs</b>						
Broker Money Market Funds	N/A	less than 6 months	\$ 556,848			
<b>Pooled Investments at Fair Value</b>						
Negotiable certificates of deposits	N/A	less than 1 year	686,959	\$ -	\$ 686,959	\$ -
Negotiable certificates of deposits	N/A	1 to 3 years	1,280,445	-	1,280,445	-
<b>Total Investments</b>			<b>\$ 2,524,252</b>	<b>\$ -</b>	<b>\$ 1,967,404</b>	<b>\$ -</b>

- (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 45 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, 2019

**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	\$ 7,331,865
Investments	2,524,252
Petty Cash	200
 Total	 \$ 9,856,317

**B. Capital Assets**

Capital asset activity for the governmental activities for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 2,562,856	\$ -	\$ (260,866)	\$ 2,301,990
Construction in progress	-	104,659	-	104,659
Total Capital Assets not Being Depreciated	2,562,856	104,659	(260,866)	2,406,649
 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	(874,618)	(35,146)	-	(909,764)
Infrastructure	(9,703,803)	(953,475)	-	(10,657,278)
Machinery and equipment	(612,333)	(19,382)	-	(631,715)
Total Accumulated Depreciation	(11,190,754)	(1,008,003)	-	(12,198,757)
 Total Capital Assets Being Depreciated, Net	9,107,960	(1,008,003)	-	8,099,957
 Governmental Activities Capital Assets, Net	\$ 11,670,816	\$ (903,344)	\$ (260,866)	\$ 10,506,606

City of Centerville, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

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

**Governmental Activities**

General government	\$ 14,415
Public safety	2,339
Public works	888,563
Culture and recreation	<u>102,686</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 1,008,003</u></u>

Capital asset activity for the business-type activities for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 200,655	\$ -	\$ -	\$ 200,655
Construction in progress	<u>-</u>	<u>31,268</u>	<u>-</u>	<u>31,268</u>
Total Capital Assets not Being Depreciated	<u>200,655</u>	<u>31,268</u>	<u>-</u>	<u>231,923</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	(90,390)	(8,280)	-	(98,670)
Infrastructure	(5,088,491)	(326,336)	-	(5,414,827)
Machinery and equipment	<u>(365,946)</u>	<u>(8,934)</u>	<u>-</u>	<u>(374,880)</u>
Total Accumulated Depreciation	<u>(5,544,827)</u>	<u>(343,550)</u>	<u>-</u>	<u>(5,888,377)</u>
Total Capital Assets Being Depreciated, Net	<u>5,468,577</u>	<u>(343,550)</u>	<u>-</u>	<u>5,125,027</u>
 Business-type Activities Capital Assets, Net	 <u><u>\$ 5,669,232</u></u>	 <u><u>\$ (312,282)</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 5,356,950</u></u>

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

**Business-type Activities**

Water	\$ 202,493
Sewer	104,446
Storm water	<u>36,611</u>
 Total Depreciation Expense - Business-type Activities	 <u><u>\$ 343,550</u></u>

City of Centerville, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

**C. Interfund Balances and Transfers**

The composition of internal balance as of December 31, 2019 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Advance to/from other Funds		
Sewer	Park	\$ 1,002,434
Water	Nonmajor Enterprise funds	46,004
		<u>46,004</u>
Total advances to/from other funds		<u>\$ 1,048,438</u>

The above interfund advance and the amount due to/from other funds are being paid back according to the amortization schedules. The Sewer fund financed a portion of a project that the Park fund is repaying with park dedication fees. The Water fund loan the nonmajor enterprise funds \$46,004 to cover deficit cash balances.

**Interfund Transfers**

A transfer of \$200,000 and \$61,250 was made from the General fund to the 2013 Street Project and Capital Equipment Revolving fund for future capital projects and replacement of equipment, vehicles and computers.

**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.

<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. Improvement Refunding Bonds of 2012A	\$ 515,000	1.00 - 1.70 %	06/14/12	02/01/21	\$ 70,000
G.O. Improvement Bonds of 2013A	1,465,000	1.63 - 3.00	06/01/13	02/01/29	1,445,000
G.O. Improvement Refunding Bonds of 2015A	1,385,000	.85 - 2.25	01/15/15	02/01/25	1,100,000
G.O. Improvement Crossover Refunding Bonds of 2016A	1,815,000	1.15 - 1.80	07/01/16	02/01/25	<u>1,550,000</u>
Total General Obligation Improvement Bonds					<u>\$ 4,165,000</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 \$70,000 represents the City of Centerville's remaining portion of the 2012A issue.

City of Centerville, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**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>		
	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	615,000	38,158	653,158
2025 - 2029	<u>1,265,000</u>	<u>63,094</u>	<u>1,328,094</u>
Total	<u>\$ 4,165,000</u>	<u>\$ 365,202</u>	<u>\$ 4,530,202</u>

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>\$ 47,261</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>		
	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	6,847	352	7,199
2025 - 2026	<u>14,195</u>	<u>357</u>	<u>14,552</u>
Total	<u>\$ 47,261</u>	<u>\$ 3,453</u>	<u>\$ 50,714</u>

City of Centerville, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

Changes in Long-term Liabilities

During the year ended December 31, 2019, the following changes occurred in noncurrent liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
G.O Improvement Bonds	\$ 5,085,000	\$ -	\$ (920,000)	\$ 4,165,000	\$ 470,000
G.O. Capital Notes	53,440	-	(6,179)	47,261	6,346
Compensated Absences Payable	41,579	42,811	(41,579)	42,811	42,811
 Governmental Activities Long-term Liabilities	 <u>\$ 5,180,019</u>	 <u>\$ 42,811</u>	 <u>\$ (967,758)</u>	 <u>\$ 4,255,072</u>	 <u>\$ 519,157</u>
<b>Business-type Activities</b>					
Compensated Absences Payable	<u>\$ 16,218</u>	<u>\$ 15,591</u>	<u>\$ (16,218)</u>	<u>\$ 15,591</u>	<u>\$ 15,591</u>

**E. Fund Equity**

At December 31, 2019, 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	2013 Street Project	Other Governmental Funds	Total
Nonspendable						
Prepaid items	\$ 3,254	\$ 15,612	\$ -	\$ -	\$ -	\$ 18,866
Restricted for						
Debt service	-	1,677,183	-	-	-	1,677,183
Cable TV	-	-	-	-	67,692	67,692
Total Restricted	<u>-</u>	<u>1,677,183</u>	<u>-</u>	<u>-</u>	<u>67,692</u>	<u>1,744,875</u>
Assigned for						
Street projects	-	-	-	889,590	-	889,590
Capital equipment	-	-	-	-	260,591	260,591
Trail projects	-	-	-	-	12,693	12,693
Total Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>889,590</u>	<u>273,284</u>	<u>1,162,874</u>
Unassigned	<u>1,649,217</u>	<u>(5,700)</u>	<u>(949,099)</u>	<u>-</u>	<u>-</u>	<u>694,418</u>
Total	<u>\$ 1,652,471</u>	<u>\$ 1,687,095</u>	<u>\$ (949,099)</u>	<u>\$ 889,590</u>	<u>\$ 340,976</u>	<u>\$ 3,621,033</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 Plan (GERP)

All full-time and certain part-time employees of the City, other than teachers, are covered by the General Employees Retirement Plan (GERP). GERP 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 state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

#### GERP Benefits

GERP 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.

#### GERP Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2019, 2018 and 2017 were \$44,348, \$42,276 and \$38,001, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

City of Centerville, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$447,831 for its proportionate share of the General Employees Fund'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 2019. 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 \$13,999. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0081 percent which was an increase of 0.0003 percent from its proportion measured as of June 30, 2018.

City's Proportionate Share of the Net Pension Liability	\$ 447,831
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>13,999</u>
Total	<u><u>\$ 461,830</u></u>

For the year ended December 31, 2019, the City recognized pension expense of \$53,587 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognize \$1,048 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 14,630	\$ 2,833
Changes in Actuarial Assumptions	1,914	37,679
Net Difference Between Projected and Actual Earnings on Plan Investments	-	44,650
Changes in Proportion	14,000	15,930
Contributions Paid to PERA Subsequent to the Measurement Date	<u>22,266</u>	<u>-</u>
Total	<u><u>\$ 52,810</u></u>	<u><u>\$ 101,092</u></u>

City of Centerville, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

The \$22,266 reported as deferred outflows of resources 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$	(28,648)
2021		(39,081)
2022		(3,541)
2023		722

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and 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 disabilitants were based on RP-2014 tables 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 General Employees Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

City of Centerville, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	35.50 %	5.10 %
Private Markets	25.00	5.90
Fixed Income	20.00	0.75
International Equity	17.50	5.90
Cash Equivalents	<u>2.00</u>	-
Total	<u><u>100.00 %</u></u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2019 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 General Employees Fund 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.

**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:

	<u>City Proportionate Share of NPL</u>		
	<u>1 Percent Decrease (6.50%)</u>	<u>Current (7.50%)</u>	<u>1 Percent Increase (8.50%)</u>
General Employees Fund	\$ 763,210	\$ 447,831	\$ 209,717

**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).

City of Centerville, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**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 2019, were as follows:

City of Centerville	\$ 276,761	44.70 %
City of Circle Pines	<u>342,392</u>	<u>55.30</u>
 Total	 <u>\$ 619,153</u>	 <u>100.00 %</u>

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

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

**B. Centennial Lakes Police Department**

The Centennial Lakes Police Department (the Department) was formed under the authority if 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 2019 were as follows:

City of Centerville	\$ 867,428	33.73 %
City of Circle Pines	1,005,043	39.09
City of Lexington	<u>698,862</u>	<u>27.18</u>
 Total	 <u>\$ 2,571,333</u>	 <u>100.00 %</u>

City of Centerville, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 5: Joint Powers Agreements (Continued)**

**C. Summary Financial Information of the Joint Powers Agreements Entities**

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

The following information is from the financial statements of the District and the Department as of December 31, 2019, 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	\$ 2,112,156	\$ 2,466,058
Total Liabilities and Deferred Inflows of Resources	852,244	4,025,547
Total Net Position	1,259,912	(1,559,489)
Total Revenue	734,914	2,630,726
Total Expenses	877,876	2,573,898

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  
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**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, 2019, the City is under the legal debt margin.

**Note 7: Subsequent Event**

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the City is unable to determine if it will have a material impact to its operations.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CENTERVILLE  
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

City of Centerville, Minnesota  
Required Supplementary Information  
December 31, 2019

**Schedule of Employer's Share of PERA Net Pension Liability - General Employees 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/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/19	0.0081 %	\$ 447,831	\$ 13,999	\$ 461,830	\$574,515	77.9 %	80.2 %
06/30/18	0.0078	432,713	14,272	446,985	524,878	82.4	79.5
06/30/17	0.0082	523,483	6,573	530,056	527,475	99.2	75.9
06/30/16	0.0084	682,038	8,898	690,936	519,227	131.4	68.9
06/30/15	0.0083	430,149	-	430,149	485,521	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 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)
12/31/19	\$ 44,348	\$ 44,348	\$ -	\$ 591,305	7.5 %
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, 2019

**Notes to the Required Supplementary Information - General Employees Fund**

Changes in Actuarial Assumptions

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

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

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

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, 2019

City of Centerville, Minnesota  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 December 31, 2019

	Special Revenue Fund	Capital Project Funds		Total Nonmajor Governmental Funds
	<b>614</b>	<b>409</b>	<b>414</b>	
	Cable T.V.	Capital Equipment Revolving	Pedestrian Trail Ways	
<b>Assets</b>				
Cash and temporary investments	\$ 54,034	260,283	\$ 12,678	\$ 326,995
Receivables				
Accrued interest	46	308	15	369
Due from other governments	13,722	-	-	13,722
	<u>67,802</u>	<u>260,591</u>	<u>12,693</u>	<u>341,086</u>
<b>Total Assets</b>	<b>\$ 67,802</b>	<b>\$ 260,591</b>	<b>\$ 12,693</b>	<b>\$ 341,086</b>
<b>Liabilities</b>				
Accrued salaries payable	\$ 110	-	-	\$ 110
<b>Fund Balances</b>				
Restricted for				
Cable TV	67,692	-	-	67,692
Assigned for				
Capital equipment	-	260,591	-	260,591
Trail projects	-	-	12,693	12,693
<b>Total Fund Balances</b>	<u>67,692</u>	<u>260,591</u>	<u>12,693</u>	<u>340,976</u>
	<u>\$ 67,802</u>	<u>\$ 260,591</u>	<u>\$ 12,693</u>	<u>\$ 341,086</u>
<b>Total Liabilities     and Fund Balances</b>	<b>\$ 67,802</b>	<b>\$ 260,591</b>	<b>\$ 12,693</b>	<b>\$ 341,086</b>

City of Centerville, Minnesota  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 For the Year Ended December 31, 2019

	Special Revenue Fund	Capital Project Funds		Total Nonmajor Governmental Funds
	<b>614</b>	<b>409</b>	<b>414</b>	
	Cable T.V.	Capital Equipment Revolving	Pedestrian Trail Ways	
Revenues				
Interest on investments	\$ 760	\$ 4,107	\$ 227	\$ 5,094
Miscellaneous				
Refunds and reimbursements	14,262	-	-	14,262
Total Revenues	<u>15,022</u>	<u>4,107</u>	<u>227</u>	<u>19,356</u>
Expenditures				
Current				
Culture and recreation				
Personal services	4,139	-	-	4,139
Capital outlay				
General government	-	12,821	-	12,821
Total Expenditures	<u>4,139</u>	<u>12,821</u>	<u>-</u>	<u>16,960</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,883	(8,714)	227	2,396
Other Financing Sources				
Transfers in	-	61,250	-	61,250
Net Change in Fund Balances	10,883	52,536	227	63,646
Fund Balances, January 1	<u>56,809</u>	<u>208,055</u>	<u>12,466</u>	<u>277,330</u>
Fund Balances, December 31	<u>\$ 67,692</u>	<u>\$ 260,591</u>	<u>\$ 12,693</u>	<u>\$ 340,976</u>

City of Centerville, Minnesota  
Statement of Net Position  
Nonmajor Proprietary Funds  
December 31, 2019

	<b>603</b>	<b>604</b>	<b>605</b>	Total
	Storm	Garbage	Recycling	
<b>Current Assets</b>				
Cash and temporary investments	\$ 335,284	\$ -	\$ -	\$ 335,284
Receivables				
Accrued interest	396	-	-	396
Accounts	22,623	34,586	9,987	67,196
Total Current Assets	<u>358,303</u>	<u>34,586</u>	<u>9,987</u>	<u>402,876</u>
<b>Noncurrent Assets</b>				
Land	4,400	-	-	4,400
Construction in progress	13,401	-	-	13,401
Infrastructure	1,051,222	-	-	1,051,222
Less accumulated depreciation	<u>(402,856)</u>	<u>-</u>	<u>-</u>	<u>(402,856)</u>
Net Capital Assets	<u>666,167</u>	<u>-</u>	<u>-</u>	<u>666,167</u>
Total Assets	<u>1,024,470</u>	<u>34,586</u>	<u>9,987</u>	<u>1,069,043</u>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	4,237	15,535	4,166	23,938
Accrued salaries payable	542	-	-	542
Due to other funds	-	35,180	10,824	46,004
Due to other governments	-	4,285	-	4,285
Compensated absences payable - current	2,791	-	-	2,791
Total Current Liabilities	<u>7,570</u>	<u>55,000</u>	<u>14,990</u>	<u>77,560</u>
<b>Noncurrent Liabilities</b>				
Net pension liability	<u>12,723</u>	<u>-</u>	<u>-</u>	<u>12,723</u>
<b>Deferred Inflows of Resources</b>				
Deferred pension resources	<u>2,872</u>	<u>-</u>	<u>-</u>	<u>2,872</u>
<b>Net Position</b>				
Investment in capital assets	666,167	-	-	666,167
Unrestricted	<u>336,638</u>	<u>(20,414)</u>	<u>(5,003)</u>	<u>311,221</u>
Total Net Position	<u>\$ 1,002,805</u>	<u>\$ (20,414)</u>	<u>\$ (5,003)</u>	<u>\$ 977,388</u>

City of Centerville, Minnesota  
Statement of Revenues, Expenses  
and Changes in Net Position  
Nonmajor Proprietary Funds  
December 31, 2019

	<b>603</b> Storm	<b>604</b> Garbage	<b>605</b> Recycling	Total
Operating Revenues				
Charges for services	\$ 146,938	\$ 180,570	\$ 48,938	\$ 376,446
Operating Expenses				
Salaries and benefits	19,570	-	-	19,570
Supplies	737	-	-	737
Other services and charges	45,741	201,196	54,607	301,544
Depreciation	36,611	-	-	36,611
Total Operating Expenses	<u>102,659</u>	<u>201,196</u>	<u>54,607</u>	<u>358,462</u>
Operating Income (Loss)	<u>44,279</u>	<u>(20,626)</u>	<u>(5,669)</u>	<u>17,984</u>
Nonoperating Revenues				
Interest earnings (loss)	5,744	(8)	(3)	5,733
Miscellaneous revenue	30	-	-	30
Total Nonoperating Revenues	<u>5,774</u>	<u>(8)</u>	<u>(3)</u>	<u>5,763</u>
Change in Net Position	50,053	(20,634)	(5,672)	23,747
Net Position, January 1	<u>952,752</u>	<u>220</u>	<u>669</u>	<u>953,641</u>
Net Position, December 31	<u>\$ 1,002,805</u>	<u>\$ (20,414)</u>	<u>\$ (5,003)</u>	<u>\$ 977,388</u>

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City of Centerville, Minnesota  
Statement of Cash Flows  
Nonmajor Proprietary Funds  
For the Year Ended December 31, 2019

	<b>603</b>	<b>604</b>	<b>605</b>	
	Storm Water	Garbage	Recycling	Totals
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 144,455	\$ 178,145	\$ 48,248	\$ 370,848
Payments to suppliers	(47,112)	(177,250)	(47,181)	(271,543)
Payments to employees	(24,749)	-	-	(24,749)
Net Cash Provided (Used) by Operating Activities	<u>72,594</u>	<u>895</u>	<u>1,067</u>	<u>74,556</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	<u>(9,164)</u>	<u>-</u>	<u>-</u>	<u>(9,164)</u>
Cash Flows From Investing Activities				
Interest received (paid) on investments	<u>5,617</u>	<u>(8)</u>	<u>(3)</u>	<u>5,606</u>
Net Increase (Decrease) in Cash and Cash Equivalents	69,047	887	1,064	70,998
Cash and Cash Equivalents, January 1	<u>266,237</u>	<u>(887)</u>	<u>(1,064)</u>	<u>264,286</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 335,284</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 335,284</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ 44,279	\$ (20,626)	\$ (5,669)	\$ 17,984
Other income related to operations	30	-	-	30
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	36,611	-	-	36,611
(Increase) decrease in assets/deferred outflows of resources				
Accounts receivable	(2,513)	(2,425)	(690)	(5,628)
Deferred pension resources	1,507	-	-	1,507
Increase (decrease) in liabilities/deferred inflows of resources				
Accounts payable	(634)	(12,391)	(3,398)	(16,423)
Due to other funds	-	35,180	10,824	46,004
Accrued salaries payable	(196)	-	-	(196)
Compensated absences payable	669	-	-	669
Pension liability	(4,781)	-	-	(4,781)
Deferred pension resources	(2,378)	-	-	(2,378)
Due to other governments	-	1,157	-	1,157
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 72,594</u></u>	<u><u>\$ 895</u></u>	<u><u>\$ 1,067</u></u>	<u><u>\$ 74,556</u></u>
Noncash Capital and Related Financing Activities				
Acquisition of capital assets on account	<u><u>\$ 4,237</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,237</u></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, 2019  
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Taxes					
General property	\$ 2,202,802	\$ 2,202,802	\$ 2,209,355	\$ 6,553	\$ 2,186,698
Gambling	5,500	5,500	8,268	2,768	9,370
Total taxes	<u>2,208,302</u>	<u>2,208,302</u>	<u>2,217,623</u>	<u>9,321</u>	<u>2,196,068</u>
Licenses and permits					
Business	18,500	18,500	12,606	(5,894)	21,910
Nonbusiness	193,000	193,000	175,710	(17,290)	212,545
Total licenses and permits	<u>211,500</u>	<u>211,500</u>	<u>188,316</u>	<u>(23,184)</u>	<u>234,455</u>
Intergovernmental					
State					
Local government aid	76,804	76,804	76,804	-	76,357
Market value agricultural credit	100	100	194	94	206
PERA aid	1,333	1,333	1,333	-	1,333
Police aid	42,000	42,000	48,774	6,774	45,773
Fire aid	46,200	46,200	52,864	6,664	52,169
County - other	18,000	18,000	29,660	11,660	18,431
Total intergovernmental	<u>184,437</u>	<u>184,437</u>	<u>209,629</u>	<u>25,192</u>	<u>194,269</u>
Charges for services					
General government	2,500	2,500	1,105	(1,395)	3,815
Culture and recreation	3,500	3,500	1,355	(2,145)	2,520
Other	-	-	62	62	20
Total charges for services	<u>6,000</u>	<u>6,000</u>	<u>2,522</u>	<u>(3,478)</u>	<u>6,355</u>
Fines and forfeitures	<u>24,000</u>	<u>24,000</u>	<u>13,942</u>	<u>(10,058)</u>	<u>14,371</u>
Special assessments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37</u>
Interest on investments	<u>13,000</u>	<u>13,000</u>	<u>29,885</u>	<u>16,885</u>	<u>5,721</u>
Miscellaneous					
Refunds and reimbursements	6,000	6,000	4,025	(1,975)	54,616
Other	1,100	1,100	1,526	426	3,073
Total miscellaneous	<u>7,100</u>	<u>7,100</u>	<u>5,551</u>	<u>(1,549)</u>	<u>57,689</u>
Total Revenues	<u>2,654,339</u>	<u>2,654,339</u>	<u>2,667,468</u>	<u>13,129</u>	<u>2,708,965</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, 2019  
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and Council					
Personal services	\$ 30,200	\$ 30,200	\$ 30,050	\$ 150	\$ 30,097
Other services and charges	1,000	1,000	1,626	(626)	75
Total Mayor and Council	<u>31,200</u>	<u>31,200</u>	<u>31,676</u>	<u>(476)</u>	<u>30,172</u>
Elections					
Personal services	-	-	2,211	(2,211)	5,842
Supplies	-	-	-	-	139
Other services and charges	-	-	171	(171)	783
Total elections	<u>-</u>	<u>-</u>	<u>2,382</u>	<u>(2,382)</u>	<u>6,764</u>
Planning and zoning					
Other services and charges	<u>7,300</u>	<u>7,300</u>	<u>21,958</u>	<u>(14,658)</u>	<u>28,352</u>
Administration					
Personal services	291,000	291,000	257,670	33,330	236,004
Supplies	2,500	2,500	2,464	36	6,187
Other services and charges	58,800	58,800	51,580	7,220	54,665
Total administration	<u>352,300</u>	<u>352,300</u>	<u>311,714</u>	<u>40,586</u>	<u>296,856</u>
Assessing					
Other services and charges	<u>16,500</u>	<u>16,500</u>	<u>18,373</u>	<u>(1,873)</u>	<u>16,201</u>
Legal and auditing					
Other services and charges	<u>108,000</u>	<u>108,000</u>	<u>99,285</u>	<u>8,715</u>	<u>107,625</u>
General government building					
Personal services	3,300	3,300	1,131	2,169	1,554
Supplies	400	400	272	128	659
Other services and charges	15,900	15,900	42,043	(26,143)	15,406
Total general government building	<u>19,600</u>	<u>19,600</u>	<u>43,446</u>	<u>(23,846)</u>	<u>17,619</u>
Total general government	<u>534,900</u>	<u>534,900</u>	<u>528,834</u>	<u>6,066</u>	<u>503,589</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, 2019  
 (With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety					
Police protection					
Other services and charges	\$ 870,528	\$ 870,528	\$ 869,428	\$ 1,100	\$ 876,794
Fire protection					
Remittance to relief association	47,200	47,200	50,076	(2,876)	52,169
Other services and charges	277,061	277,061	276,918	143	265,405
Total fire protection	324,261	324,261	326,994	(2,733)	317,574
Building inspection					
Personal services	123,600	123,600	136,782	(13,182)	128,087
Supplies	2,900	2,900	2,113	787	2,880
Other services and charges	12,250	12,250	7,373	4,877	12,845
Total building inspection	138,750	138,750	146,268	(7,518)	143,812
Civil defense					
Other services and charges	1,500	1,500	1,661	(161)	1,107
Animal control					
Other services and charges	-	-	-	-	434
Total public safety	1,335,039	1,335,039	1,344,351	(9,312)	1,339,721
Public works					
Streets					
Personal services	147,200	147,200	122,042	25,158	141,303
Supplies	31,400	31,400	34,782	(3,382)	24,745
Other services and charges	143,000	143,000	85,951	57,049	140,263
Total streets	321,600	321,600	242,775	78,825	306,311
Recycling					
Personal services	10,100	10,100	17,203	(7,103)	16,686
Supplies	100	100	1,310	(1,210)	-
Other services and charges	8,400	8,400	21,271	(12,871)	11,450
Total recycling	18,600	18,600	39,784	(21,184)	28,136

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, 2019  
 (With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works (continued)					
Engineering services					
Other services and charges	\$ 30,000	\$ 30,000	\$ 52,881	\$ (22,881)	\$ 35,972
Total public works	370,200	370,200	335,440	34,760	370,419
Culture and recreation					
Parks and recreation					
Personal services	43,750	43,750	50,715	(6,965)	40,253
Supplies	4,900	4,900	5,314	(414)	5,313
Other services and charges	72,200	72,200	98,107	(25,907)	70,727
Total parks and recreation	120,850	120,850	154,136	(33,286)	116,293
City Festival					
Other services and charges	8,400	8,400	10,321	(1,921)	10,267
Total culture and recreation	129,250	129,250	164,457	(35,207)	126,560
Economic development					
Supplies	-	-	-	-	43
Other services and charges	22,800	22,800	16,235	6,565	5,707
Total economic development	22,800	22,800	16,235	6,565	5,750
Total current	2,392,189	2,392,189	2,389,317	2,872	2,346,039
Capital outlay					
General government	900	900	6,419	(5,519)	887
Total Expenditures	2,393,089	2,393,089	2,395,736	(2,647)	2,346,926
Excess of Revenues Over Expenditures	261,250	261,250	271,732	10,482	362,039
Other Financing Uses					
Transfers out	(261,250)	(261,250)	(261,250)	-	(250,000)
Net Change in Fund Balances	-	-	10,482	10,482	112,039
Fund Balances, January 1	1,641,989	1,641,989	1,641,989	-	1,529,950
Fund Balances, December 31	\$ 1,641,989	\$ 1,641,989	\$ 1,652,471	\$ 10,482	\$ 1,641,989

City of Centerville, Minnesota  
Debt Service Funds  
Combining Balance Sheet  
December 31, 2019

	<b>302</b>	<b>309</b>	<b>348</b>
	G.O. Capital Notes 2016A	Joint Police Station 2012A	G.O. Improvement Bonds of 2015A
<b>Assets</b>			
Cash and temporary investments	\$ 270	\$ 70,242	\$ 1,212,060
Receivables			
Accrued interest	19	83	1,431
Taxes	-	735	2,150
Special assessments	-	-	21,165
Prepaid items	15,612	-	-
<b>Total Assets</b>	<u>\$ 15,901</u>	<u>\$ 71,060</u>	<u>\$ 1,236,806</u>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ 538
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - special assessments	-	-	21,165
<b>Fund Balances</b>			
Nonspendable	15,612	-	-
Restricted for debt service	289	71,060	1,215,103
Unassigned	-	-	-
<b>Total Fund Balances</b>	<u>15,901</u>	<u>71,060</u>	<u>1,215,103</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 15,901</u>	<u>\$ 71,060</u>	<u>\$ 1,236,806</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
\$ (5,715)	\$ 318,234	\$ 70,491	\$ 1,665,582
-	376	83	1,992
553	1,640	183	5,261
3,734	279,387	114,332	418,618
-	-	-	15,612
<u>\$ (1,428)</u>	<u>\$ 599,637</u>	<u>\$ 185,089</u>	<u>\$ 2,107,065</u>
<u>\$ 538</u>	<u>\$ 538</u>	<u>\$ 538</u>	<u>\$ 2,152</u>
<u>3,734</u>	<u>278,587</u>	<u>114,332</u>	<u>417,818</u>
-	-	-	15,612
-	320,512	70,219	1,677,183
<u>(5,700)</u>	<u>-</u>	<u>-</u>	<u>(5,700)</u>
<u>(5,700)</u>	<u>320,512</u>	<u>70,219</u>	<u>1,687,095</u>
<u>\$ (1,428)</u>	<u>\$ 599,637</u>	<u>\$ 185,089</u>	<u>\$ 2,107,065</u>

City of Centerville, Minnesota  
Debt Service Funds  
Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
For the Year Ended December 31, 2019

	<b>302</b>	<b>309</b>	<b>348</b>
	G.O. Capital Notes 2016A	Joint Police Station 2012A	G.O. Improvement Bonds of 2015A
Revenues			
Taxes			
General property	\$ -	\$ 70,121	\$ 205,022
Franchise	7,698	-	-
Special assessments	-	-	4,990
Interest on investments	264	1,014	18,274
Total Revenues	<u>7,962</u>	<u>71,135</u>	<u>228,286</u>
Expenditures			
Debt service			
Principal	6,179	65,000	215,000
Interest and other	1,007	2,588	22,392
Total Expenditures	<u>7,186</u>	<u>67,588</u>	<u>237,392</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	776	3,547	(9,106)
Other Financing Sources			
Sale of capital assets	<u>-</u>	<u>-</u>	<u>381,653</u>
Net Change in Fund Balances	776	3,547	372,547
Fund Balances, January 1	<u>15,125</u>	<u>67,513</u>	<u>842,556</u>
Fund Balances, December 31	<u>\$ 15,901</u>	<u>\$ 71,060</u>	<u>\$ 1,215,103</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
\$ 52,697	\$ 156,413	\$ 17,399	\$ 501,652
-	-	-	7,698
38,744	76,502	22,629	142,865
440	3,984	1,369	25,345
<u>91,881</u>	<u>236,899</u>	<u>41,397</u>	<u>677,560</u>
365,000	265,000	10,000	926,179
9,480	29,061	37,483	102,011
<u>374,480</u>	<u>294,061</u>	<u>47,483</u>	<u>1,028,190</u>
(282,599)	(57,162)	(6,086)	(350,630)
-	-	-	<u>381,653</u>
(282,599)	(57,162)	(6,086)	31,023
<u>276,899</u>	<u>377,674</u>	<u>76,305</u>	<u>1,656,072</u>
<u>\$ (5,700)</u>	<u>\$ 320,512</u>	<u>\$ 70,219</u>	<u>\$ 1,687,095</u>

City of Centerville, Minnesota  
 Summary Financial Report  
 Revenues and Expenditures For General Operations  
 Governmental Funds  
 For the Years Ended December 31, 2019 and 2018

	Total		Percent Increase (Decrease)
	2019	2018	
<b>Revenues</b>			
Taxes	\$ 2,884,194	\$ 2,927,249	(1.47) %
Licenses and permits	188,316	234,455	(19.68)
Intergovernmental	209,629	240,447	(12.82)
Charges for services	102,469	23,415	337.62
Fines and forfeitures	13,942	14,371	(2.99)
Special assessments	153,432	286,718	(46.49)
Interest on investments	75,141	21,183	254.72
Miscellaneous	125,377	79,129	58.45
	<u>\$ 3,752,500</u>	<u>\$ 3,826,967</u>	(1.95) %
Total Revenues	<u>\$ 3,752,500</u>	<u>\$ 3,826,967</u>	(1.95) %
Per Capita	\$ 927	\$ 957	(3.06) %
<b>Expenditures</b>			
Current			
General government	\$ 528,834	\$ 503,589	5.01 %
Public safety	1,344,351	1,339,721	0.35
Public works	335,440	370,419	(9.44)
Culture and recreation	168,596	130,525	29.17
Economic development	16,235	5,750	182.35
Capital outlay			
General government	19,240	2,587	643.72
Public works	109,629	-	N/A
Culture and recreation	1,948	-	N/A
Debt service			
Principal	926,179	2,881,179	(67.85)
Interest and other	102,011	192,072	(46.89)
	<u>\$ 3,552,463</u>	<u>\$ 5,425,842</u>	(34.53) %
Total Expenditures	<u>\$ 3,552,463</u>	<u>\$ 5,425,842</u>	(34.53) %
Per Capita	\$ 878	\$ 1,356	(35.27) %
Total Long-term Indebtedness	\$ 4,212,261	\$ 5,138,440	(18.02) %
Per Capita	1,041	1,284	(18.96)
General Fund Balance - December 31	\$ 1,652,471	\$ 1,641,989	0.64 %
Per Capita	408	410	(0.50)

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, 2019

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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, 2019, and the related notes to the financial statements, and have issued our report thereon dated May 22, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Centerville failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

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

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
May 22, 2020