

INDEPENDENT AUDIT SERVICES, PC

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042
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Kristin Hazen,
Finance Officer
City of Centerville
P.O. Box C
Centerville, South Dakota 57014-0902
605.563.2302 * 605.563.2277 fax

December 17, 2019

RE: December 31, 2018 Financial Report

Dear Kristin,

Enclosed are 8 copies of the City of Centerville's December 31, 2018 financial report. I am also sending copies to the following:

- 1 copy to the Turner County state's attorney
- 2 copies to the Department of Legislative Audit and a copy of my billing.
- 1 copy to USDA - Rural Development, Sioux Falls office
- 1 copy to South Dakota Department of Environment and Natural Resources

I understand that your official newspaper is the Centerville Journal (Star Publishing).

Kristin, I've enjoyed working with you and Katie on this audit. Please call if I can be of further assistance.

Sincerely,



Ben Elliott

CITY OF CENTERVILLE
CENTERVILLE, SOUTH DAKOTA
FINANCIAL REPORT

FOR THE TWO YEARS ENDING December 31, 2018

WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

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CENTERVILLE, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING December 31, 2018
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CITY OF CENTERVILLE
CENTERVILLE, SOUTH DAKOTA

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FOR THE TWO YEARS ENDING DECEMBER 31, 2018

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NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

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P.O. Box 262
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Governing Board
City of Centerville
Centerville, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying modified cash basis of accounting financial statements of governmental activities, business-type activities, and each major fund of the City of Centerville (City), Turner County, South Dakota, as of December 31, 2018 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

I did not audit the modified cash basis of accounting financial statements of the Centerville Housing & Redevelopment Commission which represents 100% of the cash assets, net position, receipts and disbursements of the discretely presented component unit on the government-wide statement of net position and statement of activities.

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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 judgement, including the assessment of the risk 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Disclaimer of Opinion

The modified cash basis of accounting financial statements of the Centerville Housing & Redevelopment Commission have not been audited. I was not engaged to audit these modified cash basis of accounting financial statements as part of my audit of the City of Centerville's modified cash basis of accounting financial statements. Centerville Housing & Redevelopment Commission's financial statements are included in the City's basic financial statement as the discretely presented component unit and represents 100% of the cash assets, net position, receipts and disbursements of the City's discretely presented component unit.

Disclaimer of Opinion

The financial statements, referred to above, of the financial position and changes in financial position of the discretely presented component unit of the City of Centerville, South Dakota as of December 31, 2018 and for each of the years in the biennial period then ended were not audited by me and, accordingly, I do not express an opinion on the discretely presented component unit.

Unmodified Opinion on all Opinion Units Except for the Discretely Presented Component Unit

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of governmental activities, business-type activities, and each major fund of the City of Centerville, South Dakota, as of December 31, 2018, and the respective changes in its financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in note 1.c to these financial statements.

Basis of Accounting

I draw attention to note 1.c of these financial statements, which describes the basis of accounting. These financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Other Matters - Other Supplementary Information (No Opinion)

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Centerville's financial statements.

The management's discussion and analysis (page 4 to 9), budgetary comparison schedules (page 33 to 37), schedule of net pension (asset)/liability (page 40), and schedule of pension contributions (page 40) listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

I have applied certain limited procedures to this 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 formation and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on this information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters - Other Supplementary Information (Opinion)

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Centerville's financial statements.

The schedule of changes in long-term debt (page 38 and 39) is presented for the purpose of additional analysis and is not a required part of the modified cash basis of accounting financial statements.

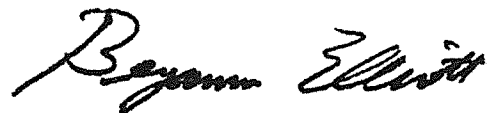
Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the modified cash basis of accounting financial statements. The information has been subject to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of changes in long-term debt is fairly stated, in all material respects, in relation to the modified cash basis of accounting financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report (page 41) dated December 17, 2019 on my tests of City of Centerville's compliance with certain provisions of laws, regulations, and contracts, and other matters and my consideration of its internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance and internal control over financial reporting.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

December 17, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of the City of Centerville's (City) financial performance provides an overview of the City's financial activities for the two years ending December 31, 2018, within the limitations of the City's modified cash basis of accounting. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS	2018	2017
Receipts:		
Charges for goods and services	451,673	418,081
Operating grants	10,849	7,521
Capital grants	240,000	0
General receipts	676,349	599,073
SRF loan proceeds	240,000	0
	-----	-----
Total	1,618,871	1,024,675
	-----	-----
Disbursements:		
Governmental	765,774	729,610
Business-type	975,317	369,020
	-----	-----
Total	1,741,091	1,098,630
	-----	-----
Increase (Decrease) in Net Position	(122,220)	(73,955)
Net Position:		
December 31, 2016		1,204,876

December 31, 2017	1,130,921	1,130,921
	-----	=====
December 31, 2018	1,008,701	
	=====	
Governmental Funds:		
General	381,321	430,806
Revolving loan	63,318	58,013
3rd Cent	32,560	27,778
Pascale - Senior	12,491	12,450
Pascale - Ball Field	12,565	12,493
Business-Type Funds:		
Water	314,013	329,040
Sewer	192,433	260,341
	-----	-----
Total	1,008,701	1,130,921
	=====	=====

During 2018, the City:

- * Received \$366,004 in property taxes and \$175,025 in sales taxes.
- * Received a \$240,000 state Community Access grant.
- * Made Main Street improvements for \$401,502.
- * Made pool improvements for \$83,871.
- * Made sewer lining improvements for \$129,799.
- * Purchased library books and materials for \$8,191.
- * Made principal payments on four water and sewer loans of \$74,373.
- * Issued a new \$240,000 sewer revenue bond.

During 2017, the City:

- * Received \$357,284 in property taxes and \$167,439 in sales taxes.
- * Made bike path improvements for \$59,884.
- * Purchased library books and materials for \$8,255.
- * Made principal payments on four water and sewer loans of \$70,830.

BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This financial report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement-34.

The financial report consists of three parts: (1) management's discussion and analysis (page 4 to 9), (2) the basic financial statements (page 10 to 32) and (3) supplementary information (page 33 to 40). The basic financial statements include two types of statements that present the City from two different financial points of view.

Government-wide financial statements (View #1):

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

Fund financial statements (View #2):

The remaining financial statements are fund financial statements that focus on significant operations of the governmental and enterprise activities of the City.

The governmental financial statements tell how general governmental services were financed in the short-term, as well as what remains for future spending. Governmental funds operated by the City in 2017 and 2018 were the General, Revolving Loan, 3rd Cent, Pascale Permanent Senior, and Pascale Permanent Ball Field funds.

The enterprise fund financial statements offer short-term and long-term financial information about the activities of the City that operate like a business. Enterprise funds operated by the City in 2017 and 2018 were the Water and Sewer funds.

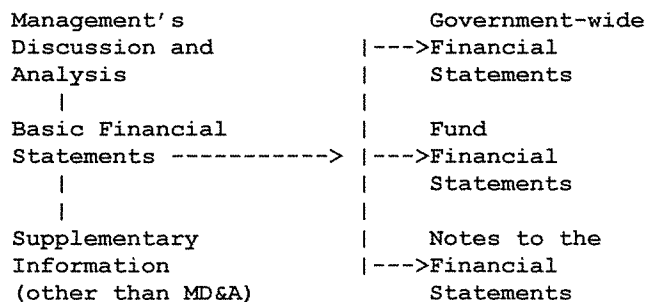
The fiduciary fund financial statements provide information about the financial status of activities in which the City acts solely as a trustee or agent for the benefit of those groups to whom these funds belong. In 2017 and 2018 the City had no fiduciary funds.

The financial statements include notes that explain in more detail some of the information found in the financial statements. The financial statements are also followed by a section of supplementary information that presents a budgetary analysis for the general fund and major special revenue funds.

Supplementary Information:

This Management's Discussion and Analysis (page 4 to 9), the Budgetary Comparison Schedules (page 33 to 37), Schedule of Changes in Debt (page 38), Schedule of Net Pension (Asset)/Liability (page 40), and Schedule of Pension Contributions (page 40) are financial information recommended to be presented by GASB. Such information provides readers of this report with additional data that supplements the government-wide statements and fund financial statements. The Budgetary Comparison Schedule is presented on a budgetary basis of accounting, which reports capital expenditures within their respective expenditure function rather than as a separate capital outlay expenditure.

Here is an overview of the City's financial statements.



Here is a summary of the major features of these financial statement.

	Government-wide	-----Fund Statements-----	
	Statements	Governmental	Enterprise
	-----	Funds	Funds
Scope	Entire City (including component units if any)	City activities except enterprise (water and sewer)	Activities operated like a private business (water and sewer)
Required Financial Statements	Statement of Net Position	Balance Sheet	Statement of Net Position
Required Financial Statements	Statement of Activities	Statement of Receipts Disbursements and Changes in Fund Balances	Statement of Receipts, Disbursements and Changes in Net Position
Basis of Accounting	Modified Cash	Modified Cash	Modified Cash
Measurement Focus	Modified Cash	Modified Cash	Modified Cash
Types of assets & Liabilities	Only cash No liabilities	Only cash No liabilities	Only cash No liabilities
Types of Revenue and Expenditures or Expense	Cash receipts Cash disbursements	Cash receipts Cash disbursements	Cash receipts Cash disbursements

BASIS OF ACCOUNTING

The City has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the City's modified cash basis of accounting, revenues and expenses and related assets are recorded when they result from cash transactions, except for the recording of investments.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements (page 10 to 12) report information about the City as a whole using cash accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's cash. The statement of activities includes all of the year's receipts and disbursements.

The two government-wide statements report the City's net position and how they have changed. Net position is the City's petty cash, checking accounts, savings accounts, certificates of deposit, and money market accounts. The change in these accounts is one way to measure the City's financial health. Increases or decreases in net position measures improvements or declines in the City's financial health. To assess the City's overall financial health you also need to consider other factors such as changes in the property tax base, and/or sales tax receipts generated from local businesses.

The government-wide financial statements have two broad categories of information: governmental activity and business-type activity.

The governmental activities include basic services such as police and fire protection, maintenance of streets, pool, parks, and library services. Property taxes, sales taxes, and interest received finance most of these activities.

The business-type activities account for the City's water and sewer activities. These services are funded by user fees. Bonds and federal and state grants help pay for capital improvements to the water and sewer systems.

Component unit activity is for the Centerville Housing & Redevelopment Commission (CHRC).

CHRC is a "component unit" of the City because the Mayor and the City's governing board appoint members to the Commission's governing board and because the City can impose its will on the Commission. For example, by statute the Commission is required to get the City's approval before it can start any specific project or issue debt. (SDCL 11-7-24, 11-7-49, and 11-7-53)

CHRC financial statements may be obtained at Centerville's City Hall.

FUND FINANCIAL STATEMENTS

The fund financial statements (page 13 to 18) provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools used to keep track of the City's receipts and disbursements. State law requires the use of some funds and the City Council establishes other funds to manage money for a specific purpose.

The fund financial statements show information in two broad categories: governmental and enterprise (business-type).

Governmental funds: Most of the City's basic services are included in the governmental funds, which focus on (1) how cash flows in and out of that fund, and (2) cash balances left at year-end which are available for spending in the next year. The governmental funds financial statements provide detail that helps you determine whether there is more or fewer cash resources available for spending in the near future to finance City programs.

Enterprise funds: Services for which the City charges the customer a fee are generally reported in enterprise funds. These funds account for cash and the receipt and disbursement of cash, the same as the governmental funds. The water and sewer funds are the only enterprise funds maintained by the City.

MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

For the Two Years Ending December 31, 2018

(Material changes for governmental activities = changes greater than \$50,000)

(Material changes for business-type activities = changes greater than \$30,000)

== 2018 ==	Increase (Decrease)	Reason
Governmental Activities:		
Donations	53,918	Single \$55,000 donation for pool improvements
Culture and recreation	73,854	Paid \$83,871 for pool improvements
Business-Type Activities:		
Cash	(82,935)	Sewer lining and Main Street improvements
Charges for services	30,222	Water and sewer rate increases
Capital grants	240,000	State Community Access Grant
Sewer costs	588,524	Sewer projects
SRF loan proceeds	240,000	Sewer projects
== 2017 ==	Increase (Decrease)	Reason
Governmental Activities:		
Cash	(85,588)	Excess disbursement
Public works	(76,238)	Safe Routs to School and bike path largely completed in 2016
Sale of assets	(67,638)	No surplus asset sales in 2017
Business-Type Activities:		
Charges for services	30,055	Water and sewer rate increases 1/2 year

SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

In 2018 the City's general fund budget of \$810,926 was a decrease of \$17,083 or 2.06% from 2017. There were two supplemental appropriations to the general fund's budget. See also page 33.

In 2017 the City's general fund budget of \$828,009 was a decrease of \$911 or 0.11% from 2016. There was one supplemental appropriation to the general fund's budget. See also page 34.

SIGNIFICANT CAPITAL ASSET ACTIVITY

Significant capital asset activity is reported above under "Financial Highlights."

SIGNIFICANT LONG-TERM DEBT ACTIVITY

During 2018 the City made principal payments of \$74,373 on its four water and sewer loans. The City also issued a new \$240,000 sewer revenue bond. At December 31, 2018 these loans had a balance of \$1,714,535. See page 38 for more information.

During 2017 the City made principal payments of \$70,830 on its four water and sewer loans. At December 31, 2017 these loans had a balance of \$1,548,908. See page 38 for more information.

CURRENTLY KNOWN FACTS

In 2018 the Centerville Housing & Redevelopment Commission sold its two remaining buildings and paid off its two Essential Function Housing Development Revenue Bonds. Consequently, the City is no longer responsible to guarantee 25% of those bonds.

In 2019 the City completed its Main Street project at a total cost of about \$525,000.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Centerville's finance office at P.O. Box C, Centerville, SD 57014 or telephone us at 605.563.2302.

CITY OF CENTERVILLE

TABLE 1 - NET POSITION - MODIFIED CASH BASIS
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
 AS OF DECEMBER 31, 2018, DECEMBER 31, 2017, AND DECEMBER 31, 2016

	Governmental Activities			Business-Type Activities			Total Government		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Cash assets	502,255	541,540	627,128	506,446	589,381	577,748	1,008,701	1,130,921	1,204,876
Net position:									
Restricted	52,844	48,062	46,705	71,082	71,082	71,082	123,926	119,144	117,787
Unrestricted	449,411	493,478	580,423	435,364	518,299	506,666	884,775	1,011,777	1,087,089
Total net position	502,255	541,540	627,128	506,446	589,381	577,748	1,008,701	1,130,921	1,204,876

TABLE 2 - CHANGES IN NET POSITION
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
 FOR THE YEARS ENDING
 DECEMBER 31, 2018, DECEMBER 31, 2017, AND DECEMBER 31, 2016

	Governmental Activities			Business-Type Activities			Total Government		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Receipts:									
Program receipts:									
Charges for services	47,709	44,339	25,484	403,964	373,742	343,687	451,673	418,081	369,171
Operating grants and cont	10,849	7,521	2,054				10,849	7,521	2,054
Capital grants and contri.			49,802	240,000			240,000	0	49,802
General receipts:									
Receipts from taxes	541,197	524,855	512,077				541,197	524,855	512,077
Receipts from state sourc	42,467	40,263	43,834				42,467	40,263	43,834
Receipts from county sour	3,534	3,505	3,130				3,534	3,505	3,130
Interest received	1,582	2,264	2,035	8,418	6,911	6,950	10,000	9,175	8,985
Donations	56,568	2,650	1,376				56,568	2,650	1,376
Other general receipts	14,375	18,625	55,380				14,375	18,625	55,380
Total receipts	718,281	644,022	695,172	652,382	380,653	350,637	1,370,663	1,024,675	1,045,809
Disbursements:									
General government	99,517	117,677	92,694				99,517	117,677	92,694
Public safety	131,962	121,134	120,308				131,962	121,134	120,308
Public works	204,429	225,833	302,071				204,429	225,833	302,071
Health and welfare		199	447				0	199	447
Culture and recreation	233,216	159,362	171,456				233,216	159,362	171,456
Economic development	96,650	105,405	110,541				96,650	105,405	110,541
Water				205,814	188,041	187,355	205,814	188,041	187,355
Sewer				769,503	180,979	156,002	769,503	180,979	156,002
Total disbursements	765,774	729,610	797,517	975,317	369,020	343,357	1,741,091	1,098,630	1,140,874
Increase (decrease) in net cash									
assets before loan proceeds	(47,493)	(85,588)	(102,345)	(322,935)	11,633	7,280	(370,428)	(73,955)	(95,065)
Sale of assets	5,465		67,638				5,465	0	67,638
Compensation for damaged p	2,743		6,380				2,743	0	6,380
SRF loan proceeds				240,000			240,000	0	0
Net change in net position	(39,285)	(85,588)	(28,327)	(82,935)	11,633	7,280	(122,220)	(73,955)	(21,047)
Net position:									
December 31, 2015			655,455			570,468			1,225,923
December 31, 2016		627,128	627,128		577,748	577,748		1,204,876	1,204,876
December 31, 2017	541,540	541,540		589,381	589,381		1,130,921	1,130,921	
December 31, 2018	502,255			506,446			1,008,701		

CITY OF CENTERVILLE

STATEMENT OF NET POSITION
 MODIFIED CASH BASIS
 AS OF DECEMBER 31, 2018

	Primary Government			Unaudited Component Unit
	Governmental Activities	Business- Type Activities	Total	
ASSETS:				
Cash and cash equivalents	(9,648)	(113,167)	(122,815)	25,123
Interest bearing accounts	491,619	137,151	628,770	
Cash with fiscal agent	0	139,094	139,094	
Certificates of deposit	20,284	272,286	292,570	30,000
Restricted assets:				
Cash and cash equivalents		71,082	71,082	
Total assets	502,255	506,446	1,008,701	55,123
NET POSITION:				
Restricted for these purposes:				
Permanent funds:				
Non-expendable principal:				
Senior Citizens	10,142		10,142	
Ball field	10,142		10,142	
3rd cent	32,560		32,560	
Debt service		71,082	71,082	
Unrestricted	449,411	435,364	884,775	55,123
Total net position	502,255	506,446	1,008,701	55,123

See accompanying notes.

CITY OF CENTERVILLE

STATEMENT OF ACTIVITIES
 MODIFIED CASH BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2018

Functions/Programs: Primary government:	Program Receipts			Net Receipts (Disbursements) and Changes in Net Position			Component Unit (NOT AUDITED)
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General government	99,517	8,545			(90,972)		(90,972)
Public safety	131,962		5,828		(126,134)		(126,134)
Public works	204,429	2,000			(202,429)		(202,429)
Health and welfare	0				0		0
Culture and recreation	233,216	10,414	5,021		(222,802)		(222,802)
Economic development	96,650	26,750			(64,879)		(64,879)
Total governmental activities	765,774	47,709	10,849	0	(707,216)	0	(707,216)
Business-type activities:							
Water	205,814	186,921				(18,893)	(18,893)
Sewer	769,503	217,043		240,000		(312,460)	(312,460)
Total business-type activities	975,317	403,964	0	240,000	0	(331,353)	(331,353)
Total primary government	1,741,091	451,673	10,849	240,000	(707,216)	(331,353)	(1,038,569)
Component unit activity:							
Centerville Housing & Redev Commission	43,095	36,487					(6,608)
General receipts:							
Taxes:							
Property taxes					366,004		366,004
Sales taxes					175,025		175,025
Amusement taxes					168		168
State shared receipts					42,467		42,467
County shared receipts					3,534		3,534
Interest received					1,582	8,418	10,000
Rents and franchise fees					8,214		8,214
Donations					56,568		56,568
Special assessments					5,655		5,655
Miscellaneous receipts					506		506
SRF loan proceeds					0	240,000	240,000
Sale of surplus property					5,465		5,465
Compensation for damaged property					2,743		2,743
Total general receipts and other items					667,931	248,418	916,349
Change in net position					(39,285)	(82,935)	(122,220)
Net position:							
January 1, 2018					541,540	589,381	1,130,921
December 31, 2018					502,255	506,446	1,008,701

See accompanying notes.

CITY OF CENTERVILLE

STATEMENT OF ACTIVITIES
 MODIFIED CASH BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2017

Functions/Programs: Primary government:	Program Receipts			Net Receipts (Disbursements) and Changes in Net Position			Component Unit (NOT AUDITED)
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General government	117,677	13,269			(104,408)		(104,408)
Public safety	121,134				(121,134)		(121,134)
Public works	225,833	2,000			(223,833)		(223,833)
Health and welfare	199		2,319		2,120		2,120
Culture and recreation	159,362	9,104			(150,258)		(150,258)
Economic development	105,405	19,966	5,202		(80,237)		(80,237)
Total governmental activities	729,610	44,339	7,521	0	(677,750)	0	(677,750)
Business-type activities:							
Water	188,041	173,804			(14,237)		(14,237)
Sewer	180,979	199,938			18,959		18,959
Total business-type activities	369,020	373,742	0	0	4,722	4,722	4,722
Total primary government	1,098,630	418,081	7,521	0	(677,750)	4,722	(673,028)
Component unit activity:							
Centerville Housing & Redev Commission	71,720	72,085					365

General receipts:

Taxes:	
Property taxes	357,284
Sales taxes	167,439
Amusement taxes	132
State shared receipts	40,263
County shared receipts	3,505
Interest received	2,264
Rents and franchise fees	12,327
Donations	2,650
Special assessments	5,688
Miscellaneous receipts	610
Total general receipts	592,162
Change in net position	(85,588)
Net position:	
January 1, 2017	627,128
December 31, 2017	541,540

See accompanying notes.

CITY OF CENTERVILLE

BALANCE SHEET -- MODIFIED CASH BASIS
 ALL GOVERNMENTAL FUNDS
 AS OF DECEMBER 31, 2018

	General Fund	Revolving Fund	3rd Cent Fund	Pascale Permanent Senior Citize Fund	Pascale Permanent Ball field Fund	Total
ASSETS:						
Cash and cash equivalents	(7,882)	(265)	(1,501)			(9,648)
Interest bearing accounts	389,203	63,583	34,061	2,349	2,423	491,619
Certificates of deposit				10,142	10,142	20,284
Total assets	381,321	63,318	32,560	12,491	12,565	502,255
FUND BALANCES:						
Nonspendable				10,142	10,142	20,284
Restricted	93		32,560	2,349	2,423	37,425
Committed		63,318				63,318
Assigned	21,100					21,100
Unassigned	360,128					360,128
Total fund balances	381,321	63,318	32,560	12,491	12,565	502,255 *

* Equals net position on
 statement of net position

See accompanying notes.

CITY OF CENTERVILLE

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
BALANCES -- MODIFIED CASH BASIS -- ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2018

	General Fund	Revolving Fund	3rd Cent Fund	Pascale Permanent Senior Citizens Fund	Pascale Permanent Ball field Fund	Total
Receipts:						
Local sources:						
Taxes:						
Ad valorem taxes	366,004					366,004
General sales and use taxes	168,788		6,237			175,025
Amusement taxes	168					168
Licenses and permits:	8,400					8,400
Intergovernmental:						
State shared receipts:						
State grants	10,849					10,849
Bank franchise tax	2,009					2,009
Commercial prorate	1,268					1,268
Liquor tax reversion	5,547					5,547
Motor vehicle licenses (5%)	13,098					13,098
Highway and bridge	20,545					20,545
County shared receipts: road tax	3,534					3,534
Charges for goods and services:						
Government	43					43
Streets	2,000					2,000
Swimming pool	8,493					8,493
Recreation	1,921					1,921
Economic development	26,750					26,750
Fines and forfeits	102					102
Miscellaneous:						
Interest received	1,067	270	132	41	72	1,582
Rents and franchise fees	2,914	5,300				8,214
Donations	55,000		1,568			56,568
Special assessments	5,655					5,655
Other	506					506
Total receipts	704,661	5,570	7,937	41	72	718,281
Disbursements:						
Current:						
General government:						
Mayor and Council	17,138					17,138
Elections						0
Financial administration	58,521					58,521
Other	23,593	265				23,858
Public safety:						
Police	93,057					93,057
Fire	25,383					25,383
Public works:						
Highways and streets	186,696					186,696
Sanitation	5,012					5,012
Health and welfare:						
Ambulance	0					0
Culture and recreation:						
Recreation	3,500					3,500
Parks	37,820					37,820
Pool	31,218					31,218
Library	66,144					66,144
Conservation and development:						
Economic development	93,495		3,155			96,650
Capital outlay	120,777					120,777
Total disbursements	762,354	265	3,155	0	0	765,774
Excess of receipts over (under) disbursements	(57,693)	5,305	4,782	41	72	(47,493)
Other financing sources (uses):						
Sale of surplus property	5,465					5,465
Compensation for damaged property	2,743					2,743
Net change in fund balance	(49,485)	5,305	4,782	41	72	(39,285) *
Fund balance:						
January 1, 2018	430,806	58,013	27,778	12,450	12,493	541,540
December 31, 2018	381,321	63,318	32,560	12,491	12,565	502,255

* Equals change in net position on
statement of activities

See accompanying notes.

CITY OF CENTERVILLE

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
BALANCES -- MODIFIED CASH BASIS -- ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2017

	General Fund	Revolving Fund	3rd Cent Fund	Pascale Permanent Senior Citizens Fund	Pascale Permanent Ball field Fund	Total
Receipts:						
Local sources:						
Taxes:						
Ad valorem taxes	357,284					357,284
General sales and use taxes	161,100		6,339			167,439
Amusement taxes	132					132
Licenses and permits:	12,800					12,800
Intergovernmental:						
State shared receipts:						
State grants	7,521					7,521
Bank franchise tax	1,102					1,102
Liquor tax reversion	5,476					5,476
Motor vehicle licenses (5%)	14,131					14,131
Highway and bridge	19,554					19,554
Other						0
County shared receipts: road tax	3,505					3,505
Vermillion Basis Water Dev. grant						0
Charges for goods and services:						
Government	35					35
Streets	2,000					2,000
Swimming pool	8,384					8,384
Recreation	719					719
Economic development	19,966					19,966
Fines and forfeits	435					435
Miscellaneous:						
Interest received	2,067	73	41	34	49	2,264
Rents and franchise fees	3,027	9,300				12,327
Donations	500		2,150			2,650
Special assessments	5,688					5,688
Other	610					610
Total receipts	626,036	9,373	8,530	34	49	644,022
Disbursements:						
Current:						
General government:						
Mayor and Council	24,529					24,529
Elections	516					516
Financial administration	61,178					61,178
Other	12,521	18,933				31,454
Public safety:						
Police	80,806					80,806
Fire	22,357					22,357
Public works:						
Highways and streets	151,309					151,309
Sanitation	1,165					1,165
Health and welfare:						
Ambulance	199					199
Culture and recreation:						
Recreation	3,651					3,651
Bike path	0					0
Parks	51,882					51,882
Pool	29,092					29,092
Library	54,518					54,518
Conservation and development:						
Economic development	98,232		7,173			105,405
Capital outlay	111,549					111,549
Total disbursements	703,504	18,933	7,173	0	0	729,610
Excess of receipts over (under) disbursements	(77,468)	(9,560)	1,357	34	49	(85,588)
Other financing sources (uses): None						0
Net change in fund balance	(77,468)	(9,560)	1,357	34	49	(85,588) *
Fund balance:						
January 1, 2017	508,274	67,573	26,421	12,416	12,444	627,128
December 31, 2017	430,806	58,013	27,778	12,450	12,493	541,540

* Equals change in net position on statement of activities

See accompanying notes.

CITY OF CENTERVILLE

STATEMENT OF NET POSITION
 MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 AS OF DECEMBER 31, 2018

	Water Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----
ASSETS			
Current assets:			
Cash and cash equivalent	(1,162)	(112,005)	(113,167)
Interest bearing accounts	79,053	58,098	137,151
Cash with fiscal agent		139,094	139,094
Certificates of deposit	190,600	81,686	272,286
	-----	-----	-----
Total current assets	268,491	166,873	435,364
Noncurrent assets:			
Restricted cash and cash equivalent	45,522	25,560	71,082
	-----	-----	-----
Total assets	314,013	192,433	506,446
	=====	=====	=====
NET POSITION			
Restricted - debt service	45,522	25,560	71,082
Unrestricted	268,491	166,873	435,364
	-----	-----	-----
Total net position	314,013	192,433	506,446
	=====	=====	=====

See accompanying notes.

CITY OF CENTERVILLE

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN NET POSITION -- MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2018
 FOR THE YEAR ENDING DECEMBER 31, 2017

	Water Fund	Sewer Fund	2018 Total	Water Fund	Sewer Fund	2017 Total
	-----	-----	-----	-----	-----	-----
Operating receipts:						
Charges for goods and services	186,921	212,711	399,632	173,804	196,393	370,197
Total operating receipts	186,921	212,711	399,632	173,804	196,393	370,197
Operating disbursements:						
Personal services	59,902	60,443	120,345	60,625	60,625	121,250
Other current services	49,257	53,624	102,881	35,442	23,807	59,249
Cost of goods sold	49,859		49,859	46,453		46,453
Capital improvements	1,275	570,582	571,857		14,800	14,800
Total operating disbursements	160,293	684,649	844,942	142,520	99,232	241,752
Excess operating receipts (disbursements)	26,628	(471,938)	(445,310)	31,284	97,161	128,445
Nonoperating receipts (disbursements):						
Interest received	3,866	4,552	8,418	3,633	3,278	6,911
Crop sales		4,332	4,332		3,545	3,545
Crop cost		0	0		(363)	(363)
Debt service - principal	(26,673)	(47,700)	(74,373)	(25,215)	(45,615)	(70,830)
Debt service - interest	(18,848)	(34,754)	(53,602)	(20,306)	(35,769)	(56,075)
Debt service - bond counsel		(2,400)	(2,400)			0
Total nonoperating receipts (disbursements)	(41,655)	(75,970)	(117,625)	(41,888)	(74,924)	(116,812)
Excess receipts (disbursements) before grants and loan proceeds	(15,027)	(547,908)	(562,935)	(10,604)	22,237	11,633
State Community Access grant		240,000	240,000			0
SRF loan proceeds		240,000	240,000			0
Change in net position	(15,027)	(67,908)	(82,935)	(10,604)	22,237	11,633
Net position:						
December 31, 2016				339,644	238,104	577,748
December 31, 2017	329,040	260,341	589,381	329,040	260,341	589,381
December 31, 2018	314,013	192,433	506,446			

See accompanying notes.

CITY OF CENTERVILLE

STATEMENT OF CASH FLOWS-- MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2018
 FOR THE YEAR ENDING DECEMBER 31, 2017

	Water Fund	Sewer Fund	2018 Total	Water Fund	Sewer Fund	2017 Total
	-----	-----	-----	-----	-----	-----
Cash flows from:						
Operating activities:						
Receipts from customers	186,921	212,711	399,632	173,804	196,393	370,197
Cost of employees	(59,902)	(60,443)	(120,345)	(60,625)	(60,625)	(121,250)
Payments to suppliers	(99,116)	(53,624)	(152,740)	(81,895)	(23,807)	(105,702)
Capital improvements	(1,275)	(570,582)	(571,857)		(14,800)	(14,800)
Net cash provided (used) by operating activities	26,628	(471,938)	(445,310)	31,284	97,161	128,445
Noncapital financing activities:						
None			0			0
Capital financing activities:						
State Community Access grant		100,906	100,906			0
SRF loan proceeds		240,000	240,000			0
Debt service - principal	(26,673)	(47,700)	(74,373)	(25,215)	(45,615)	(70,830)
Debt service - interest	(18,848)	(34,754)	(53,602)	(20,306)	(35,769)	(56,075)
Debt service - bond counsel		(2,400)	(2,400)			0
Investing activities:						
Interest received	3,866	4,552	8,418	3,633	3,278	6,911
Net crop income (loss)		4,332	4,332		3,182	3,182
Redeem certificate of deposits			0			0
Purchase certificate of deposits			0			0
Net increase (decrease) in cash and cash equivalents	(15,027)	(207,002)	(222,029)	(10,604)	22,237	11,633
Cash and cash equivalents:						
December 31, 2016				149,044	156,418	305,462
December 31, 2017	138,440	178,655	317,095	138,440	178,655	317,095
December 31, 2018	123,413	(28,347)	95,066			
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Excess operating receipts or (disbursements)	26,628	(471,938)	(445,310)	31,284	97,161	128,445
Net cash provided (used) by operating activities	26,628	(471,938)	(445,310)	31,284	97,161	128,445
Noncash investing, capital and financing activities: None						
See accompanying notes.						

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in note 1.c, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the City of Centerville's (City) Governing Board.

The City's officials at December 31, 2018 are:

Mayor:	Finance Officer:
Daniel Thompson	Kristin Hazen
Council:	Attorney:
Sandra Schryer, President	Darrell A. Jesse
Adam Carlson	
David Fisher	
Jana Goetz	
Kory Henrichs	
Jacqueline Krebs	

The City's financial reporting entity is composed of the following:

Financial Reporting Entity:
Primary Government: - City of Centerville
Component Unit: - Centerville Housing & Redevelopment Commission

To determine the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The reporting entity of the City of Centerville consists of (1) the primary government, which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the City (the primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City unless that organization can, without the approval of the City: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money, unless it would be misleading to exclude the organization because of its relationship with the City.

Based upon the application of these criteria, the Centerville Housing & Redevelopment Commission (CHRC) is a component unit of the City of Centerville. CHRC represents 100% of the balances and activity in the discretely presented component unit column of these financial statements.

CHRC is organized to provide housing in Centerville under SDCL 11-7-7. In 2018 CHRC sold its two 4-plex apartment units and has no housing units at December 31, 2018. Financial information about CHRC is available at the Centerville City Hall.

b. Basis of Presentation:

Government-wide Financial Statements:

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds (if any). The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for good and services.

Discretely presented component units (if any) are legally separate organizations that meet certain criteria, as described in note 1.a, above, and may be classified as either governmental or business-type activities. See discussion of individual component units in note 1.a, above.

The Statement of Net Position reports all cash assets. Net position is displayed in two components: restricted (distinguishing between major categories of restrictions) and unrestricted.

The Statement of Activities presents a comparison between direct disbursements and program receipts for each function of the City's governmental activities and for each segment of City's business-type activities. Direct disbursements are associated with a specific program or function and are clearly identifiable to a particular function. Program receipts include (a) charges paid by recipients of goods and services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts that are not classified as program receipts, including all taxes and interest, are presented as general receipts.

Fund Financial Statements:

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its cash, net position, receipts and disbursements. Funds are organized into three major categories: governmental, enterprise, and fiduciary (if any). An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the City or if it meets the following criteria:

- a. Total cash, receipts or disbursements of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (cash, receipts or disbursements) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

Funds of the City are described below within their respective fund type:

Governmental Funds

General Fund - a fund established by South Dakota Codified Law (SDCL) 4-11-6 to met all the general operational costs of the City except those required to be accounted for in another fund. The general fund is always a major fund.

Special Revenue Funds - special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City has the following special revenue funds:

3rd cent sales tax fund - A fund allowed by SDCL 10-52-8 to account for the receipts from the 3rd cent sales tax imposed on liquor, lodging and dining sales. The 3rd cent can be spent on the promotion of the city. The 3rd cent fund is a major fund.

Revolving Loan Fund - The revolving loan fund is a special revenue fund used for economic development by making loans to start or expand local businesses. The revolving loan fund was created in the 1980's from 5 years of \$10,000 property tax levies. The revolving loan fund is a major fund.

Permanent Funds - permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs - that is, for the benefit of the City or its citizenry.

Pascale Senior Citizen Permanent Fund - This permanent fund is used to account for a bequest from the sale of the Pascale Building. Principal cannot be spent, but interest received is used to support senior citizens activities. The Pascale senior citizens fund is a major fund.

Pascale Ball Field Permanent Fund - This permanent fund is used to account for a bequest from the sale of the Pascale Building. Principal cannot be spent, but interest received is used to support the ball field. The Pascale ball field fund is a major fund.

Enterprise Funds (Business-Type)

Enterprise Funds - enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The City has the following enterprise funds:

Water fund - A fund allowed by SDCL 9-47-1 to provide water to customers within the City of Centerville. The water fund is a major fund.

Sewer fund - A fund allowed by SDCL 9-48-2 to provide sewer services to customers within the City of Centerville. The sewer fund is a major fund.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

The City of Centerville has no fiduciary funds.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses (disbursements) are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The City's basis of accounting is the modified cash basis of accounting, which is a basis of accounting other than US-GAAP. Under US-GAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis of accounting, transactions are recorded when cash is received or disbursed.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as described below.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, applied within the limitations of the modified cash basis of accounting.

Basis of Accounting:

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, business-type, and component units activities are presented using a modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipts and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the City in these financial statements are certificates of deposit (if any) whose maturity when purchased is more than 90 days.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City applied US-GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for enterprise funds and fiduciary funds (if any) would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

d. Cash and Cash Equivalents:

For purposes of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments (if any) in open-end mutual funds shares or similar investments in external investment pools, are also considered to be cash equivalents.

Financial statement investments consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those type of investments authorized by South Dakota Codified Laws (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

For the year ending December 31, 2018 all enterprise fund deposits are considered to be cash and cash equivalent for purposes of the statement of cash flow except certificates of deposit totaling \$272,286 held for the water and sewer funds because their maturity when purchased was longer than three months and they are not part of a pool.

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Interfund charges for utility services are not material to these financial statements and, consequently, they are not separately shown.

f. Program Receipts and General Receipts:

Program Receipts:

In the government-wide Statement of Activities, reported program receipts derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program receipts are classified in three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contribution - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General Receipts:

General receipts include all receipts not specifically earmarked for a specific program. General receipts include all taxes, interest received, unrestricted receipts from federal, state, or county governments, and miscellaneous receipts not related to a program. These receipts are not restricted and can be used for the regular operation of the City.

g. Enterprise Fund Receipt Classifications:

In both the government-wide statements and fund financial statements, enterprise fund operating receipts, such as charges for water and sewer services, result from exchange transactions associated with the fund's principal activity. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, if any, such as grants, operating subsidies, interest received, and transfers in, result from nonexchange transactions.

h. Equity Classifications:

Government-wide financial Statements:

Equity is classified as net position and is displayed in two components:

1. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position - All other net position that does not meet the definition of "restricted net position".

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (if any) (except for agency funds, which have no fund equity) is reported as "Net Position Held in Agency Capacity."

i. Application of Net Position:

It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.

j. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

- * Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- * Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- * Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- * Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Council or Finance Officer.
- * Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

The City of Centerville fund balance classifications are made up of:

<u>Fund Balance Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	Pascale - Senior Citizens	Bequest	10,142
	Pascale - Ball Fields	Bequest	10,142
Restricted	Library	Statute	93
Restricted	Pascale - Senior Citizens	Bequest	2,349
	Pascale - Ball Fields	Bequest	2,423
	3rd Cent	Statute	32,560
Committed	Revolving Loan	Ordinance	63,318
Assigned	General - Pool repair	Resolution	21,100
Unassigned	General		360,128

			502,255

The City uses "restricted" and "committed" amounts first when restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use "committed", then "assigned", and lastly "unassigned" amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

The City's special revenue 3rd cent sales tax funds receives its revenue from the 3rd cent sales tax. The City's special revenue revolving loan fund receives its revenue from rents and interest received. See page 14 and 15.

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

Budget overdrafts:

The City is prohibited by statute from spending in excess of appropriated amounts by department within a fund. The following represents overdrafts of departmental expenditures compared to appropriations:

2018:	General fund - General Government/Other	873
	General fund - Culture and Recreation/Pool	74,893
2017:	General fund - General Government/Mayor and Council	759
	General fund - General Government/Financial Administration	3,982
	General fund - Conservation and Dev/Economic Development	774

In the future, the City expects to make contingency transfers or adopt supplemental appropriations to cover disbursements that will exceed their original appropriation.

3. DEPOSITS, INVESTMENTS AND RELATED RISKS

Except for restricted cash held by 3rd parties and bank certificates of deposit purchased for an individual fund, the City follows the practice of aggregating deposits of its various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The City deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is the add-on type.

Actual bank balances at December 31, 2018 were as follows: Insured \$275,521, Collateralized ** \$881,517, for a total of \$1,157,038.

** Uninsured, collateral jointly held by state's/municipality's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at December 31, 2018 was \$1,008,701 held as follows.

One American Bank:	
Checking	\$ (122,941)
Savings	699,853
Certificates of deposit	292,570

	\$ 869,482
Cash with fiscal agent - DENR	139,094
Petty cash	125

	\$ 1,008,701
	=====

Investments - In general, SDCL 4-5-6 permits City money to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. Investments (if any) are stated at cost.

Certificates of deposit, with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

Investment Risk - State law limits eligible investments for the City as discussed above. The City has no investment policy that would further limit its investment choices.

During the two years ending December 31, 2018 the City had no investments.

Custodial Risk (Deposits) - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At December 31, 2018 the City was not exposed to custodial risk for deposits at One American Bank.

Custodial Risk (Investments) - The risk that, in the event of a default by the counterparty to a transaction, the City will not be able to recover the value of an investment or collateral securities held by the counterparty. During the two years ending December 31, 2018 the City was not exposed to custodial risk for investments because the City had no investments.

Concentration of Credit Risk - the City places no limit on the amount that may be invested in any one institution. The percentage of investments in an institution is shown above.

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the general fund or the fund making the investment. The City's policy is to credit all income from deposits and investments to the fund making the deposit or investment.

4. RESTRICTED NET POSITION

The following table shows the net position restricted for specific purposes as shown on the statement of net position:

Purpose:	Restricted By:	Governmental	Business-Type
Permanent funds:			
Senior citizens	Bequest	10,142	
Ball field	Bequest	10,142	
3rd cent fund	Statute	32,560	
Water fund	Debt Covenants		45,522 (1)
Sewer fund	Debt Covenants		25,560 (1)
		-----	-----
		52,844	71,082 (2)
(1) One year of payments			
(2) Restricted cash			

5. INTERFUND TRANSFERS

There were no interfund transfers in 2017 or 2018.

6. REVOLVING LOAN FUND

The City maintains a special revenue revolving loan fund for the purpose of making loans to local business for economic development and to hold properties that are rented to local merchants.

7. FUTURE REVENUES PLEDGED TO SECURE DEBT

All water fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure the 2004 Drinking Water Revenue Bond, which has a remaining balance of \$572,914. The bond was incurred to cover the cost of water improvements as described on page 38. The bond will mature in 2035. In 2018 the bond had pledged revenue of \$27,903 and total bond payments of \$45,521.

All sewer fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure a 2002 Clean Water SRF loan, which has a remaining balance of \$173,754, a 2007 USDA Rural Development Loan, which has a remaining balance of \$356,528, a 2013 Clean Water SRF loan, which has a remaining balance of \$371,339, and a 2018 Clean Water SRF loan, which has a remaining balance of \$240,000. These loans were incurred to cover the cost of sewer improvements as described on page 38. The 2002 loan will mature in 2024, the 2007 loan will mature in 2040, the 2013 loan will mature in 2045, and the 2018 loan will mature in 2048. In 2018 the bonds had pledged revenue of \$98,644 and total bond payments of \$82,454.

8. LIBRARY

The City of Centerville and the Centerville School District operate a joint library. The library has a 6 person board on which there are 3 members from the City of Centerville and 3 members from the Centerville School District. However, the City and the School each pay their own library expenses, including payroll. The library has essentially no expenses of its own. The City's library cost are accounted for in the City's general fund.

Library "fine" and "gift" activity had \$93 positive cash at December 31, 2018. This cash is accounted for within the general fund. Activity in this account is not considered material to these financial statements.

9. CENTERVILLE DEVELOPMENT CORPORATION

The Centerville Development Corporation is a legally separate organization with an 9 member board, 2 of whom are appointed by the Centerville City Council. It can set its own budget, own rates for services, and borrow money without Centerville City Council permission. Consequently, it is not considered a component unit of the City of Centerville. However, the City of Centerville does pay the salary and related expenses of its Economic Development Coordinator, which in 2018 was \$76,469.

In 2018 the City sold its NAPA and Sewing Room buildings to the Centerville Development Corporation for \$1.00. The City also deeded two lots in the Millennium Addition to the Centerville Development Corporation.

10. PENSION PLAN

Summary of Significant Accounting Policies:

As mentioned in note 1c above, these financial statements, both government-wide and fund financial statements, are presented on a modified cash basis of accounting rather than an accrual/modified accrual basis of accounting. Consequently, these financial statements do not measure the net pension (asset) liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, expense reduction, and information about the fiduciary net position of the South Dakota Retirement System (SDRS).

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605)773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of the employee's final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 thereafter of the employee's final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefit are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable on each July 1st is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more - 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
> 90.0% to 99.9% funded - 2.1% minimum and 2.8% maximum COLA
> 80.0% to 89.9% funded - 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% - 2.1% COLA

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDRS 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the years ending December 31, 2018, 2017, and 2016 were \$15,672, \$16,635 and \$15,388 (employer's share) respectively, equal to the required contribution each year.

Pension Liabilities (Assets):

At June 30, 2018, SDRS is 100.02% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System, for the City as of June 30, 2018 are as follows:

Proportionate share of total pension liability	\$ 1,708,087
Less: Proportionate share of SDRS net position restricted for pension benefits	(1,708,412)

Proportionate share of net pension liability (asset)	\$ (325)
	=====

The net pension liability (asset) was measured as of June 30, 2018 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the City's share of contribution to the pension plan relative to the contributions of all participating entities. At June 30, 2018 the City's proportion was .0139625%, which is an increase of .0010962% from its proportion on June 30, 2017.

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2018 actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount rate	6.50% net of pension plan investment expense

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males.

Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2016.

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flow used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of (Asset)/Liability to Changes in the Discount Rate:

The following presents the City's proportionate share of SDRS's net pension (asset)/liability, calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1% lower (5.50%) or 1% higher (7.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's share of SDRS net pension (asset)/liability	\$ 245,948 liability	\$ (325) asset	\$ (200,656) asset

Investments:

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (ie: the Council should use the same degree of care as a prudent man).

Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on

pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 (see discussion of the pension plan's investment policy above) are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%

	100.0%	

Pension Plan Fiduciary Net Position:

Detailed information about the plan's fiduciary net position is available in the separately issued South Dakota Retirement System financial report.

11. PROPERTY TAX

Taxes are levied on or before October 1, attach as an enforceable lien on property, become due and payable on the following January 1, and are payable in two installment on or before the following April 30 and October 31. The county bills and collects the City's taxes and remits them to the City.

12. INSURANCE

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. During the two years ending December 31, 2018 the City managed its risks as follows:

Employee Health Insurance:

The City joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members.

The City does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the

experience to date of the SDPAA member, based on their exposure or type of coverage. The City pay's an annual premium to the pool to provide coverage for: general liability, officials liability, automobile insurance, and law enforcement liability, property, boiler and machinery insurance.

Effective January 1, 2018 the SDPAA revised the method of calculating the amount available to be refunded to a withdrawing member. Upon giving proper written notice to the SDPAA a member may withdraw. Within 120 days following withdrawal, or as soon thereafter as the next Annual Budget is completed, the SDPAA will advise the withdrawing member of its total calculated portion of contributions made to the SDPAA that shall be refunded. Refunds are calculated based on the pool's total contributions, along with the member's total contributions, current losses, unpaid losses, and loss expenses, the member's loss ratio, and number of membership years.

A member who withdraws from the SDPAA shall receive a calculated portion of their contributions refunded for unpaid casualty losses, based on the following schedule:

Years	1	2	3	4	5	6+
Percentage	55%	50%	40%	35%	30%	20%

All refunds shall be paid to the withdrawing member over a 5 year term.

As of December 31, 2018, the City's balance available to be refunded per the SDPAA was \$12,270, which was a decrease of \$6,433 from December 31, 2016. The change in the amount available for refund is not reported in the current period because these financial statements are on the modified cash basis of accounting.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The City joined the South Dakota Municipal League Workers' Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities.

The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims.

The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. No unemployment payments were made during the two years ending December 31, 2018 and none are expected in 2019.

13. TAX ABATEMENTS

As of December 31, 2018 the City did not provide any tax abatement incentives through its Tax Increment Financing District Project or through other agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

14. LITIGATION

The City can be a party to litigation. No determination can be made at this time regarding the potential outcome of possible matters. However, as discussed in the risk management note above, the City has liability coverage for itself and its employees. Therefore, any litigation is not expected to have a potential material effect on the City's financial statements.

15. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The City does not operate a landfill.

The City does not have any material related party activities.

The City does not offer any "Other Post Employment Benefits".

The City is not involved in any pending or threatened litigation.

In 2018 the Centerville Housing & Redevelopment Commission sold it two remaining buildings and paid off its two Essential Function Housing Development Revenue Bonds. Consequently, the City is no longer responsible to guarantee 25% of those bonds.

In 2019 the City completed its Main Street project at a total cost of about \$525,000.

CITY OF CENTERVILLE

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2018

GENERAL FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental:		
Receipts:					
Receipts from local sources					
Taxes:					
Ad valorem taxes	380,664			380,664	(14,660)
Sales and use tax	165,000			168,788	3,788
Amusement tax	250			250	(82)
Licenses and permits:	6,775			8,400	1,625
Intergovernmental receipts:	51,500			51,500	5,350
Charges for goods and servi.	11,200			11,200	39,207
Fines and forfeits	2,000			2,000	102
Miscellaneous receipts:	38,904			38,904	65,142
Total receipts	656,293	0	0	656,293	704,661
Disbursements:					
General government:					
Mayor and Council	19,270		2,005	21,275	17,138
Contingency	20,000			20,000	20,000
Amount transferred		(15,100)		(15,100)	(15,100)
Elections	800			800	800
Financial administration	60,389		5,575	65,964	58,521
Other	13,220	9,500		22,720	23,593
Public safety:					
Police	87,557		58,347	145,904	97,057
Fire	36,020			36,020	34,906
Public works:					
Highways and streets	243,078			243,078	199,417
Sanitation	500	4,600		5,100	5,012
Health and welfare:					
Ambulance	0			0	0
Culture and recreation:					
Recreation	3,500			3,500	3,500
Parks	47,302	1,000		48,302	40,291
Pool	35,094		5,102	40,196	115,089
Library	60,821		16,452	77,273	74,335
Conservation and development:					
Economic development	95,894			95,894	93,495
Total disbursements	723,445	0	87,481	810,926	762,354
Excess of receipts over (under) disbursement:	(67,152)	0	(87,481)	(154,633)	(57,693)
Other financing sources (uses):					
Sale of surplus property	10,000		5,000	15,000	5,465
Compensation for damaged }	0			0	2,743
Net change in fund balance	(57,152)	0	(82,481)	(139,633)	(49,485)
Fund balance:					
January 1, 2018	430,806			430,806	430,806
December 31, 2018	373,654	0	(82,481)	291,173	381,321

CITY OF CENTERVILLE

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2017

GENERAL FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)	
	Original	Contingency Transfers	Supplemental: Final			
Receipts:						
Receipts from local sources						
Taxes:						
Ad valorem taxes	369,689		369,689	357,284	(12,405)	
Sales and use tax	165,000		165,000	161,100	(3,900)	
Amusement tax	230		230	132	(98)	
Licenses and permits:	5,700		5,700	12,800	7,100	
Intergovernmental receipts:	112,500		112,500	51,289	(61,211)	
Charges for goods and servi:	13,100		13,100	31,104	18,004	
Fines and forfeits	2,000		2,000	435	(1,565)	
Miscellaneous receipts:	44,000		44,000	11,892	(32,108)	
Total receipts	712,219	0	0	626,036	(86,183)	
Disbursements:						
General government:						
Mayor and Council	20,770		3,000	23,770	24,529	(759)
Contingency	20,000			20,000		20,000
Amount transferred		(3,671)		(3,671)		(3,671)
Elections	800			800	516	284
Financial administration	54,496	100	2,600	57,196	61,178	(3,982)
Other	12,500	200	1,800	14,500	12,521	1,979
Public safety:						
Police	106,013	300	9,270	115,583	86,492	29,091
Fire	35,050	120	4,200	39,370	34,642	4,728
Public works:						
Highways and streets	144,685		35,000	179,685	164,784	14,901
Sanitation	1,361		2	1,363	1,165	198
Health and welfare:						
Ambulance	925			925	199	726
Culture and recreation:						
Recreation	3,500		151	3,651	3,651	0
Bike path	70,000			70,000	59,884	10,116
Parks	66,011	2,201	26,200	94,412	63,846	30,566
Pool	45,095		3,240	48,335	29,092	19,243
Library	63,922		710	64,632	62,773	1,859
Conservation and development:						
Economic development	91,401	750	5,307	97,458	98,232	(774)
Total disbursements	736,529	0	91,480	828,009	703,504	124,505
Excess of receipts over (under) disbursement:	(24,310)	0	(91,480)	(115,790)	(77,468)	38,322
Other financing sources (uses):						
Sale of assets	8,000			8,000		(8,000)
Net change in fund balance	(16,310)	0	(91,480)	(107,790)	(77,468)	30,322
Fund balance:						
January 1, 2017	508,274			508,274	508,274	0
December 31, 2017	491,964	0	(91,480)	400,484	430,806	30,322

CITY OF CENTERVILLE

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE ONE YEAR ENDING DECEMBER 31, 2018

REVOLVING LOAN FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplemental:	Final		
Receipts:					
Miscellaneous receipts:					
Interest	80		80	270	190
Rents	9,600		9,600	5,300	(4,300)
Total receipts	9,680	0	9,680	5,570	(4,110)
Disbursements:					
General government:					
Other - buildings	4,000		4,000	265	3,735
Total disbursements	4,000	0	4,000	265	3,735
Excess of receipts over (under) disbursements	5,680	0	5,680	5,305	(375)
Other financing sources (uses):					
None			0		0
Net change in fund balance	5,680	0	5,680	5,305	(375)
Fund balance:					
January 1, 2018	58,013		58,013	58,013	0
December 31, 2018	63,693	0	63,693	63,318	(375)

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE ONE YEAR ENDING DECEMBER 31, 2017

REVOLVING LOAN FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplemental:	Final		
Receipts:					
Miscellaneous receipts:					
Interest	100		100	73	(27)
Rents	9,600		9,600	9,300	(300)
Total receipts	9,700	0	9,700	9,373	(327)
Disbursements:					
General government:					
Other - buildings	0	19,000	19,000	18,933	67
Total disbursements	0	19,000	19,000	18,933	67
Excess of receipts over (under) disbursements	9,700	(19,000)	(9,300)	(9,560)	(260)
Other financing sources (uses):					
None			0		0
Net change in fund balance	9,700	(19,000)	(9,300)	(9,560)	(260)
Fund balance:					
January 1, 2017	67,573		67,573	67,573	0
December 31, 2017	77,273	(19,000)	58,273	58,013	(260)

CITY OF CENTERVILLE

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE ONE YEAR ENDING DECEMBER 31, 2018

3RD CENT SALES TAX FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplemental:	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax	7,000		7,000	6,237	(763)
Miscellaneous receipts:					
Interest received	45		45	132	87
Donations	2,200		2,200	1,568	(632)
Total receipts	9,245	0	9,245	7,937	(1,308)
Disbursements:					
Public works:					
Highways and streets			0		0
Conservation and development:					
Economic development	8,000		8,000	3,155	4,845
Total disbursements	8,000	0	8,000	3,155	4,845
Excess of receipts over (under) disbursement:	1,245	0	1,245	4,782	3,537
Other financing sources (uses):					
None	0		0		0
Net change in fund balance	1,245	0	1,245	4,782	3,537
Fund balance:					
January 1, 2018	27,778		27,778	27,778	0
December 31, 2018	29,023	0	29,023	32,560	3,537

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE ONE YEAR ENDING DECEMBER 31, 2017

3RD CENT SALES TAX FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplemental:	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax	8,000		8,000	6,339	(1,661)
Miscellaneous:					
Interest received	25		25	41	16
Donations	1,400		1,400	2,150	750
Total receipts	9,425	0	9,425	8,530	(895)
Disbursements:					
Public works:					
Highways and streets			0		0
Conservation and development:					
Economic development	9,000		9,000	7,173	1,827
Total disbursements	9,000	0	9,000	7,173	1,827
Excess of receipts over (under) disbursement:	425	0	425	1,357	932
Other financing sources (uses):					
None	0		0		0
Net change in fund balance	425	0	425	1,357	932
Fund balance:					
January 1, 2017	26,421		26,421	26,421	0
December 31, 2017	26,846	0	26,846	27,778	932

CITY OF CENTERVILLE

BUDGETARY SUPPLEMENTARY INFORMATION

NOTES TO BUDGETARY COMPARISON SCHEDULES FOR THE GENERAL
FUND AND SPECIAL REVENUE FUNDS FOR THE TWO YEARS
ENDING December 31, 2018

1. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the budgetary supplementary information:

- a. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
- b. After adoption by the governing board, the operating budget is legally binding and actual disbursements for each purpose cannot exceed the amounts budgeted, except as indicated in d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. There were two supplemental budgets for the 2018 year and one supplemental budget for the 2017 year. See page 33 and 34 for more information.
- e. Formal budgetary integration is employed as a management control device for the general, revolving loan, and 3rd cent funds.
- f. The budget for the general, revolving loan and 3rd cent funds are not adopted on a basis consistent with generally accepted accounting principles (GAAP) because all accounting, and the adoption of the all budgets, is on a modified cash basis of accounting.

2. GAAP AND BUDGETARY ACCOUNTING BASIS DIFFERENCE:

The financial statements prepared in conformity with U.S.GAAP (within the context of the modified cash basis of accounting) present capital outlay expenditure information as a separate category of disbursements. Under the budgetary basis of accounting, capital outlay disbursements are reported within the function to which they relate. For example, the purchase of a road grader would be reported as a capital disbursement on the governmental funds statement of receipts, disbursement and changes in fund balance. However, in the budgetary RSI schedule, the purchase of a road grader would be reported as a disbursement in the public works function of general fund, along with all other current public works disbursements.

CITY OF CENTERVILLE

SCHEDULE OF CHANGES IN LONG-TERM DEBT
FOR THE TWO YEARS ENDING DECEMBER 31, 2018

	Beginning 12-31-16	2017 Additions (Deletions)	2018 Additions (Deletions)	Governmental Funds Ending 12-31-18	Enterprise Funds Ending 12-31-18	Principal Payments Due in 2019
BUSINESS-TYPE						
Debts serviced by business-type activities:						
2002 Clean Water State Revolving Loan Fund:						
Original approved loan of \$500,000						
Maturing on 4-1-2024						
Interest at 3.5%						
Quarterly payments of \$8,716.87						
Paid by the sewer fund	229,124	(27,203)	(28,167)		173,754	29,166
2004 Drinking Water State Revolving Loan Fund:						
Original amount of \$870,000						
Maturing in 1-1-2035						
Interest at 2.50%						
Administrative fee at 0.75%						
Quarterly payments of \$11,380.39						
Paid by the water fund	624,802	(25,215)	(26,673)		572,914	26,902
2007 USDA Rural Development Loan:						
Original amount of \$500,000						
Maturing in 2040						
Interest at 4.125%						
Monthly payments of \$2,130.00						
Paid by the sewer fund	377,330	(9,979)	(10,823)		356,528	10,853
2013 Clean Water State Revolving Loan Fund:						
Original approved loan of \$400,509						
Maturing on 5-15-2045						
Interest at 3.25%						
Quarterly payments of \$5,239.06						
Paid by the sewer fund	388,482	(8,433)	(8,710)		371,339	8,997
2018 Clean Water State Revolving Loan Fund:						
Original approved loan of \$240,000						
Maturing on 11-15-2048						
Interest at 2.50%						
Quarterly payments of \$2,848.84						
Paid by the sewer fund	0	0	240,000		240,000	5,446
Totals	1,619,738	(70,830)	165,627	0	1,714,535	81,364

CITY OF CENTERVILLE

SCHEDULE OF PAYMENTS FOR LONG-TERM DEBT
AT DECEMBER 31, 2018

	Total Payment	Principal	Interest	Balance
2002 Clean Water State Revolving Loan Fund:				
2019	34,868	29,166	5,702	144,588
2020	34,867	30,200	4,667	114,388
2021	34,868	31,271	3,597	83,117
2022	34,867	32,380	2,487	50,737
2023	34,868	33,529	1,339	17,208
2024	34,867	17,208	17,659	0
Totals	209,205	173,754	35,451	
2004 Drinking Water Revenue Borrower Bond:				
2019	45,522	26,902	18,620	546,012
2020	45,521	27,776	17,745	518,236
2021	45,522	28,679	16,843	489,557
2022	45,521	29,611	15,910	459,946
2023	45,522	30,573	14,949	429,373
2024-2028	227,608	168,433	59,175	260,940
2029-2033	227,608	197,641	29,967	63,299
2034-2036	66,000	63,299	2,701	0
Totals	748,824	572,914	175,910	
2007 USDA Rural Development Loan:				
2019	25,560	10,853	14,707	345,675
2020	25,560	11,301	14,259	334,374
2021	25,560	11,767	13,793	322,607
2022	25,560	12,253	13,307	310,354
2023	25,560	12,758	12,802	297,596
2024-2028	127,800	72,131	55,669	225,465
2029-2033	127,800	88,287	39,513	137,178
2034-2038	127,800	108,062	19,738	29,116
2039-2040	30,513	29,116	1,397	0
Totals	541,713	356,528	185,185	
2013 Clean Water State Revolving Loan Fund:				
2019	20,956	8,997	11,959	362,342
2020	20,956	9,293	11,663	353,049
2021	20,956	9,598	11,358	343,451
2022	20,956	9,914	11,042	333,537
2023	20,957	10,240	10,717	323,297
2024-2028	104,781	56,482	48,299	266,815
2029-2033	104,781	66,404	38,377	200,411
2034-2038	104,781	78,070	26,711	122,341
2039-2043	104,781	91,784	12,997	30,557
2044-2045	41,912	30,557	11,355	0
Totals	565,817	371,339	194,478	
2018 Clean Water State Revolving Loan Fund:				
2019	11,395	5,446	5,949	234,554
2020	11,395	5,584	5,811	228,970
2021	11,395	5,724	5,671	223,246
2022	11,395	5,869	5,526	217,377
2023	11,396	6,017	5,379	211,360
2024-2028	56,977	32,441	24,536	178,919
2029-2033	56,977	36,746	20,231	142,173
2034-2038	56,977	41,623	15,354	100,550
2039-2043	56,977	47,146	9,831	53,404
2044-2048	56,977	53,404	3,573	0
Totals	341,861	240,000	101,861	

CITY OF CENTERVILLE
FOR THE FIVE YEARS ENDING DECEMBER 31, 2018

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET)/LIABILITY

SDRS Measurement Date Year Ended (1)	City's Percentage of the Net Pension Asset	City's Proportionate Share of Net Pension (Asset) Liability	City's Covered Employee Payroll for its 6-30 Year End	Liability as a City's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2018	0.0139625%	(326)	280,000	(00.12%)	100.02%
June 30, 2017	0.0128663%	(1,168)	251,362	(00.46%)	100.10%
June 30, 2016	0.0139806%	47,225	235,962	20.01%	96.89%
June 30, 2015	0.0130917%	(55,526)	223,729	(24.82%)	104.10%
June 30, 2014	0.0132712%	(95,614)	216,900	(44.08%)	107.30%

(1) The amounts presented for each fiscal year were determined as of the collective net pension liability (asset) which is 6-30 of the City's current calendar year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF CENTERVILLE
FOR THE FIVE YEARS ENDING DECEMBER 31, 2018

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

City's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
December 31, 2018	15,672	15,672	0	251,979	6.22%
December 31, 2017	16,635	16,635	0	266,416	6.24%
December 31, 2016	15,388	15,388	0	227,556	6.76%
December 31, 2015	14,927	14,927	0	232,752	6.41%
December 31, 2014	13,798	13,798	0	215,084	6.42%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

REPORT ON
COMPLIANCE AND OTHER MATTERS AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board
City of Centerville
Centerville, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of governmental activities, business-type activities, and each major fund, of the City of Centerville (City), Turner County, South Dakota, as of December 31, 2018 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's modified cash basis of accounting financial statements and have issued my report thereon dated December 17, 2019 which was unmodified except for a disclaimer of opinion on the discretely presented component unit, which I was not engaged to audit.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether City of Centerville's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current audit findings as items 2018-01 and 2018-02.

Management response to the findings identified in my audit are described in the accompanying schedule of current audit findings. Management's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

I did note other minor matters involving compliance that I reported to the governing body and management of the City of Centerville in a separate Letter of Comments dated December 17, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Centerville's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of City of Centerville's internal control.

A *deficiency in internal control* exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of City of Centerville's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

I did identify certain deficiencies in internal control, described in the accompanying schedule of current audit findings that I consider to be significant deficiencies. I consider the deficiencies described in the accompanying schedule of current audit findings as items 2018-01, 2018-02, and 2018-03 to be significant deficiencies.

Management responses to the findings identified in my audit are described in the accompanying schedule of current audit findings. Management's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

I did note other matters involving internal control that I reported to the governing body and management of the City of Centerville in a separate Letter of Comments dated December 17, 2019.

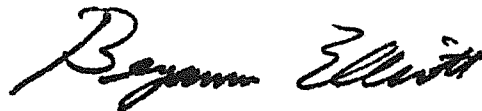
Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on the effectiveness of the City's compliance or internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance and internal control over financial reporting. Accordingly this communication is not suitable for any other purpose.

As required by South Dakota Codified Law 4-11-11, this report is a mater of public record and its distribution is not limited.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

December 17, 2019



CITY OF CENTERVILLE
SCHEDULES OF AUDIT FINDINGS
DECEMBER 31, 2018

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit finding:
Not applicable to this audit

Prior Other Audit Findings:
2010-01 Budget Overdrafts - Repeated below
2010-02 Preparation of Financial Statements - Repeated below

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Finding 2018-01: Monitoring Centerville Development Corporation
(compliance and internal control)

Criteria:

SDCL 9-13-11 requires a city that gives money to a nonprofit organization to promote the city, to get a certified audit or financial statement of the nonprofit organization at the end of each fiscal year.

Condition:

In 2017 and 2018 City paid the salary and related cost of the Centerville Development Corporation's Economic Development Coordinator. However, the City did not receive a certified audit or financial statement from the Centerville Development Corporation at the end of each fiscal year.

Effect:

Expenditures of City money by a nonprofit organization that cannot be monitored by the City can lead to misappropriation of City money.

Recommendation:

I recommend the City require the Centerville Development Corporation to provide a certified audit or financial statement to the City at the end of its fiscal year before the City agrees to subsidize the salary and related cost of its Economic Development Coordinator.

Management Response:

Management agrees with this recommendation.

Finding 2018-02: Budget Overdrafts
(compliance and internal control)

Criteria:

SDCL 9-21 requires governmental expenditures to be authorized in an annual appropriation ordinance, or by a supplemental appropriation ordinance, by the governing body before the end of year. The City is prohibited from spending in excess of appropriated amounts at the sub-function level.

Condition:

In 2018 and 2017 City departments exceeded their budget by the following amounts.

2018:	General fund - General Government/Other	873
	General fund - Culture and Recreation/Pool	74,893
2017:	General fund - General Government/Mayor and Council	759
	General fund - General Government/Financial Administration	3,982
	General fund - Conservation and Dev/Economic Development	774

CITY OF CENTERVILLE
SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES (continued)
DECEMBER 31, 2018

Effect:

Expenditures in excess of a budget can lead to unnecessary expenditures.

Also, joint and several liability may attach to any official who approves an expenditure in excess of the amount budgeted for any purpose or department.
SDCL 9-21-9 and 9-21-10

Recommendation:

I recommend the City stay within its budget, using contingency transfers and supplemental appropriations to adjust particular budget line items when necessary.

Management Response:

Management agrees with this recommendation. In the future, the City expects to make contingency transfers or adopt supplemental appropriations to cover expenditures that will exceed their original appropriation.

Finding 2018-03: Financial Statement Preparation
(internal control)

Criteria:

A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition:

The City has elected not to have an internal control system designed to prepare the financial statement being audited. As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

Possible Effect:

This control deficiency could result in a misstatement of the financial statements that would not be prevented or detected.

Recommendations:

This situation is not unusual for an entity of the City's size. It is the responsibility of management, and those charged with governance, to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management Response:

Due to cost constraints, the City will continue to have the auditor draft the financial statements and accompanying notes to the financial statements.

