

Annual Financial Report

City of Centerville

Centerville, Minnesota

For the Year Ended
December 31, 2015

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CITY OF CENTERVILLE
CENTERVILLE, MINNESOTA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2015

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 ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF CENTERVILLE
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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CITY OF CENTERVILLE, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2015

ELECTED

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

APPOINTED

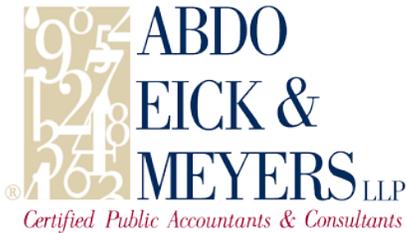
Mike Ericson	City Administrator
Teresa Bender	City Clerk
Ellie Paulseth	Finance Director

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FINANCIAL SECTION
CITY OF CENTERVILLE
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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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, 2015, 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, 2015, 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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Change in Accounting Standards

As described in Note 7 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

Other Matters

Required Supplementary Information

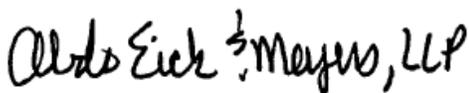
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 13 and the Schedule of Employer's Shares of the Net Pension Liability and the Schedule of Employer's Contributions on page 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and the combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 4, 2016

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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, 2015.

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 \$21,064,577 (net position). Of this amount, \$4,717,663 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$395,579. 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 \$1,167,292, or 59.7 percent of total 2015 General fund expenditures.
- The City's total debt decreased \$647,171, during the current fiscal year. The decrease was mainly due to regularly scheduled debt payments.

Overview of the Financial Statements

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

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

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

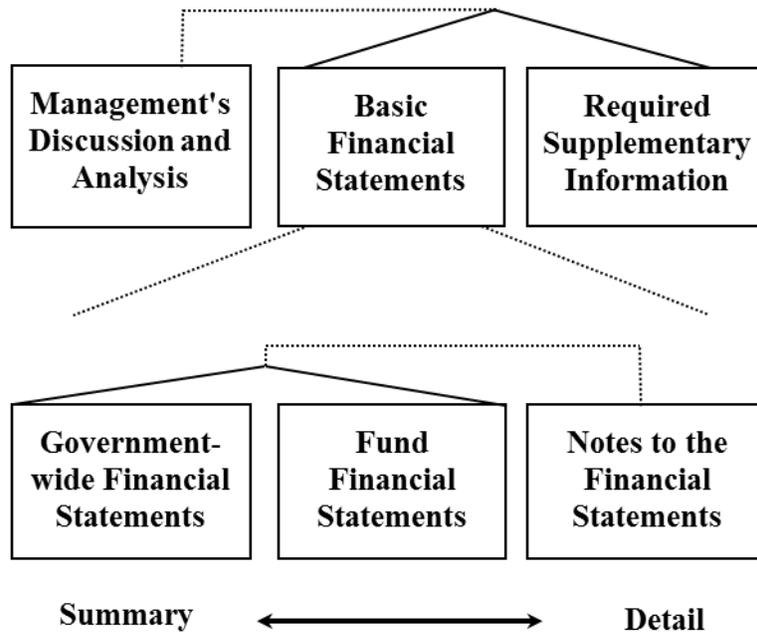


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

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

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

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

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

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

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

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

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

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

The City maintains 12 individual governmental funds, five of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service, 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 32 of this report.

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

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

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

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

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 72 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$21,064,577 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (66 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		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Assets						
Current and other assets	\$ 2,694,410	\$ 4,111,423	\$ (1,417,013)	\$ 5,212,075	\$ 4,322,341	\$ 889,734
Capital assets	14,844,955	15,616,337	(771,382)	6,713,084	7,042,412	(329,328)
Total assets	17,539,365	19,727,760	(2,188,395)	11,925,159	11,364,753	560,406
Deferred outflows of resources						
Deferred pension resources	36,129	-	36,129	14,572	-	14,572
Liabilities						
Noncurrent liabilities outstanding	7,959,225	8,728,978	(769,753)	139,269	16,687	122,582
Other liabilities	240,076	376,643	(136,567)	11,521	25,458	(13,937)
Total liabilities	8,199,301	9,105,621	(906,320)	150,790	42,145	108,645
Deferred outflows of resources						
Deferred pension resources	71,656	-	71,656	28,901	-	28,901
Net position						
Net investment in capital assets	7,229,955	6,921,337	308,618	6,713,084	7,042,412	(329,328)
Restricted for						
Debt service	2,376,939	2,969,448	(592,509)	-	-	-
Street projects	-	165,065	(165,065)	-	-	-
Cable TV	26,936	20,403	6,533	-	-	-
Unrestricted	(329,293)	545,886	(875,179)	5,046,956	4,280,196	766,760
Total net position	\$ 9,304,537	\$10,622,139	\$ (1,317,602)	\$11,760,040	\$11,322,608	\$ 437,432

An additional portion of the City's net position (11.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$4,717,663) may be used to meet the City's ongoing obligations to citizens and creditors.

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

Governmental activities. Governmental activities decreased the City's net position by \$970,036. Key elements of this decrease are as follows:

- Public works expenditures increased \$770,429 from the prior year due to expenses related to a cost share agreement with Anoka County for the improvements to Centerville road.
- Gain on sale of capital assets decreased \$171,268 from the prior year relating to the sale of old public works site in 2014.

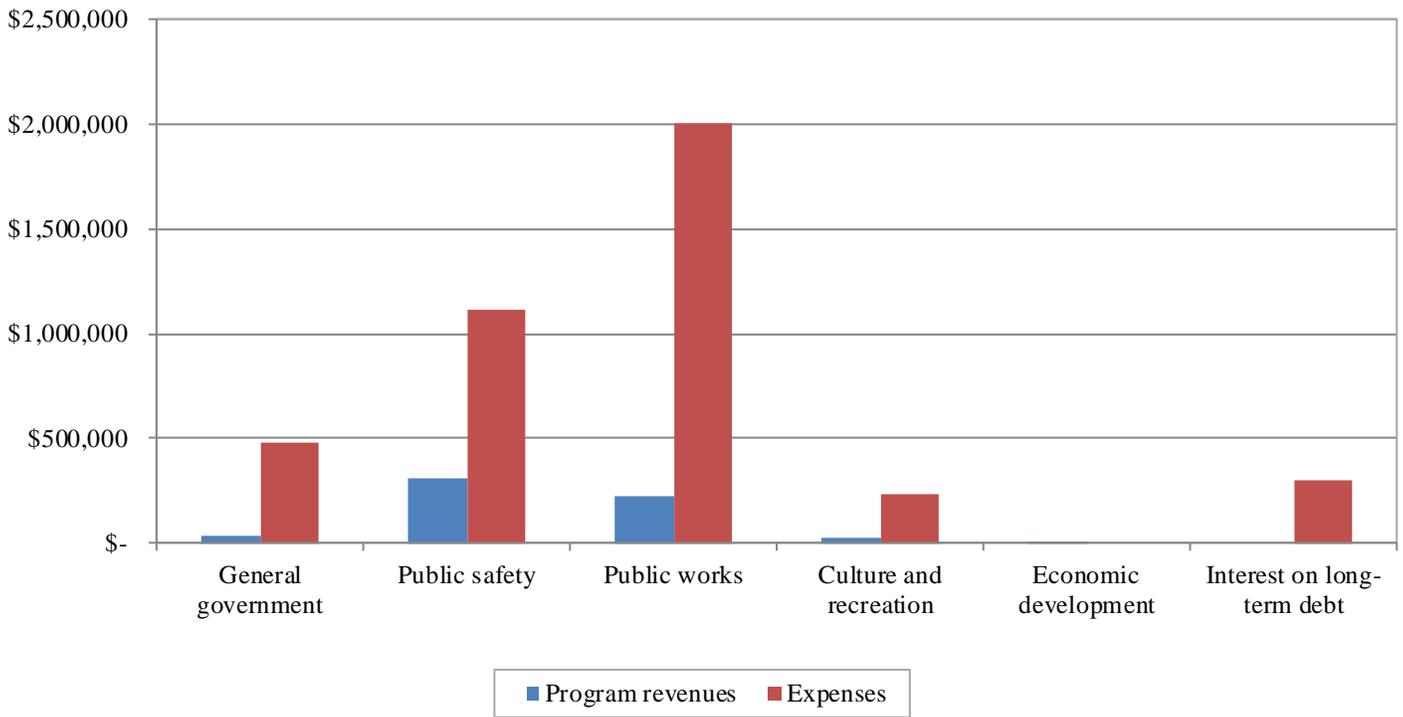
City of Centerville's Changes in Net position

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 352,896	\$ 325,007	\$ 27,889	\$ 862,656	\$ 815,029	\$ 47,627
Operating grants and contributions	125,643	130,617	(4,974)	9,945	9,945	-
Capital grants and contributions	179,664	139,381	40,283	522,149	700,282	(178,133)
General revenues						
Taxes						
Property taxes/tax increments	1,800,648	1,734,708	65,940	-	-	-
Property taxes, levied for debt service	591,496	531,574	59,922	-	-	-
Other taxes	6,752	3,123	3,629	-	-	-
Grants and contributions						
not restricted to specific programs	61,999	54,875	7,124	-	-	-
Unrestricted investment earnings	29,336	33,080	(3,744)	49,385	52,169	(2,784)
Gain on sale of capital assets	16,109	187,377	(171,268)	-	-	-
Total revenues	3,164,543	3,139,742	24,801	1,444,135	1,577,425	(133,290)
Expenses						
General government	479,175	397,951	81,224	-	-	-
Public safety	1,113,185	1,068,879	44,306	-	-	-
Public works	2,002,860	1,232,431	770,429	-	-	-
Culture and recreation	236,418	203,022	33,396	-	-	-
Interest on long-term debt	302,941	306,499	(3,558)	-	-	-
Water	-	-	-	353,091	749,629	(396,538)
Sewer	-	-	-	433,338	418,082	15,256
Storm Water	-	-	-	83,249	82,109	1,140
Total expenses	4,134,579	3,208,782	925,797	869,678	1,249,820	(380,142)
Change in net position	(970,036)	(69,040)	(900,996)	574,457	327,605	246,852
Net position, January 1 as restated (Note 7)	10,274,573	10,691,179	(416,606)	11,185,583	10,995,003	190,580
Net position, December 31	<u>\$ 9,304,537</u>	<u>\$10,622,139</u>	<u>\$ (1,317,602)</u>	<u>\$11,760,040</u>	<u>\$11,322,608</u>	<u>\$ 437,432</u>

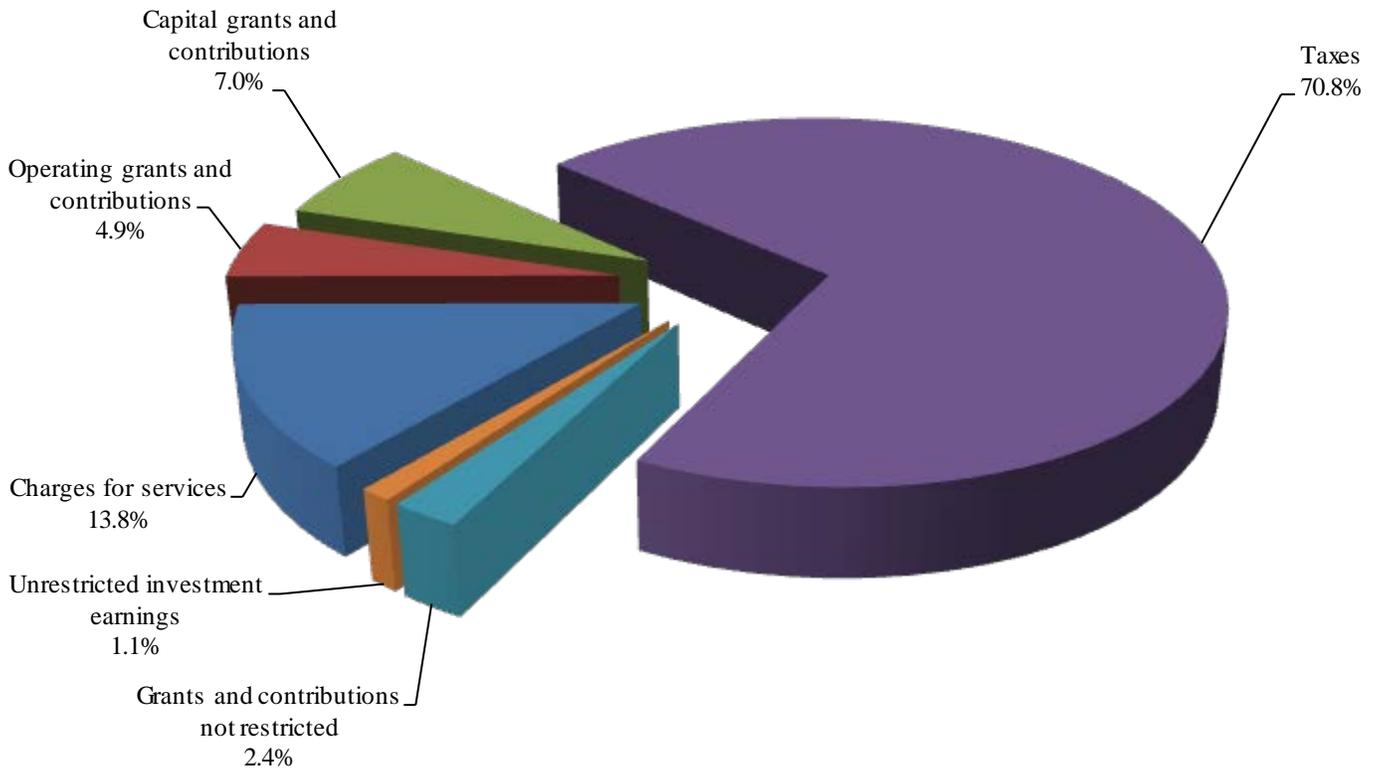
* GASB Statement No. 68 was implemented for the year ended December 31, 2015 and required a restatement of beginning governmental and business -type activity net position. Prior year amounts were not restated causing a variance in ending net position at December 31, 2014 and beginning net position on January 1, 2015. See Note 7.

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

Expenses and Program Revenues - Governmental Activities

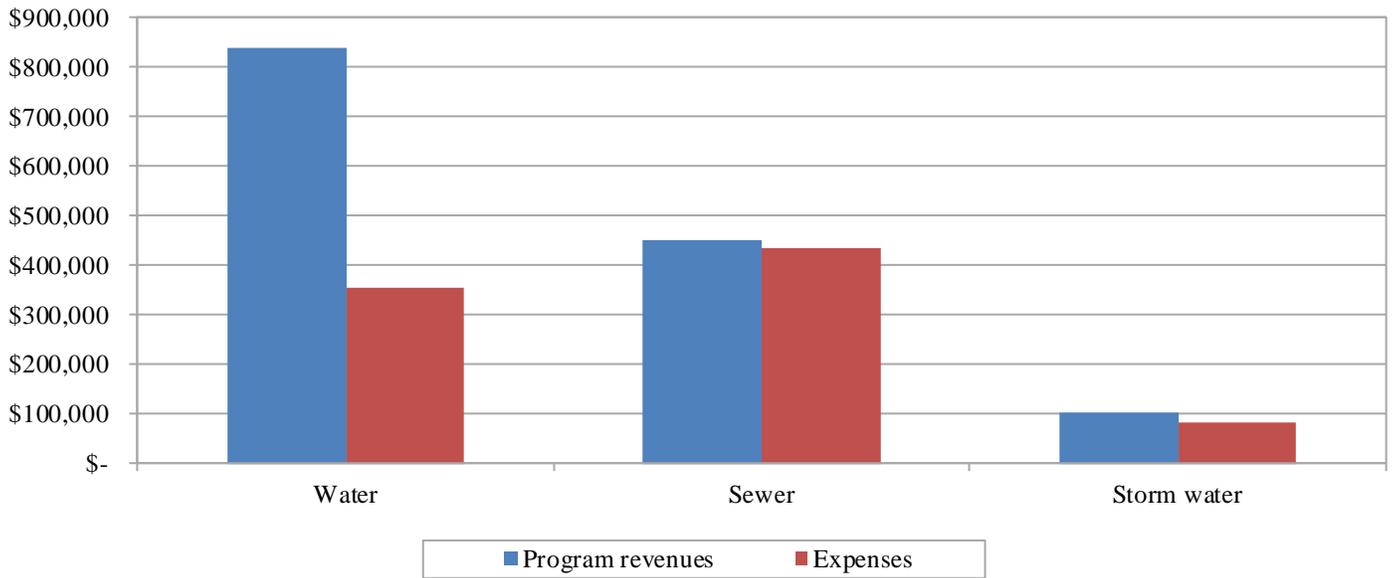


Revenues by Source - Governmental Activities

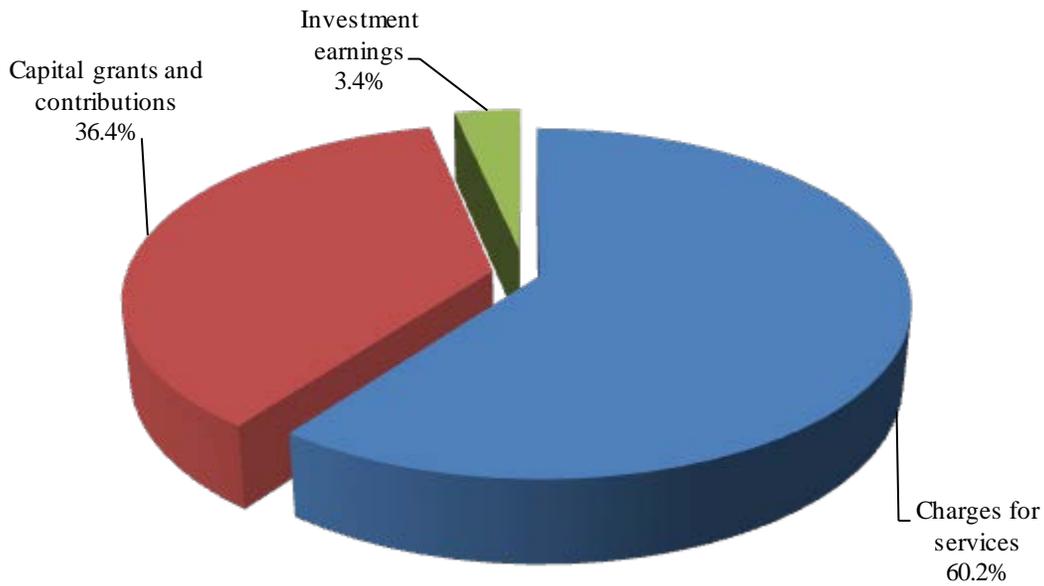


Business-type activities. Business-type activities increased the City’s net position by \$574,457. Key elements of this increase are as follows:

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



A further breakdown of expenses is shown below:

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Personnel costs	\$ 526,547	\$ 560,942	\$ (34,395)	\$ 204,596	\$ 196,411	\$ 8,185
Supplies	36,748	34,439	2,309	23,324	95,734	(72,410)
Other charges for services	1,392,144	1,352,432	39,712	641,083	956,670	(315,587)
Capital outlay	1,140,077	509,231	630,846	-	-	-
Total	\$ 3,095,516	\$ 2,457,044	\$ 638,472	\$ 869,003	\$ 1,248,815	\$ (379,812)

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)
	2015	2014	
General	\$ 1,169,065	\$ 1,319,013	\$ (149,948)
The General fund balance has decreased from 2014 and is healthily moving into The fund transferred out \$498,000 during the year.			
Debt Service	\$ 1,369,769	\$ 1,799,549	\$ (429,780)
The Debt Service fund decreased \$429,780. The City manages cash flow in all Debt Service funds and ensures adequate resources exist to fund future obligations.			
Park	\$ (1,116,065)	\$ (1,103,264)	\$ (12,801)
The Park fund balance decreased \$12,801 from the previous year, Which is due to interest paid on the interfund loan.			
2013 Street Project	\$ (471,947)	\$ 173,430	\$ (645,377)
The 2013 Street Project fund decreased \$645,377 from 2014 due to capital outlay expenditures related to a joint project with Anoka County for street improvements.			

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,360,739, a decrease of \$1,120,900 in comparison with the prior year. A deficit fund balance \$420,720 constitutes *unassigned fund balance*. The remainder of fund balance (\$1,781,459) is not available for spending because it is either: 1) nonspendable (\$22,755), 2) restricted (\$1,375,723, or 3) assigned (\$382,981) for the purposes described in the fund balance section of each balance sheet.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$5,046,956. The total increase in net position for the funds was \$574,457. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. Revenues had a positive budget variance of \$58,132 and expenditures had positive budget variance of \$33,920. Overall the General fund had a net negative budget variance of \$149,948.

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

- Total revenue had a positive budget variance of \$58,132. All revenue categories had positive variances, except for fines and forfeitures and special assessments.
- Total expenditures had a positive budget variance of \$33,920. Total general government, public safety and public works expenditures were under budget by a total of \$23,290, \$12,473 and \$7,700, respectively.
- The city also transferred \$498,000 from the General fund to other funds, which was \$242,000 more than budget. City Council approved a transfer of \$242,000 which was authorized to fund expenditures associated with the Centerville Road Reconstruction Project.

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, 2015, amounts to \$21,558,039 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

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

- The 2013 street and utility project was completed.
- The Royal Meadows watermain improvement project was completed.
- The City made improvements to the Thin Bituminous Overlay and other road improvements

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

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

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Land	\$ 3,157,823	\$ 3,179,023	\$ (21,200)	\$ 200,655	\$ 200,655	\$ -
Construction in progress	-	1,320,356	(1,320,356)	-	705,124	(705,124)
Buildings	823,112	860,402	(37,290)	348,450	356,730	(8,280)
Infrastructure	10,635,735	9,952,484	683,251	6,127,023	5,712,861	414,162
Machinery and equipment	228,285	304,072	(75,787)	36,956	67,042	(30,086)
Total	<u>\$14,844,955</u>	<u>\$15,616,337</u>	<u>\$ (771,382)</u>	<u>\$ 6,713,084</u>	<u>\$ 7,042,412</u>	<u>\$ (329,328)</u>

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

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

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$7,615,000. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Centerville's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
General obligation bonds	\$ 7,615,000	\$ 8,695,000	\$ (1,080,000)	\$ -	\$ -	\$ -
Compensated absences payable	37,703	33,978	3,725	15,642	16,687	(1,045)
Pension liability	306,522	-	306,522	123,627	-	123,627
Total	\$ 7,959,225	\$ 8,728,978	\$ (769,753)	\$ 139,269	\$ 16,687	\$ 122,582

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The taxable market value totals \$320,597,000 which calculates to a debt margin of \$9,617,910. Debt financed partially or entirely by special assessments is not applied against the City's debt limit, nor is debt financed by proprietary fund revenues. Currently the City has \$330,000 of general obligation debt outstanding leaving a debt margin of \$9,287,910.

Additional information on the City's long-term debt can be found in Note 3D starting on page 60 of this report.

Economic Factors and Next Year's Budgets and Rates

The area economy continues to show signs of improvement. Property values for taxes payable in 2016 increased by 2.7%. The City's net tax capacity increased 2.9% for taxes payable in 2016. The City increased its property tax levy by 7 percent for taxes payable in 2016 and tax capacity rates increased 6.9% as a result. Most taxpayers realized an increase in City property taxes as a result of the increased value of their properties, the increased City levy, and a 9.2% decrease in the distribution from the fiscal disparities pool.

The City's General Fund budget increased for fiscal year 2016 by 7.5%; however, the General Fund tax levy increased 9.4%. The increase in General Fund expenditures, in the amount of \$167,579, was primarily related to increases in public safety expenditures. The City's policing contract with the Centennial Lakes Police Department increased 11.2% for 2016. The fire protection contract with Centennial Fire increased 7% due to a reorganization of the fire district, as Lino Lakes ended its relationship with the district. Other factors affecting the 2016 General Fund budget include a 2.5% cost-of-living increase on employee wages and an 11% increase in legal fees related to prosecution.

The debt service levy remains level at \$591,000 for taxes payable in 2016.

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, 2015

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CITY OF CENTERVILLE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 2,774,013	\$ 2,657,794	\$ 5,431,807
Receivables			
Accrued interest	5,920	5,672	11,592
Taxes	57,193	-	57,193
Accounts	11,870	165,791	177,661
Special assessments	1,153,746	992,139	2,145,885
Due from other governments	27,851	9,945	37,796
Internal balances	(1,358,938)	1,358,938	-
Inventories	-	4,619	4,619
Prepaid items	22,755	17,177	39,932
Capital assets			
Land and construction and progress	3,157,823	200,655	3,358,478
Depreciable assets (net of accumulated depreciation)	11,687,132	6,512,429	18,199,561
TOTAL ASSETS	17,539,365	11,925,159	29,464,524
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	36,129	14,572	50,701
LIABILITIES			
Accounts and contracts payable	47,061	4,417	51,478
Accrued salaries payable	1,126	2,371	3,497
Due to other governments	11,783	4,733	16,516
Accrued interest payable	100,799	-	100,799
Deposits payable	79,307	-	79,307
Noncurrent liabilities			
Due within one year	755,849	14,709	770,558
Due in more than one year	7,203,376	124,560	7,327,936
TOTAL LIABILITIES	8,199,301	150,790	8,350,091
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	71,656	28,901	100,557
NET POSITION			
Net investment in capital assets	7,229,955	6,713,084	13,943,039
Restricted for			
Debt service	2,376,939	-	2,376,939
Cable TV	26,936	-	26,936
Unrestricted	(329,293)	5,046,956	4,717,663
TOTAL NET POSITION	\$ 9,304,537	\$ 11,760,040	\$ 21,064,577

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, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 479,175	\$ 35,264	\$ -	\$ -
Public safety	1,113,185	250,881	62,941	-
Public works	2,002,860	29,525	14,453	179,664
Culture and recreation	236,418	25,841	-	-
Economic development	-	11,385	-	-
Interest on long-term debt	302,941	-	48,249	-
Total governmental activities	4,134,579	352,896	125,643	179,664
Business-type activities				
Water	353,091	344,107	9,945	486,507
Sewer	433,338	414,867	-	35,642
Storm water	83,249	103,682	-	-
Total business-type activities	869,678	862,656	9,945	522,149
Total	\$ 5,004,257	\$ 1,215,552	\$ 135,588	\$ 701,813

General revenues

Taxes

 Property taxes, levied for general purposes

 Property taxes, levied for debt service

 Gambling taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Total general revenues and transfers

Change in net position

Net position, January 1 as restated (Note 7)

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
\$ (443,911)	\$ -	\$ (443,911)
(799,363)	-	(799,363)
(1,779,218)	-	(1,779,218)
(210,577)	-	(210,577)
11,385	-	11,385
(254,692)	-	(254,692)
<u>(3,476,376)</u>	<u>-</u>	<u>(3,476,376)</u>
-	487,468	487,468
-	17,171	17,171
-	20,433	20,433
<u>-</u>	<u>525,072</u>	<u>525,072</u>
<u>(3,476,376)</u>	<u>525,072</u>	<u>(2,951,304)</u>
1,800,648	-	1,800,648
591,496	-	591,496
6,752	-	6,752
61,999	-	61,999
29,336	49,385	78,721
16,109	-	16,109
<u>2,506,340</u>	<u>49,385</u>	<u>2,555,725</u>
(970,036)	574,457	(395,579)
<u>10,274,573</u>	<u>11,185,583</u>	<u>21,460,156</u>
<u>\$ 9,304,537</u>	<u>\$ 11,760,040</u>	<u>\$ 21,064,577</u>

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FUND FINANCIAL STATEMENTS

CITY OF CENTERVILLE
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

CITY OF CENTERVILLE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	101	300's	402
	General	Debt Service	Park
ASSETS			
Cash and temporary investments	\$ 1,256,086	\$ 1,347,842	\$ 42,782
Receivables			
Accrued interest	2,680	2,877	91
Taxes	53,635	3,558	-
Accounts	11,870	-	-
Special assessments	14,035	1,110,008	-
Due from other governments	17,168	-	-
Due from other funds	-	-	-
Prepaid items	1,773	20,982	-
	<u>1,773</u>	<u>20,982</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 1,357,247</u></u>	<u><u>\$ 2,485,267</u></u>	<u><u>\$ 42,873</u></u>
LIABILITIES			
Accounts and contracts payable	\$ 46,953	\$ -	\$ -
Deposits payable	79,307	-	-
Accrued salaries payable	946	-	-
Due to other funds	-	-	65,678
Due to other governments	4,254	7,529	-
Advances from other funds	-	-	1,093,260
	<u>-</u>	<u>-</u>	<u>1,093,260</u>
TOTAL LIABILITIES	<u>131,460</u>	<u>7,529</u>	<u>1,158,938</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	42,835	-	-
Unavailable revenue - special assessments	13,887	1,107,969	-
	<u>13,887</u>	<u>1,107,969</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>56,722</u>	<u>1,107,969</u>	<u>-</u>
FUND BALANCES			
Nonspendable	1,773	20,982	-
Restricted	-	1,348,787	-
Assigned	-	-	-
Unassigned	1,167,292	-	(1,116,065)
	<u>1,167,292</u>	<u>-</u>	<u>(1,116,065)</u>
TOTAL FUND BALANCES	<u>1,169,065</u>	<u>1,369,769</u>	<u>(1,116,065)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 1,357,247</u></u>	<u><u>\$ 2,485,267</u></u>	<u><u>\$ 42,873</u></u>

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

452 2013 Street Project	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 127,303	\$ 2,774,013
-	272	5,920
-	-	57,193
-	-	11,870
-	29,703	1,153,746
-	10,683	27,851
-	271,947	271,947
-	-	22,755
<u>\$ -</u>	<u>\$ 439,908</u>	<u>\$ 4,325,295</u>
\$ -	\$ 108	\$ 47,061
-	-	79,307
-	180	1,126
471,947	-	537,625
-	-	11,783
-	-	1,093,260
<u>471,947</u>	<u>288</u>	<u>1,770,162</u>
-	-	42,835
-	29,703	1,151,559
-	29,703	1,194,394
-	-	22,755
-	26,936	1,375,723
-	382,981	382,981
<u>(471,947)</u>	<u>-</u>	<u>(420,720)</u>
<u>(471,947)</u>	<u>409,917</u>	<u>1,360,739</u>
<u>\$ -</u>	<u>\$ 439,908</u>	<u>\$ 4,325,295</u>

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CITY OF CENTERVILLE, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

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

Total fund balances - governmental	\$ 1,360,739
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	23,003,203
Less accumulated depreciation	(8,158,248)
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	(7,615,000)
Compensated absences payable	(37,703)
Pension liability	(306,522)
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	42,835
Special assessments receivable	1,151,559
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	36,129
Deferred inflows of pension resources	(71,656)
Governmental funds do not report a liability for accrued interest until due and payable.	(100,799)
Total net position - governmental activities	\$ 9,304,537

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, 2015

	101	300's	402
	<u>General</u>	<u>Debt Service</u>	<u>Park</u>
REVENUES			
Taxes			
General property	\$ 1,811,893	\$ 591,496	\$ -
Gambling	6,752	-	-
Licenses and permits	134,781	-	-
Intergovernmental	273,604	48,249	-
Charges for services	4,840	-	3,806
Fines and forfeitures	22,230	-	-
Special assessments	-	251,852	-
Interest on investments	13,279	13,358	520
Miscellaneous	35,177	-	-
TOTAL REVENUES	<u>2,302,556</u>	<u>904,955</u>	<u>4,326</u>
EXPENDITURES			
Current			
General government	433,610	-	-
Public safety	1,112,162	-	-
Public works	289,300	-	-
Culture and recreation	111,932	-	-
Capital outlay			
Public works	-	-	-
Culture and recreation	7,500	-	-
Debt service			
Principal	-	695,000	-
Interest and other	-	304,844	17,127
TOTAL EXPENDITURES	<u>1,954,504</u>	<u>999,844</u>	<u>17,127</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>348,052</u>	<u>(94,889)</u>	<u>(12,801)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	50,109	-
Transfers in	-	-	-
Refunding bonds issued	-	1,385,000	-
Principal paid on refunded bonds	-	(1,770,000)	-
Transfers out	(498,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(498,000)</u>	<u>(334,891)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(149,948)	(429,780)	(12,801)
FUND BALANCES, JANUARY 1	<u>1,319,013</u>	<u>1,799,549</u>	<u>(1,103,264)</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,169,065</u>	<u>\$ 1,369,769</u>	<u>\$ (1,116,065)</u>

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

452 2013 Street Project	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,403,389
-	-	6,752
-	-	134,781
-	42,473	364,326
-	-	8,646
-	-	22,230
7,168	52,669	311,689
(1,337)	3,516	29,336
-	10,683	45,860
<u>5,831</u>	<u>109,341</u>	<u>3,327,009</u>
-	-	433,610
-	-	1,112,162
-	-	289,300
-	8,966	120,898
893,208	239,369	1,132,577
-	-	7,500
-	-	695,000
-	-	321,971
<u>893,208</u>	<u>248,335</u>	<u>4,113,018</u>
<u>(887,377)</u>	<u>(138,994)</u>	<u>(786,009)</u>
-	-	50,109
242,000	256,000	498,000
-	-	1,385,000
-	-	(1,770,000)
-	-	(498,000)
<u>242,000</u>	<u>256,000</u>	<u>(334,891)</u>
(645,377)	117,006	(1,120,900)
<u>173,430</u>	<u>292,911</u>	<u>2,481,639</u>
<u>\$ (471,947)</u>	<u>\$ 409,917</u>	<u>\$ 1,360,739</u>

CITY OF CENTERVILLE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Net change in fund balances - governmental funds	\$ (1,120,900)
<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	250,355
Depreciation expense	(959,837)
<p>Governmental fund report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities</p>	
Disposals	(122,094)
Depreciation of disposals	88,094
Book value on disposal of assets	(27,900)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are delayed and amortized in the statement of activities.</p>	
Principal repayments	2,465,000
Debt issued or incurred	(1,385,000)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	19,030
<p>Long-term pension activity is not reported in government funds.</p>	
Pension expense	5,517
<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	(11,245)
Special assessments	(167,330)
<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	(3,726)
Change in net position - governmental activities	\$ (970,036)

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes				
General property	\$ 1,796,858	\$ 1,796,858	\$ 1,811,893	\$ 15,035
Gambling	2,000	2,000	6,752	4,752
Licenses and permits	113,400	113,400	134,781	21,381
Intergovernmental	262,766	262,766	273,604	10,838
Charges for services	4,400	4,400	4,840	440
Fines and forfeitures	35,000	35,000	22,230	(12,770)
Special assessments	12,000	12,000	-	(12,000)
Interest on investments	10,000	10,000	13,279	3,279
Miscellaneous	8,000	8,000	35,177	27,177
	<u>2,244,424</u>	<u>2,244,424</u>	<u>2,302,556</u>	<u>58,132</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government	456,900	456,900	433,610	23,290
Public safety	1,124,635	1,124,635	1,112,162	12,473
Public works	297,000	297,000	289,300	7,700
Culture and recreation	109,289	109,289	111,932	(2,643)
Capital outlay	600	600	7,500	(6,900)
	<u>1,988,424</u>	<u>1,988,424</u>	<u>1,954,504</u>	<u>33,920</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER EXPENDITURES				
	256,000	256,000	348,052	92,052
OTHER FINANCING USES				
Transfers out	(256,000)	(256,000)	(498,000)	(242,000)
	<u>-</u>	<u>-</u>	<u>(149,948)</u>	<u>(149,948)</u>
NET CHANGE IN FUND BALANCES				
FUND BALANCES, JANUARY 1	<u>1,319,013</u>	<u>1,319,013</u>	<u>1,319,013</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 1,319,013</u></u>	<u><u>\$ 1,319,013</u></u>	<u><u>\$ 1,169,065</u></u>	<u><u>\$ (149,948)</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, 2015

	Business-type Activities - Enterprise Funds			
	601	602	603	Totals
	Water	Sewer	Nonmajor Storm Water	
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 1,315,113	\$ 1,217,569	\$ 125,112	\$ 2,657,794
Receivables				
Accrued interest	2,807	2,598	267	5,672
Accounts	56,027	88,672	21,092	165,791
Special assessments	6,556	185	-	6,741
Due from other governments	9,945	-	-	9,945
Due from other funds	100,000	188,338	-	288,338
Inventories	4,619	-	-	4,619
Prepaid items	38	17,139	-	17,177
TOTAL CURRENT ASSETS	1,495,105	1,514,501	146,471	3,156,077
NONCURRENT ASSETS				
Special assessments receivable	936,320	49,078	-	985,398
Advances to other funds	-	1,093,260	-	1,093,260
Capital assets				
Land	72,255	124,000	4,400	200,655
Buildings	138,000	276,000	-	414,000
Infrastructure	5,739,590	3,442,483	-	9,182,073
Machinery and equipment	269,367	96,742	1,051,222	1,417,331
Less accumulated depreciation	(2,359,271)	(1,885,292)	(256,412)	(4,500,975)
Net capital assets	3,859,941	2,053,933	799,210	6,713,084
TOTAL NONCURRENT ASSETS	4,796,261	3,196,271	799,210	8,791,742
TOTAL ASSETS	6,291,366	4,710,772	945,681	11,947,819
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	5,785	5,784	3,003	14,572
LIABILITIES				
CURRENT LIABILITIES				
Accounts and contracts payable	3,343	751	323	4,417
Accrued salaries payable	928	928	515	2,371
Due to other funds	-	-	22,660	22,660
Due to other governments	1,814	2,919	-	4,733
Compensated absences payable - current	5,866	5,866	3,132	14,864
TOTAL CURRENT LIABILITIES	11,951	10,464	26,630	49,045

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

CITY OF CENTERVILLE, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			Totals
	601	602	603	
	Water	Sewer	Nonmajor Storm Water	
NONCURRENT LIABILITIES				
Compensated absences payable	\$ 389	\$ 389	\$ -	\$ 778
Pension liability	49,079	49,067	25,481	123,627
TOTAL NONCURRENT LIABILITIES	49,468	49,456	25,481	124,405
TOTAL LIABILITIES	61,419	59,920	52,111	173,450
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	11,473	11,471	5,957	28,901
NET POSITION				
Net investment in capital assets	3,859,941	2,053,933	799,210	6,713,084
Unrestricted	2,364,318	2,591,232	91,406	5,046,956
TOTAL NET POSITION	<u>\$ 6,224,259</u>	<u>\$ 4,645,165</u>	<u>\$ 890,616</u>	<u>\$ 11,760,040</u>

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

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CITY OF CENTERVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			
	601	602	603	Totals
	Water	Sewer	Nonmajor Storm Water	
OPERATING REVENUES				
Charges for services	\$ 344,107	\$ 414,867	\$ 103,682	\$ 862,656
OPERATING EXPENSES				
Salaries and benefits	82,165	83,866	38,565	204,596
Supplies	19,121	3,095	1,108	23,324
Other services and charges	46,024	33,731	7,557	87,312
Utilities	14,824	4,150	-	18,974
MCES - disposal charges	-	194,243	-	194,243
Depreciation	190,957	114,253	35,344	340,554
TOTAL OPERATING EXPENSES	353,091	433,338	82,574	869,003
OPERATING INCOME (LOSS)	(8,984)	(18,471)	21,108	(6,347)
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	15,177	32,721	1,487	49,385
Intergovernmental	9,945	-	-	9,945
Interest expense	-	-	(675)	(675)
TOTAL NONOPERATING REVENUES (EXPENSES)	25,122	32,721	812	58,655
INCOME BEFORE CONTRIBUTIONS	16,138	14,250	21,920	52,308
CAPITAL CONTRIBUTIONS	486,507	35,642	-	522,149
CHANGE IN NET POSITION	502,645	49,892	21,920	574,457
NET POSITION, JANUARY 1 AS RESTATED (NOTE 7)	5,721,614	4,595,273	868,696	11,185,583
NET POSITION, DECEMBER 31	\$ 6,224,259	\$ 4,645,165	\$ 890,616	\$ 11,760,040

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, 2015

	Business-type Activities - Enterprise Funds			
	601	602	603	Totals
	Water	Sewer	Nonmajor Storm Water	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 338,525	\$ 409,903	\$ 106,002	\$ 854,430
Payments to suppliers	(87,067)	(259,566)	(8,861)	(355,494)
Payments to employees	(81,551)	(83,280)	(39,164)	(203,995)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>169,907</u>	<u>67,057</u>	<u>57,977</u>	<u>294,941</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payment received on advance to other funds	-	22,325	-	22,325
Interfund loan issued	(100,000)	(117,127)	-	(217,127)
Principal paid on advance from other funds	-	-	(22,325)	(22,325)
Interest paid on advance from other funds	-	-	(675)	(675)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(100,000)</u>	<u>(94,802)</u>	<u>(23,000)</u>	<u>(217,802)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(11,226)	-	-	(11,226)
Hook up fees and unit charges received	-	19,199	-	19,199
Special assessments received	148,767	21,308	-	170,075
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>137,541</u>	<u>40,507</u>	<u>-</u>	<u>178,048</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	13,966	31,815	1,348	47,129
NET INCREASE IN CASH AND CASH EQUIVALENTS	221,414	44,577	36,325	302,316
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>1,093,699</u>	<u>1,172,992</u>	<u>88,787</u>	<u>2,355,478</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 1,315,113</u></u>	<u><u>\$ 1,217,569</u></u>	<u><u>\$ 125,112</u></u>	<u><u>\$ 2,657,794</u></u>

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

CITY OF CENTERVILLE, MINNESOTA
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			
	601	602	603	Totals
	Water	Sewer	Nonmajor Storm water	
RECONCILIATION OF OPERATING (INCOME) LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (8,984)	\$ (18,471)	\$ 21,108	\$ (6,347)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	190,957	114,253	35,344	340,554
(Increase) decrease in assets/deferred outflows of resources				
Accounts receivable	(5,582)	(4,964)	2,320	(8,226)
Inventories	112	-	-	112
Prepaid items	-	(17,101)	-	(17,101)
Deferred pension resources	(11,130)	(11,131)	(5,806)	(28,067)
Increase (decrease) in liabilities/deferred inflows of resources				
Accounts payable	(7,674)	(324)	(196)	(8,194)
Accrued salaries payable	281	281	153	715
Compensated absences payable	(159)	(159)	(727)	(1,045)
Pension liability	149	124	(176)	97
Deferred pension resources	11,473	11,471	5,957	28,901
Due to other governments	464	(6,922)	-	(6,458)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 169,907	\$ 67,057	\$ 57,977	\$ 294,941

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

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CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015

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 street project revenues and expenditures.

The City reports the following major proprietary funds:

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

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

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

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

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

CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, deferred outflow 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.

CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2015. 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, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital assets

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

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

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

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

Deferred outflows of resources

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

Pensions

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

CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated absences

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

Long-term obligations

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

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

Deferred inflows of resources

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

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

CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund balance

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

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

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

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

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

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

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

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

Net position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

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

CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 2015.

B. Deficit fund equity

The following funds had a deficit fund balance as of December 31, 2015:

<u>Fund</u>	<u>Amount</u>
Major	
Park	\$ 1,116,065
2013 Street Project	471,947

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

CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$3,192,172, and the bank balance was \$3,228,496. 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, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

As of December 31, 2015, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City's name.

Investment Type	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Concentration of Credit Risk	Fair Value and Carrying Amount
Pooled investments				
Broker money market	N/A	N/A	N/A	\$ 78,536
Nonpooled investments				
Brokered CD's	N/A	6 months to 1 year	N/A	691,652
Brokered CD's	N/A	1 to 3 years	N/A	490,617
Brokered CD's	N/A	more than 3 years	N/A	978,630
Total Brokered CD's				2,160,899
Total investments				\$ 2,239,435

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

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

N/A Indicates not applicable or available.

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

- *Credit Risk.* The credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments to the list on page 49 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Generally, the City limits its securities purchases to those insured and registered under the City's name.
- *Concentration of Credit Risk.* The concentration of credit risk for investments is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City has invested more than 5 percent of investments in GE Capital Bank CD (11.0 percent), Comenity Bank CD (9.0 percent) Discover Bank CD (11.0 percent) Barclays Bank CD (11.0 percent), AMEX Centurion CD (11.0 percent), Sallie May Bank CD (10.9 percent), HSBC Bank CD (10.9 percent), and CE Capital Bank (10.8 percent) and Citi Bank CD (11.0 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, 2015

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	\$ 3,192,172
Investments	2,239,435
Petty cash	200
 Total	 \$ 5,431,807

B. Capital assets

Capital asset activity for the governmental activities for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,179,023	\$ 12,800	\$ (34,000)	\$ 3,157,823
Construction in progress	1,320,356	6,168	(1,326,524)	-
Total capital assets not being depreciated	4,499,379	18,968	(1,360,524)	3,157,823
Capital assets being depreciated				
Buildings	1,627,438	-	-	1,627,438
Infrastructure	15,909,602	1,557,911	-	17,467,513
Machinery and equipment	866,423	-	(115,994)	750,429
Total capital assets being depreciated	18,403,463	1,557,911	(115,994)	19,845,380
Less accumulated depreciation for				
Buildings	(767,036)	(37,290)	-	(804,326)
Infrastructure	(5,957,118)	(874,660)	-	(6,831,778)
Machinery and equipment	(562,351)	(47,887)	88,094	(522,144)
Total accumulated depreciation	(7,286,505)	(959,837)	88,094	(8,158,248)
Total capital assets being depreciated, net	11,116,958	598,074	(27,900)	11,687,132
Governmental activities capital assets, net	\$ 15,616,337	\$ 617,042	\$ (1,388,424)	\$ 14,844,955

CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Governmental activities		
General government		\$ 14,244
Public safety		2,339
Public works		834,133
Culture and recreation		<u>109,121</u>
Total depreciation expense - governmental activities		<u>\$ 959,837</u>

Capital asset activity for the business-type activities for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 200,655	\$ -	\$ -	\$ 200,655
Construction in progress	<u>705,124</u>	<u>11,226</u>	<u>(716,350)</u>	<u>-</u>
Total capital assets not being depreciated	<u>905,779</u>	<u>11,226</u>	<u>(716,350)</u>	<u>200,655</u>
Capital assets being depreciated				
Buildings	414,000	-	-	414,000
Infrastructure	9,516,946	716,350	-	10,233,296
Machinery and equipment	<u>366,108</u>	<u>-</u>	<u>-</u>	<u>366,108</u>
Total capital assets being depreciated	<u>10,297,054</u>	<u>716,350</u>	<u>-</u>	<u>11,013,404</u>
Less accumulated depreciation for				
Buildings	(57,270)	(8,280)	-	(65,550)
Infrastructure	(3,804,085)	(302,188)	-	(4,106,273)
Machinery and equipment	<u>(299,066)</u>	<u>(30,086)</u>	<u>-</u>	<u>(329,152)</u>
Total accumulated depreciation	<u>(4,160,421)</u>	<u>(340,554)</u>	<u>-</u>	<u>(4,500,975)</u>
Total capital assets being depreciated, net	<u>6,136,633</u>	<u>375,796</u>	<u>-</u>	<u>6,512,429</u>
Business-type activities capital assets, net	<u>\$ 7,042,412</u>	<u>\$ 387,022</u>	<u>\$ (716,350)</u>	<u>\$ 6,713,084</u>

CITY OF CENTERVILLE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Business-type activities	
Water	\$ 190,957
Sewer	114,253
Storm water	<u>35,344</u>
Total depreciation expense - business-type activities	<u><u>\$ 340,554</u></u>

C. Interfund balances and transfers

The composition of internal balance as of December 31, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from other funds		
Sewer	Park	\$ 65,678
Sewer	Storm Water	22,660
Sewer	2013 Street Project	100,000
Water	2013 Street Project	100,000
Nonmajor governmental fund	2013 Street Project	<u>271,947</u>
Total due to/from other funds		560,285
Advance to/from other funds		
Sewer	Park	<u>1,093,260</u>
Subtotal of interfund balances		1,653,545
Interfund activity eliminated from government-wide statements		<u>(294,607)</u>
Total internal balances - government-wide statements		<u><u>\$ 1,358,938</u></u>

The above interfund advance and the amount due from the Storm Water fund have and associated amortization schedules, of which current payments are being made. The remaining balances are to fund deficit cash balances.

Interfund transfers

The composition of interfund transfers for the year ended December 31, 2015 is as follows:

Fund	Transfer In		
	2013 Street Project	Other Governmental	Total
Transfer out			
General	<u>\$ 242,000</u>	<u>\$ 256,000</u>	<u>\$ 498,000</u>

- A transfer of \$56,000 from the General fund to other governmental funds is for future replacement of equipment, vehicles, and computers in the near future.
- A transfer of \$200,000 from the General fund to other governmental funds is for future street maintenance projects.
- A transfer of \$242,000 from the General fund to the 213 Street Project fund is for the funding of expenditures associated with the Centerville Road Reconstruction Project.

CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Long-term debt

General obligation bonds

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

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

General obligation improvement bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2009A	\$ 3,715,000	2.65 - 5.60 %	08/19/09	08/01/25	\$ 2,925,000
G.O. Improvement Bonds of 2011A	2,760,000	.70 - 2.45	04/14/11	07/01/19	1,490,000
G.O. Improvement Refunding Bonds of 2012A	515,000	1.00 - 1.70	06/14/12	02/01/21	330,000
G.O. Improvement Bonds of 2013A	1,465,000	1.63 - 3.00	06/01/13	02/01/29	1,485,000
G.O. Improvement Refunding Bonds of 2015A	1,385,000	.85 - 2.25	01/15/15	02/01/25	<u>1,385,000</u>
Total General Obligation Improvement Bonds					<u>\$ 7,615,000</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 \$330,000 represents the City of Centerville's remaining portion of the 2012A issue.

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

Year Ending December 31,	General Obligation Improvement Bonds		
	Governmental Activities		
	Principal	Interest	Total
2016	\$ 725,000	\$ 233,830	\$ 958,830
2017	745,000	215,420	960,420
2018	765,000	194,709	959,709
2019	945,000	170,554	1,115,554
2020	500,000	144,368	644,368
2021-2025	3,280,000	398,927	3,678,927
2026-2029	<u>655,000</u>	<u>37,781</u>	<u>692,781</u>
Total	<u>\$ 7,615,000</u>	<u>\$ 1,395,589</u>	<u>\$ 9,010,589</u>

CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

During the year ended December 31, 2015, the following changes occurred in noncurrent liabilities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
G.O Bonds	\$ 8,695,000	\$ 1,385,000	\$ (2,465,000)	\$ 7,615,000	\$ 725,000
Compensated absences payable	33,978	38,379	(34,654)	37,703	30,849
Pension liability					
GERF	<u>-</u>	<u>312,039 *</u>	<u>(5,517)</u>	<u>306,522</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 8,728,978</u>	<u>\$ 1,735,418</u>	<u>\$ (2,505,171)</u>	<u>\$ 7,959,225</u>	<u>\$ 755,849</u>
Business-type activities					
Compensated absences payable	\$ 16,687	\$ 15,949	\$ (16,994)	\$ 15,642	\$ 14,709
Pension liability					
GERF	<u>\$ -</u>	<u>\$ 124,558 *</u>	<u>\$ (931)</u>	<u>\$ 123,627</u>	<u>\$ -</u>
Business-type activities long-term liabilities	<u>\$ 16,687</u>	<u>\$ 140,507</u>	<u>\$ (17,925)</u>	<u>\$ 139,269</u>	<u>\$ 14,709</u>

* Includes January 1, 2015 pension liability balance related to GASB Statement No. 68 implementation. See Note 7 for further detail.

Current refunding bond

On January 15, 2015 the City issued \$1,385,000 General Obligation Refunding Bonds, Series 2015A. The bonds bear an average coupon rate of 1.81 percent and the entire amount was used to refund previous issued outstanding bonds G.O Crossover Improvement Bonds, Series 2009B. As a result of the refunding issue, the City will save \$376,109 in debt service payments and achieve an economic gain (the present value of the difference between the old and the new debt service) of \$366,572.

CITY OF CENTERVILLE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Fund equity

At December 31, 2015, 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	\$ 1,773	\$ 20,982	\$ -	\$ -	\$ -	\$ 22,755
Restricted for						
Debt service	-	1,348,787	-	-	-	1,348,787
Cable TV	-	-	-	-	26,936	26,936
Assigned for						
Street maintenance	-	-	-	-	306,045	306,045
Capital equipment	-	-	-	-	65,530	65,530
Capital projects	-	-	-	-	11,406	11,406
Unassigned	1,167,292	-	(1,116,065)	(471,947)	-	(420,720)
Total	\$ 1,169,065	\$ 1,369,769	\$(1,116,065)	\$ (471,947)	\$ 409,917	\$ 1,360,739

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan description

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

General Employees Retirement Fund (GERF)

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

B. Benefits provided

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

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

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

CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

GERF benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

C. Contributions

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

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the years ending December 31, 2015, 2014 and 2013 were \$37,110, \$35,215 and \$38,179, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

D. Pension costs

GERF pension costs

At December 31, 2015, the City reported a liability of \$430,149 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.0083 percent which was a decrease of 0.001 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of (\$4,586) for its proportionate share of GERF's pension expense.

CITY OF CENTERVILLE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

At December 31, 2015, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,470	\$ 21,687
Changes in actuarial assumptions	26,308	-
Net difference between projected and actual earnings on plan investments	-	38,291
Changes in proportion	-	40,579
Contributions to GERF subsequent to the measurement date	19,923	-
Total	\$ 50,701	\$ 100,557

Deferred outflows of resources totaling \$19,923 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2016	\$ (21,524)
2017	(21,542)
2018	(36,913)
2019	10,180
2020	-
Thereafter	-

E. Actuarial assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active member payroll growth	3.50% per year
Investment rate of return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabled members were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent effective every January 1st until 2034, then 2.5 percent for GERF and PEPFF.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

There were no changes in actuarial assumptions in 2015.

CITY OF CENTERVILLE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic 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 stocks	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	<u>2.00</u>	0.50
Total	<u><u>100.00 %</u></u>	

F. Discount rate

The discount rate used to measure the total pension liability was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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 (6.90%)</u>	<u>Current (7.90%)</u>	<u>1 Percent Increase (8.90%)</u>
	GERF	\$ 676,347	\$ 430,149

H. Pension plan fiduciary net position

Detailed information about each defined benefit 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; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

CITY OF CENTERVILLE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 5: JOINT POWERS AGREEMENTS

A. Centennial Fire District

The Centennial Fire District (the District) was formed under the authority of Minnesota statutes 471.59 in 1985 by agreement of the member cities of Centerville, Lino Lakes and Circle Pines. The district was created to provide fire protection services to the residents of the member cities. The District is managed through a three tier system consisting of a Fire Chief, a Steering Committee, and the City Councils of the member cities. The Fire Chief is an appointed position. Each member city appoints two commissioners. One of these commissioners must be an elected official of the City. Each member city contributes funds to cover the budgeted costs of operations as determined by the commissioners. The amount of contributions required by each member is based on each city's population, number of fire calls, and assessed valuations. Contributions made by member cities for 2014, the most recent data available, were as follows:

City of Centerville	\$ 123,461	14.20 %
City of Circle Pines	153,023	17.60
City of Lino Lakes	<u>592,963</u>	<u>68.20</u>
 Total	 <u>\$ 869,447</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 2014, the most recent data available, were as follows:

City of Centerville	\$ 687,855	30.88 %
City of Circle Pines	872,293	39.16
City of Lexington	<u>667,362</u>	<u>29.96</u>
 Total	 <u>\$ 2,227,510</u>	 <u>100.00 %</u>

CITY OF CENTERVILLE, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 5: JOINT POWERS AGREEMENTS - CONTINUED

C. Summary financial information of the joint powers agreements entities

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

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

	Centennial Fire District	Centennial Lakes Police Department
Total assets	\$ 2,018,596	\$ 567,896
Total liabilities	132,173	322,182
Total net position	2,018,596	245,714
Total revenue	1,439,961	2,299,428
Total expenses	1,314,467	2,335,175

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.

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.

CITY OF CENTERVILLE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 6: OTHER INFORMATION - CONTINUED

B. Legal debt margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, Enterprise fund revenues or tax increments. The market value of taxable property is \$320,597,000 which leaves a debt margin of \$9,617,910. Currently the City has \$330,000 of general obligation debt outstanding, leaving a debt margin of \$9,287,910.

Note 7: CHANGE IN ACCOUNTING STANDARDS

During 2015, the City implemented several new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB), including Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2014 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 4.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2014 balances to the December 31, 2015 financial statements:

Fund	December 31, 2015		
	Net Position January 1, 2015 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2015 as Restated
Governmental activities	\$ 10,622,139	\$ (347,566)	\$ 10,274,573
Business-type activities	\$ 11,322,608	\$ (137,025)	\$ 11,185,583
Business-type activities			
Water	\$ 5,775,889	\$ (54,275)	\$ 5,721,614
Sewer	4,649,563	(54,290)	4,595,273
Storm Water	897,156	(28,460)	868,696
Total business-type activities	\$ 11,322,608	\$ (137,025)	\$ 11,185,583

(1) To record beginning net pension liability, deferred inflows of resources and deferred outflow of resources at January 1, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CENTERVILLE
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

CITY OF CENTERVILLE, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 DECEMBER 31, 2015

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

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

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

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

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

CITY OF CENTERVILLE
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

CITY OF CENTERVILLE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2015

	Special Revenue Fund	Capital Project Funds			Total Nonmajor Governmental Funds
	614	401	414	409	
	Cable T.V.	Revolving Street Fund	Pedestrian Trail Ways	Capital Equipment Revolving	
ASSETS					
Cash and temporary investments	\$ 16,398	\$ 34,133	\$ 11,382	65,390	\$ 127,303
Receivables					
Accrued interest	35	73	24	140	272
Special assessments	-	29,703	-	-	29,703
Due from other governments	10,683	-	-	-	10,683
Due from other funds	-	271,947	-	-	271,947
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 27,116</u>	<u>\$ 335,856</u>	<u>\$ 11,406</u>	<u>\$ 65,530</u>	<u>\$ 439,908</u>
LIABILITIES					
Accounts and contracts payable	\$ -	\$ 108	\$ -	\$ -	\$ 108
Accrued salaries payable	180	-	-	-	180
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>180</u>	<u>108</u>	<u>-</u>	<u>-</u>	<u>288</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - special assessments	-	29,703	-	-	29,703
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES					
Restricted for					
Cable TV	26,936	-	-	-	26,936
Assigned for					
Street maintenance	-	306,045	-	-	306,045
Capital equipment	-	-	-	65,530	65,530
Trail projects	-	-	11,406	-	11,406
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>26,936</u>	<u>306,045</u>	<u>11,406</u>	<u>65,530</u>	<u>409,917</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 27,116</u>	<u>\$ 335,856</u>	<u>\$ 11,406</u>	<u>\$ 65,530</u>	<u>\$ 439,908</u>

CITY OF CENTERVILLE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Revenue Fund	Capital Project Funds			Total Nonmajor Governmental Funds
	614	401	414	409	
	Cable T.V.	Revolving Street Fund	Pedestrian Trail Ways	Capital Equipment Revolving	
REVENUES					
Special assessments	\$ -	\$ 52,669	\$ -	\$ -	\$ 52,669
Intergovernmental	-	42,473	-	-	42,473
Interest on investments	217	2,619	167	513	3,516
Refunds and reimbursements	10,683	-	-	-	10,683
TOTAL REVENUES	10,900	97,761	167	513	109,341
EXPENDITURES					
Current					
Culture and recreation					
Personal services	3,710	-	-	-	3,710
Supplies	531	-	-	-	531
Other services and charges	126	-	4,599	-	4,725
Capital outlay					
Public works	-	239,369	-	-	239,369
TOTAL EXPENDITURES	4,367	239,369	4,599	-	248,335
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6,533	(141,608)	(4,432)	513	(138,994)
OTHER FINANCING SOURCES					
Transfers in	-	200,000	-	56,000	256,000
NET CHANGE IN FUND BALANCES	6,533	58,392	(4,432)	56,513	117,006
FUND BALANCES, JANUARY 1	20,403	247,653	15,838	9,017	292,911
FUND BALANCES, DECEMBER 31	\$ 26,936	\$ 306,045	\$ 11,406	\$ 65,530	\$ 409,917

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CITY OF CENTERVILLE, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2015
(With Comparative Actual Amounts for the Year Ended December 31, 2014)

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
General property	\$ 1,796,858	\$ 1,796,858	\$ 1,811,893	\$ 15,035	\$ 1,733,187
Gambling	2,000	2,000	6,752	4,752	3,123
Total	1,798,858	1,798,858	1,818,645	19,787	1,736,310
Licenses and permits					
Business	18,400	18,400	20,370	1,970	16,630
Nonbusiness	95,000	95,000	114,411	19,411	92,291
Total	113,400	113,400	134,781	21,381	108,921
Intergovernmental					
State					
Local government aid	60,466	60,466	60,466	-	53,444
Market value agricultural credit	-	-	200	200	98
PERA aid	1,300	1,300	1,333	33	1,333
Police aid	35,000	35,000	39,480	4,480	37,928
Fire aid	148,000	148,000	157,672	9,672	148,347
County - other	18,000	18,000	14,453	(3,547)	18,613
Total	262,766	262,766	273,604	10,838	259,763
Charges for services					
General government	1,300	1,300	1,440	140	2,190
Culture and recreation	3,000	3,000	3,385	385	4,260
Other	100	100	15	(85)	70
Total	4,400	4,400	4,840	440	6,520
Fines and forfeitures	35,000	35,000	22,230	(12,770)	23,043
Special assessments	12,000	12,000	-	(12,000)	18,618
Interest on investments	10,000	10,000	13,279	3,279	4,050
Miscellaneous					
Refunds and reimbursements	7,000	7,000	22,009	15,009	19,603
Other	1,000	1,000	13,168	12,168	5,651
Total	8,000	8,000	35,177	27,177	25,254
TOTAL REVENUES	2,244,424	2,244,424	2,302,556	58,132	2,182,479

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, 2015
(With Comparative Actual Amounts for the Year Ended December 31, 2014)

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 30,100	\$ 30,100	\$ 30,120	\$ (20)	\$ 30,136
Other services and charges	1,000	1,000	30	970	65
Total	31,100	31,100	30,150	950	30,201
Elections					
Personal services	-	-	-	-	4,654
Supplies	-	-	12	(12)	105
Other services and charges	-	-	837	(837)	1,318
Total	-	-	849	(849)	6,077
Planning and zoning					
Other services and charges	2,300	2,300	1,309	991	1,188
Administration					
Personal services	238,500	238,500	203,272	35,228	231,658
Supplies	2,400	2,400	3,807	(1,407)	2,473
Other services and charges	51,900	51,900	52,540	(640)	68,632
Total	292,800	292,800	259,619	33,181	302,763
Assessing					
Other services and charges	16,000	16,000	15,951	49	15,912
Legal and auditing					
Other services and charges	97,000	97,000	105,535	(8,535)	95,837
General government building					
Personal services	2,900	2,900	1,171	1,729	1,249
Supplies	300	300	5,565	(5,265)	436
Other services and charges	14,500	14,500	13,461	1,039	13,404
Total	17,700	17,700	20,197	(2,497)	15,089
Total general government	456,900	456,900	433,610	23,290	467,067

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, 2015
(With Comparative Actual Amounts for the Year Ended December 31, 2014)

	2015			Variance with Final Budget	2014
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Public safety					
Police protection					
Other services and charges	\$ 728,535	\$ 728,535	\$ 730,610	\$ (2,075)	\$ 680,036
Fire protection					
Remittance to relief association	148,000	148,000	157,672	(9,672)	148,347
Other services and charges	125,300	125,300	104,680	20,620	123,720
Total	273,300	273,300	262,352	10,948	272,067
Building inspection					
Personal services	104,200	104,200	103,203	997	101,580
Supplies	2,800	2,800	2,431	369	4,280
Other services and charges	13,300	13,300	12,512	788	6,908
Total	120,300	120,300	118,146	2,154	112,768
Civil defense					
Other services and charges	1,500	1,500	1,054	446	1,229
Animal control					
Other services and charges	1,000	1,000	-	1,000	-
Total public safety	1,124,635	1,124,635	1,112,162	12,473	1,066,100
Public works					
Streets					
Personal services	140,100	140,100	145,011	(4,911)	143,473
Supplies	38,300	38,300	20,997	17,303	24,742
Other services and charges	89,800	89,800	92,470	(2,670)	99,817
Total	268,200	268,200	258,478	9,722	268,032
Recycling					
Personal services	9,000	9,000	9,420	(420)	8,816
Supplies	100	100	-	100	-
Other services and charges	7,700	7,700	5,769	1,931	10,005
Total	16,800	16,800	15,189	1,611	18,821

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, 2015
(With Comparative Actual Amounts for the Year Ended December 31, 2014)

	2015			2014 Actual Amounts	
	Budgeted Amounts		Actual Amounts		Variance with Final Budget
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Public works - continued					
Engineering services					
Other services and charges	\$ 12,000	\$ 12,000	\$ 15,633	\$ (3,633)	
Total public works	297,000	297,000	289,300	7,700	
Culture and recreation					
Parks and recreation					
Personal services	39,900	39,900	30,640	9,260	
Supplies	3,600	3,600	3,936	(336)	
Other services and charges	60,189	60,189	71,056	(10,867)	
Total	103,689	103,689	105,632	(1,943)	
City Festival					
Other services and charges	5,600	5,600	6,300	(700)	
Total culture and recreation	109,289	109,289	111,932	(2,643)	
Total current expenditures	1,987,824	1,987,824	1,947,004	40,820	
Capital outlay					
General government	600	600	-	600	
Culture and recreation	-	-	7,500	(7,500)	
Total capital outlay	600	600	7,500	(6,900)	
TOTAL EXPENDITURES	1,988,424	1,988,424	1,954,504	33,920	

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, 2015
(With Comparative Actual Amounts for the Year Ended December 31, 2014)

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXCESS OF REVENUES OVER EXPENDITURES	\$ 256,000	\$ 256,000	\$ 348,052	\$ 92,052	\$ 235,917
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	-	-	47,500
Transfers out	(256,000)	(256,000)	(498,000)	(242,000)	(223,000)
TOTAL OTHER FINANCING SOURCES (USES)	(256,000)	(256,000)	(498,000)	(242,000)	(175,500)
NET CHANGE IN FUND BALANCES	-	-	(149,948)	(149,948)	60,417
FUND BALANCES, JANUARY 1	1,319,013	1,319,013	1,319,013	-	1,258,596
FUND BALANCES, DECEMBER 31	\$ 1,319,013	\$ 1,319,013	\$ 1,169,065	\$ (149,948)	\$ 1,319,013

CITY OF CENTERVILLE, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2015

	309	348	349
	Joint	G.O.	G.O.
	Police	Improvement	Improvement
	Station	Bonds of	Bonds of
	2012A	2015A	2007A
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and temporary investments	\$ 68,084	\$ 42,434	\$ 325,795
Receivables			
Accrued interest	145	91	695
Taxes	421	-	1,643
Special assessments	-	34,315	318,392
Prepaid items	<u>5,236</u>	<u>-</u>	<u>15,746</u>
TOTAL ASSETS	<u><u>\$ 73,886</u></u>	<u><u>\$ 76,840</u></u>	<u><u>\$ 662,271</u></u>
LIABILITIES			
Due to other governments	\$ 7,529	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - special assessments	-	34,315	317,740
FUND BALANCES			
Restricted for debt service	<u>66,357</u>	<u>42,525</u>	<u>344,531</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 73,886</u></u>	<u><u>\$ 76,840</u></u>	<u><u>\$ 662,271</u></u>

351 G.O. Improvement Bonds of 2009A	352 G.O. Improvement Bonds of 2013A	Total
\$ 837,714	\$ 73,815	\$ 1,347,842
1,788	158	2,877
1,384	110	3,558
554,224	203,077	1,110,008
<u>-</u>	<u>-</u>	<u>20,982</u>
<u><u>\$ 1,395,110</u></u>	<u><u>\$ 277,160</u></u>	<u><u>\$ 2,485,267</u></u>
\$ -	\$ -	\$ 7,529
553,029	202,885	1,107,969
<u>842,081</u>	<u>74,275</u>	<u>1,369,769</u>
<u><u>\$ 1,395,110</u></u>	<u><u>\$ 277,160</u></u>	<u><u>\$ 2,485,267</u></u>

CITY OF CENTERVILLE, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

	309	348	349
	Joint	G.O.	G.O.
	Police	Improvement	Improvement
	Station	Bonds of	Bonds of
	2012A	2015A	2007A
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 70,035	\$ -	\$ 273,137
Special assessments	-	4,990	87,378
Intergovernmental	-	-	-
Interest on investments	674	507	2,915
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	<u>70,709</u>	<u>5,497</u>	<u>363,430</u>
EXPENDITURES			
Debt service			
Principal	65,000	-	365,000
Interest and other	5,618	75,795	37,098
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>70,618</u>	<u>75,795</u>	<u>402,098</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>91</u>	<u>(70,298)</u>	<u>(38,668)</u>
OTHER FINANCING SOURCES			
Sale of capital assets	-	50,109	-
Principal paid on refunded bonds	-	(1,770,000)	-
Refunding bonds issued	-	1,385,000	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>(334,891)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	91	(405,189)	(38,668)
FUND BALANCES, JANUARY 1	<u>66,266</u>	<u>447,714</u>	<u>383,199</u>
FUND BALANCES, DECEMBER 31	<u>\$ 66,357</u>	<u>\$ 42,525</u>	<u>\$ 344,531</u>

351 G.O. Improvement Bonds of 2009A	352 G.O. Improvement Bonds of 2013A	Total
\$ 230,115	\$ 18,209	\$ 591,496
124,061	35,423	251,852
48,249	-	48,249
8,564	698	13,358
<u>410,989</u>	<u>54,330</u>	<u>904,955</u>
265,000	-	695,000
<u>148,819</u>	<u>37,514</u>	<u>304,844</u>
<u>413,819</u>	<u>37,514</u>	<u>999,844</u>
<u>(2,830)</u>	<u>16,816</u>	<u>(94,889)</u>
-	-	50,109
-	-	(1,770,000)
<u>-</u>	<u>-</u>	<u>1,385,000</u>
<u>-</u>	<u>-</u>	<u>(334,891)</u>
(2,830)	16,816	(429,780)
<u>844,911</u>	<u>57,459</u>	<u>1,799,549</u>
<u>\$ 842,081</u>	<u>\$ 74,275</u>	<u>\$ 1,369,769</u>

CITY OF CENTERVILLE, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Total		Percent Increase (Decrease)
	2015	2014	
REVENUES			
Taxes	\$ 2,410,141	\$ 2,267,884	6.27 %
Licenses and permits	134,781	108,921	23.74
Intergovernmental	364,326	310,796	17.22
Charges for services	8,646	13,035	(33.67)
Fines and forfeitures	22,230	23,043	(3.53)
Special assessments	311,689	310,391	0.42
Interest on investments	29,336	33,080	(11.32)
Miscellaneous	45,860	36,086	27.09
	<u> </u>	<u> </u>	
TOTAL REVENUES	<u>\$ 3,327,009</u>	<u>\$ 3,103,236</u>	7.21 %
Per Capita	\$ 846	\$ 785	7.81 %
EXPENDITURES			
Current			
General government	\$ 433,610	\$ 467,067	(7.16) %
Public safety	1,112,162	1,066,100	4.32
Public works	289,300	325,201	(11.04)
Culture and recreation	120,898	90,574	33.48
Capital outlay			
General government	-	1,186	(100.00)
Public works	1,132,577	505,995	123.83
Culture and recreation	7,500	3,236	131.77
Debt service			
Principal	695,000	855,000	(18.71)
Interest and other	321,971	318,352	1.14
	<u> </u>	<u> </u>	
TOTAL EXPENDITURES	<u>\$ 4,113,018</u>	<u>\$ 3,632,711</u>	13.22 %
Per Capita	\$ 1,046	\$ 919	13.85 %
Total Long-term Indebtedness	\$ 7,615,000	\$ 8,695,000	(12.42) %
Per Capita	1,937	2,200	(11.93)
General Fund Balance - December 31	\$ 1,169,065	\$ 1,319,013	(11.37) %
Per Capita	297	334	(10.87)

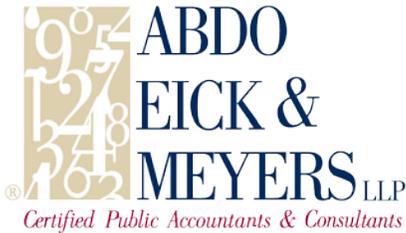
The purpose of this report is to provide a summary of financial information concerning the City of Centerville to interested citizens. The complete financial statements may be examined at City Hall, 1880 Main Street, Centerville, MN 55038. Questions about this report should be directed to City Hall at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

OTHER REQUIRED REPORT

CITY OF CENTERVILLE
CENTERVILLE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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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, 2015, and the related notes to the financial statements, and have issued our report thereon dated April 4, 2016.

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

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 4, 2016