CITY OF CENTERVILLE

CENTERVILLE, SOUTH DAKOTA

FINANCIAL REPORT

FOR THE TWO YEARS ENDING DECEMBER 31, 2012

WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

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CITY OF CENTERVILLE
CENTERVILLE, SOUTH DAKOTA

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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.

INDEPENDENT AUDIT SERVICES, PC
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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, 2012 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 and Redevelopment Commission or the Centerville Development Corporation which together represent 100% of the cash assets, net position, receipts and disbursements of the aggregate discretely presented component unit on the government-wide statement of net position and statement of activities.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in note 1.c; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances. Management is responsible for 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 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 and Redevelopment Commission and the Centerville Development Corporation, 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. These financial statements are included in the City's basic financial statement as an aggregate discretely presented component unit and represents 100% of the cash assets, net position, receipts and disbursements of the City's aggregate discretely presented component unit.

Disclaimer of Opinion

The financial statements, referred to above, of the financial position and changes in financial position of the aggregate discretely presented component unit of the City of Centerville, South Dakota as of December 31, 2012 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 them.

Unmodified Opinions

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, 2012, 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 (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 37) 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 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.

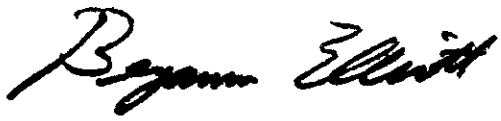
The management's discussion and analysis (page 4 to 9) and the budgetary comparison schedules (page 32 to 36) are presented for purposes of additional analysis and are not a required part of the modified cash basis of accounting financial statements.

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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report (page 38) dated June 17, 2013 on my tests of City of Centerville's compliance with certain provisions of laws, regulations, 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



June 17, 2013

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, 2012, 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	2012	2011
Receipts:		
Charges for goods and services	333,113	375,217
Operating grants	0	0
Capital grants	25,055	160,851
General receipts	589,165	620,074
Total	947,333	1,156,142
Disbursements:		
Governmental	645,783	943,084
Business-type	419,086	245,969
Total	1,064,869	1,189,053
Increase (Decrease) in Net Position	(117,536)	(32,911)
Net Position:		
December 31, 2010		1,113,394
December 31, 2011	1,080,483	1,080,483
December 31, 2012	962,947	
Governmental Funds:		
General	468,514	509,175
2nd Cent	closed	4,000
3rd Cent	18,105	23,139
Revolving loan	(7,239)	(36,335)
Pascale - Senior	12,311	12,290
Pascale - Ball Field	12,338	12,318
Business-Type Funds:		
Water	309,750	397,664
Sewer	149,168	158,232
Total	962,947	1,080,483

<u>During 2012, the City</u>:

* Installed remote transmitter water meters for approximately $115,000.
* Purchased a 2012 Ford F150 for $17,825.
* Erected ball field fencing for $16,859.
* Replaced sidewalk for $10,239.
* Purchased a 2004 Case skid steer for $8,400.
* Added flooring to the Senior Center for $6,107.
* Made principal payments on three water and sewer loans of $53,231.

<u>During 2011, the City</u>:

* Completed a Safe Routes to School Sidewalk project for $183,643.
* Purchased playground equipment for $46,990.
* Purchased a Speed Check Trailer for $6,989.
* Made principal payments on three water and sewer loans of $51,410.

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 31) and (3) supplementary information (page 32 to 37). 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 2011 and 2012 were the General, 2nd Cent, 3rd cent, Revolving Loan, 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 2011 and 2012 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 2011 and 2012 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:

The Management's Discussion and Analysis (page 4 to 9) and the Budgetary Comparison Schedules (page 32 to 36) is supplementary financial information. 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.

```
Management's                    Government-wide
Discussion and            |--->Financial
Analysis                  |    Statements
   |                      |
Basic Financial           |    Fund
Statements ----------->   |--->Financial
   |                      |    Statements
   |                      |
Supplementary             |    Notes to the
Information               |--->Financial
(other than MD&A)              Statements
```

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

	Government-wide Statements	Fund Statements: Governmental Funds	Fund Statements: Enterprise 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 accounts for the Centerville Housing and Redevelopment Commission (CHRC) and the Centerville Development Corporation (CDC).

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)

CDC is a "component unit" of the City because the nature and significance of its relationship to the City is such that exclusion would render the City's financial statements incomplete or misleading. (GASB Code Section 2100.138)

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

FUND FINANCIAL STATEMENTS

The fund financial statements (page 13 to 19) 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 fund: 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 Year Ending December 31, 2012
(Material changes for governmental activities = changes greater than $50,000)
(Material changes for business-type activities = changes greater than $30,000)

== 2012 ==	Increase (Decrease)	Reason
Governmental Activities:		
Capital grants	(130,796)	Fewer grants
Public works	(66,094)	Completed significant grant projects in prior year
Economic development	(212,518)	Safe Routes to School project completed in prior year.
Business-Type Activities:		
Cash assets	(96,978)	Excess of disbursements over receipts.
Water operations	119,967	Purchase of remote read meters.
Sewer operations	53,150	Purchase of remote read meters.

== 2011 ==	Increase (Decrease)	Reason
Governmental Activities:		
Capital grants	(410,157)	Significant grant activity completed in prior year.
Donations	58,304	For future recreational projects like a bike path.
General government	52,676	Increased activity.
Public works	(800,341)	Completed significant grant projects in prior year.
Culture and recreation	58,560	Purchased playground equipment.
Economic development	231,877	Safe Routes to School project.
Business-Type Activities:		
None to report		

SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

In 2012 the City's general fund budget of $1,254,239 was an decrease of $257,035 or 17.01% from 2011. There was one supplemental appropriation of $86,435 to the general fund's budget spread across several lines. See also page 32.

In 2011 the City's general fund budget of $1,511,274 was an increase of $142,633 or 10.42% from 2010. There was one supplemental appropriation of $286,927 to the general fund's budget spread across several lines. See also page 33.

SIGNIFICANT CAPITAL ASSET ACTIVITY

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

SIGNIFICANT LONG-TERM DEBT ACTIVITY

During 2012 the City made principal payments of $53,231 on its three water and sewer loans. At December 31, 2012 these loans had a balance of $1,450,711. See page 37 for more information.

During 2011 the City made principal payments of $51,410 on its three water and sewer loans. At December 31, 2011 these loans had a balance of $1,503,942. See page 37 for more information.

The City has guaranteed 25% of two Centerville Housing & Redevelopment Essential Function Housing Development Revenue Bonds which had combined balances of $889,197 at December 31, 2012.

CURRENTLY KNOWN FACTS

In 2013 the City expects to begin a bike path development project for an estimated cost of $350,000.

In 2013 the City began Phase II of a sewer lining project funded with a $435,000 30 year SRF loan and a $340,000 grant for a total estimated cost of $775,000.

Centerville Development Corporation, a component unit of the City, took control of the Good Samaritan Society of Centerville's nursing home on June 1, 2013.

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, 2012, DECEMBER 31, 2011, AND DECEMBER 31, 2010

	Governmental Activities			Business-Type Activities			Total Government		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Cash assets	504,029	524,587	556,684	458,918	555,896	556,710	962,947	1,080,483	1,113,394
Net position:									
Restricted	38,389	51,747	75,765	71,068	71,068	105,935	109,457	122,815	181,700
Unrestricted	465,640	472,840	480,919	387,850	484,828	450,775	853,490	957,668	931,694
Total net position	504,029	524,587	556,684	458,918	555,896	556,710	962,947	1,080,483	1,113,394

TABLE 2 - CHANGES IN NET POSITION
BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
FOR THE YEARS ENDING
DECEMBER 31, 2012, DECEMBER 31, 2011, AND DECEMBER 31, 2010

	Governmental Activities			Business-Type Activities			Total Government		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Receipts:									
Program receipts:									
Charges for services	38,454	68,347	24,026	294,659	306,870	270,706	333,113	375,217	294,732
Operating grants and contri.			2,795				0	0	2,795
Capital grants and contri.	25,055	155,851	566,008		5,000		25,055	160,851	566,008
General receipts:									
Receipts from taxes	463,439	462,442	461,890				463,439	462,442	461,890
Receipts from state source:	35,666	29,096	28,294				35,666	29,096	28,294
Receipts from county source	2,364	2,743	2,495				2,364	2,743	2,495
Interest received	3,964	4,840	7,803	8,195	7,184	13,001	12,159	12,024	20,804
Donations	51,932	58,304					51,932	58,304	0
Sale of assets		28,471	721				0	28,471	721
Other general receipts	4,351	20,162	6,706	19,254	6,832	15,401	23,605	26,994	22,107
Total receipts	625,225	830,256	1,100,738	322,108	325,886	299,108	947,333	1,156,142	1,399,846
Disbursements:									
General government	102,499	122,685	70,009				102,499	122,685	70,009
Public safety	154,847	146,634	99,153				154,847	146,634	99,153
Public works	116,131	182,225	982,566				116,131	182,225	982,566
Health and welfare	871	847	783				871	847	783
Culture and recreation	200,795	207,535	148,975				200,795	207,535	148,975
Economic development	70,640	283,158	51,281				70,640	283,158	51,281
Water				234,129	114,162	120,082	234,129	114,162	120,082
Sewer				184,957	131,807	119,691	184,957	131,807	119,691
Total disbursements	645,783	943,084	1,352,767	419,086	245,969	239,773	1,064,869	1,189,053	1,592,540
Increase (decrease) in net cash assets before contri & transfer:	(20,558)	(112,828)	(252,029)	(96,978)	79,917	59,335	(117,536)	(32,911)	(192,694)
Transfers		80,731			(80,731)		0	0	0
Net change in net position	(20,558)	(32,097)	(252,029)	(96,978)	(814)	59,335	(117,536)	(32,911)	(192,694)
Net position:									
December 31, 2009			808,713			497,375			1,306,088
December 31, 2010		556,684	556,684		556,710	556,710		1,113,394	1,113,394
December 31, 2011	524,587	524,587		555,896	555,896		1,080,483	1,080,483	
December 31, 2012	504,029			458,918			962,947		

CITY OF CENTERVILLE

STATEMENT OF NET POSITION
MODIFIED CASH BASIS
AS OF DECEMBER 31, 2012

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Unaudited Component Units
ASSETS:				
Cash and cash equivalents	154,543	(57,920)	96,623	16,875
Interest bearing accounts	329,202	177,537	506,739	35,475
Certificates of deposit	20,284	268,233	288,517	40,000
Restricted assets:				
Cash and cash equivalents		71,068	71,068	
Total assets	504,029	458,918	962,947	92,350
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	18,105		18,105	
Debt service		71,068	71,068	
Unrestricted	465,640	387,850	853,490	92,350
Total net position	504,029	458,918	962,947	92,350

See accompanying notes.

CITY OF CENTERVILLE

STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2012

Functions/Programs:	Disbursements	Program Receipts: Charges for Services and Reimbursements	Program Receipts: Operating Grants and Contributions	Program Receipts: Capital Grants and Contributions	Net Receipts (Disbursements) and Changes in Net Position: Governmental Activities	Net Receipts (Disbursements) and Changes in Net Position: Business-type Activities	Net Receipts (Disbursements) and Changes in Net Position: Totals	Component Units (NOT AUDITED)
Primary government:								
Governmental activities:								
General government	102,499	12,673		15,664	(74,162)		(74,162)	
Public safety	154,847				(154,847)		(154,847)	
Public works	116,131	1,920			(114,211)		(114,211)	
Health and welfare	871				(871)		(871)	
Culture and recreation	200,795	10,054			(190,741)		(190,741)	
Economic development	70,640	13,807		9,391	(47,442)		(47,442)	
Total governmental activities	645,783	38,454	0	25,055	(582,274)	0	(582,274)	
Business-type activities:								
Water	234,129	169,274				(64,855)	(64,855)	
Sewer	184,957	125,385				(59,572)	(59,572)	
Total business-type activities	419,086	294,659	0	0	0	(124,427)	(124,427)	
Total primary government	1,064,869	333,113	0	25,055	(582,274)	(124,427)	(706,701)	
Component unit activity:								
Centerville Development Corporation	11,547			7,000				(4,547)
Centerville Housing & Redev Commission	78,635	68,179						(10,456)
General receipts:								
Taxes:								
Property taxes					327,643		327,643	
Sales taxes					135,616		135,616	
Amusement taxes					180		180	
State shared receipts					35,666		35,666	
County shared receipts					2,364		2,364	
Interest received					3,964	8,195	12,159	100
Rents					4,224		4,224	
Donations					51,932		51,932	2,205
Miscellaneous receipts					127	19,254	19,381	100
Transfers					0	0	0	
Total general receipts, special items and transfers					561,716	27,449	589,165	2,405
Change in net position					(20,558)	(96,978)	(117,536)	(12,598)
Net position:								
January 1, 2012					524,587	555,896	1,080,483	104,948
December 31, 2012					504,029	458,918	962,947	92,350

See accompanying notes.

CITY OF CENTERVILLE

STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2011

Functions/Programs:	Disbursements	Program Receipts: Charges for Services and Reimbursements	Program Receipts: Operating Grants and Contributions	Program Receipts: Capital Grants and Contributions	Net Receipts (Disbursements) and Changes in Net Position: Governmental Activities	Net Receipts (Disbursements) and Changes in Net Position: Business-type Activities	Net Receipts (Disbursements) and Changes in Net Position: Totals	Component Units (NOT AUDITED)
Primary government:								
Governmental activities:								
General government	122,685	24,390		11,121	(87,174)		(87,174)	
Public safety	146,634				(146,634)		(146,634)	
Public works	182,225	400			(181,825)		(181,825)	
Health and welfare	847				(847)		(847)	
Culture and recreation	207,535	10,626		25,000	(171,909)		(171,909)	
Economic development	283,158	32,931		119,730	(130,497)		(130,497)	
Total governmental activities	943,084	68,347	0	155,851	(718,886)	0	(718,886)	
Business-type activities:								
Water	114,162	168,613		5,000		59,451	59,451	
Sewer	131,807	138,257				6,450	6,450	
Total business-type activities	245,969	306,870	0	5,000	0	65,901	65,901	
Total primary government	1,189,053	375,217	0	160,851	(718,886)	65,901	(652,985)	
Component unit activity:								
Centerville Development Corporation								0
Centerville Housing & Redev Commission	95,818	88,133						(7,685)
General receipts:								
Taxes:								
Property taxes					300,122		300,122	
Sales taxes					162,068		162,068	
Amusement taxes					252		252	
State shared receipts					29,096		29,096	
County shared receipts					2,743		2,743	
Interest received					4,840	7,184	12,024	
Rents					4,511		4,511	
Donations					58,304		58,304	
Miscellaneous receipts					15,651	6,832	22,483	23,610
Sale of assets					28,471		28,471	
Transfers					80,731	(80,731)	0	
Total general receipts					686,789	(66,715)	620,074	23,610
Change in net position					(32,097)	(814)	(32,911)	15,925
Net position:								
January 1, 2011					556,684	556,710	1,113,394	101,811
Prior year correction:								
Adjust cash to actual							0	(12,788)
January 1, 2011, adjusted					556,684	556,710	1,113,394	89,023
December 31, 2011					524,587	555,896	1,080,483	104,948

See accompanying notes.

CITY OF CENTERVILLE

BALANCE SHEET -- MODIFIED CASH BASIS
ALL GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2012

	General Fund	2nd Cent Fund	3rd Cent Fund	Revolving Fund	Pascale Permanent Senior Citize Fund	Pascale Permanent Ball field Fund	Total
ASSETS:							
Cash and cash equivalents	164,849		8,105	(22,344)	1,737	2,196	154,543
Interest bearing accounts	303,665		10,000	15,105	432		329,202
Certificates of deposit					10,142	10,142	20,284
Total assets	468,514	0	18,105	(7,239)	12,311	12,338	504,029
FUND BALANCES:							
Nonspendable							0
Restricted			18,105		10,142	10,142	38,389
Committed							0
Assigned - capital projects	393,381						393,381
Unassigned	75,133			(7,239)	2,169	2,196	72,259
Total fund balances	468,514	0	18,105	(7,239)	12,311	12,338	504,029 *
		CLOSED					

* 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, 2012

	General Fund	2nd Cent Fund	3rd Cent Fund	Revolving Fund	Pascale Permanent Senior Citize Fund	Pascale Permanent Ball field Fund	Total
Receipts:							
Local sources:							
Taxes:							
Ad valorem taxes	327,643						327,643
General sales and use taxes	128,361		7,255				135,616
Amusement taxes	180						180
Licenses and permits:	4,545						4,545
Intergovernmental:							
Federal grant	9,391						9,391
State shared receipts:							
State grant	15,664						15,664
Bank franchise tax	1,161						1,161
Liquor tax reversion	6,056						6,056
Motor vehicle licenses (5%)	9,795						9,795
Highway and bridge	18,654						18,654
County shared receipts: road tax	2,364						2,364
Charges for goods and services:							
Government	7,291						7,291
Streets	1,920						1,920
Swimming pool	8,245						8,245
Recreation	1,809						1,809
Fines and forfeits	837						837
Miscellaneous:							
Interest received	3,915			8	21	20	3,964
Rents	4,224						4,224
Principal payments on notes receivable				12,338			12,338
Donations	51,932						51,932
Other	1,596						1,596
Total receipts	605,583	0	7,255	12,346	21	20	625,225
Disbursements:							
Current:							
General government:							
Mayor and Council	26,356						26,356
Elections	15						15
Financial administration	57,505						57,505
Other	11,644						11,644
Public safety:							
Police	117,494						117,494
Fire	19,528						19,528
Public works:							
Highways and streets	76,372						76,372
Sanitation	1,792						1,792
Health and welfare:							
Ambulance	871						871
Culture and recreation:							
Recreation	2,831						2,831
Parks	82,210						82,210
Pool	48,159						48,159
Library	41,250						41,250
Conservation and development:							
Economic development	44,211		961	4,680			49,852
Capital outlay	87,011	4,000	8,400	10,493			109,904
Total disbursements	617,249	4,000	9,361	15,173	0	0	645,783
Excess of receipts over (under) disbursements	(11,666)	(4,000)	(2,106)	(2,827)	21	20	(20,558)
Other financing sources (uses):							
Transfer in (out)	(28,995)		(2,928)	31,923			0
Net change in fund balance	(40,661)	(4,000)	(5,034)	29,096	21	20	(20,558) *
Fund balance:							
January 1, 2012	509,175	4,000	23,139	(36,335)	12,290	12,318	524,587
December 31, 2012	468,514	0	18,105	(7,239)	12,311	12,338	504,029
		CLOSED					

* 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, 2011

	General Fund	2nd Cent Fund	3rd Cent Fund	Revolving Fund	Pascale Permanent Senior Citize Fund	Pascale Permanent Ball field Fund	Total
Receipts:							
Local sources:							
Taxes:							
Ad valorem taxes	300,122						300,122
General sales and use taxes	154,108		7,960				162,068
Amusement taxes	252						252
Licenses and permits:	4,900						4,900
Intergovernmental:							
Federal grant	119,730						119,730
State shared receipts:							
State grants	36,121						36,121
Bank franchise tax	847						847
Liquor tax reversion	5,691						5,691
Motor vehicle licenses (5%)	7,883						7,883
Highway and bridge	14,675						14,675
County shared receipts: road tax	2,743						2,743
Charges for goods and services:							
Government	18,299						18,299
Streets	400						400
Swimming pool	8,868						8,868
Recreation	1,758						1,758
Fines and forfeits	1,191						1,191
Miscellaneous:							
Interest received	4,510			160	85	85	4,840
Rents	4,511						4,511
Principal payments on notes receivable	5,600			27,331			32,931
Donations	58,304						58,304
Other	10,133		5,518				15,651
Total receipts	760,646	0	13,478	27,491	85	85	801,785
Disbursements:							
Current:							
General government:							
Mayor and Council	61,318						61,318
Elections	724						724
Financial administration	45,781						45,781
Other	9,529						9,529
Public safety:							
Police	110,200						110,200
Fire	23,095						23,095
Public works:							
Highways and streets	152,460						152,460
Sanitation	1,205						1,205
Health and welfare:							
Ambulance	847						847
Culture and recreation:							
Recreation	2,511						2,511
Parks	52,034	4,919					56,953
Pool	47,387						47,387
Library	42,907						42,907
Conservation and development:							
Economic development	40,005		4,830	35,590			80,425
Capital outlay	267,729			40,013			307,742
Total disbursements	857,732	4,919	4,830	75,603	0	0	943,084
Excess of receipts over (under) disbursements	(97,086)	(4,919)	8,648	(48,112)	85	85	(141,299)
Other financing sources (uses):							
Transfer in (out)	140,133	(26,553)	(5,518)	(27,331)			80,731
Sale of surplus property	28,471						28,471
Net change in fund balance	71,518	(31,472)	3,130	(75,443)	85	85	(32,097) *
Fund balance:							
January 1, 2011	437,657	35,472	20,009	39,108	12,205	12,233	556,684
December 31, 2011	509,175	4,000	23,139	(36,335)	12,290	12,318	524,587

* 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, 2012

	Water Fund	Sewer Fund	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalent	(34,902)	(23,018)	(57,920)
Interest bearing accounts	111,381	66,156	177,537
Certificates of deposit	187,763	80,470	268,233
Total current assets	264,242	123,608	387,850
Noncurrent assets:			
Restricted cash and cash equivalent	45,508	25,560	71,068
Total assets	309,750	149,168	458,918
NET POSITION			
Restricted - debt service	45,508	25,560	71,068
Unrestricted	264,242	123,608	387,850
Total net position	309,750	149,168	458,918

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, 2012
FOR THE YEAR ENDING DECEMBER 31, 2011

	Water Fund	Sewer Fund	2012 Total	Water Fund	Sewer Fund	2011 Total
Operating receipts:						
Charges for goods and services	169,274	125,385	294,659	168,613	138,257	306,870
Total operating receipts	169,274	125,385	294,659	168,613	138,257	306,870
Operating disbursements:						
Personal services	43,596	43,341	86,937	39,391	40,052	79,443
Other current services	48,668	28,267	76,935	29,249	28,304	57,553
Cost of goods sold	21,053		21,053			0
Capital improvements	75,290	44,150	119,440			0
Total operating disbursements	188,607	115,758	304,365	68,640	68,356	136,996
Excess operating receipts (disbursements)	(19,333)	9,627	(9,706)	99,973	69,901	169,874
Nonoperating receipts (disbursements):						
Interest received	4,673	3,522	8,195	4,854	2,330	7,184
Crop sales		19,254	19,254		6,832	6,832
Crop cost		(8,772)	(8,772)		(3,024)	(3,024)
Debt service - principal	(21,887)	(31,344)	(53,231)	(21,190)	(30,220)	(51,410)
Debt service - interest	(23,635)	(29,083)	(52,718)	(24,332)	(30,207)	(54,539)
Total nonoperating receipts (disburse	(40,849)	(46,423)	(87,272)	(40,668)	(54,289)	(94,957)
Excess receipts (disbursements) before contributions and transfers:	(60,182)	(36,796)	(96,978)	59,305	15,612	74,917
Capital contributions			0	5,000		5,000
Transfers in (out)	(27,732)	27,732	0	(42,716)	(38,015)	(80,731)
Change in net position	(87,914)	(9,064)	(96,978)	21,589	(22,403)	(814)
Net position:						
December 31, 2010				376,075	180,635	556,710
December 31, 2011	397,664	158,232	555,896	397,664	158,232	555,896
December 31, 2012	309,750	149,168	458,918			

See accompanying notes.

CITY OF CENTERVILLE

STATEMENT OF CASH FLOWS-- MODIFIED CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2012
FOR THE YEAR ENDING DECEMBER 31, 2011

	Water Fund	Sewer Fund	2012 Total	Water Fund	Sewer Fund	2011 Total
Cash flows from:						
Operating activities:						
Receipts from customers	169,274	125,385	294,659	168,613	138,257	306,870
Cost of employees	(43,596)	(43,341)	(86,937)	(39,391)	(40,052)	(79,443)
Payments to suppliers	(69,721)	(28,267)	(97,988)	(29,249)	(28,304)	(57,553)
Capital improvements	(75,290)	(44,150)	(119,440)			
Net cash provided (used) by operating activities	(19,333)	9,627	(9,706)	99,973	69,901	169,874
Noncapital financing activities:						
Transfers in		27,732	27,732			0
Transfers (out)	(27,732)		(27,732)	(42,716)	(38,015)	(80,731)
Capital financing activities:						
Grant received			0	5,000		5,000
Debt service - principal	(21,887)	(31,344)	(53,231)	(21,190)	(30,220)	(51,410)
Debt service - interest	(23,635)	(29,083)	(52,718)	(24,332)	(30,207)	(54,539)
Investing activities:						
Interest received	4,673	3,522	8,195	4,854	2,330	7,184
Crop sales, net of cost		10,482	10,482		3,808	3,808
Redeem certificate of deposits	22,976		22,976			
Purchase certificate of deposits		(25,808)	(25,808)	(2,828)	(707)	(3,535)
Net increase (decrease) in cash and cash equivalents	(64,938)	(34,872)	(99,810)	18,761	(23,110)	(4,349)
Cash and cash equivalents:						
December 31, 2010				168,164	126,680	294,844
December 31, 2011	186,925	103,570	290,495	186,925	103,570	290,495
December 31, 2012	121,987	68,698	190,685			
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Excess operating receipts or (disbursements)	(19,333)	9,627	(9,706)	99,973	69,901	169,874
Net cash provided (used) by operating activities	(19,333)	9,627	(9,706)	99,973	69,901	169,874

Noncash investing, capital and financing activities: None

See accompanying notes.

CITY OF CENTERVILLE

COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS
MODIFIED CASH BASIS
AS OF DECEMBER 31, 2012
AS OF DECEMBER 31, 2011

	Centerville Housing and Redevelopment Commission NOT AUDITED	Centerville Development Corporation NOT AUDITED	Total Component Units 2012	Housing and Redevelopment Commission NOT AUDITED	Centerville Development Corporation NOT AUDITED	Total Component Units 2011
Cash assets:						
Cash	16,831	44	16,875	16,298	37,518	53,816
Savings		35,475	35,475	10,083	143	10,226
Certificate of deposit	40,000		40,000	40,906		40,906
Total cash assets	56,831	35,519	92,350	67,287	37,661	104,948
Net position:						
Unrestricted	56,831	35,519	92,350	67,287	37,661	104,948
Total net position	56,831	35,519	92,350	67,287	37,661	104,948

See accompanying notes.

CITY OF CENTERVILLE

COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN POSITION - COMPONENT UNITS
FOR THE YEAR ENDING OF DECEMBER 31, 2012
FOR THE YEAR ENDING OF DECEMBER 31, 2011

	Centerville Housing and Redevelopment Commission NOT AUDITED	Centerville Development Corporation NOT AUDITED	Total Component Units 2012	Centerville Housing and Redevelopment Commission NOT AUDITED	Centerville Development Corporation NOT AUDITED	Total Component Units 2011
Operating receipts:						
Rents received, pledged for debt	60,008		60,008	88,133		88,133
Other, net	8,171	2,305	10,476		23,610	23,610
Total operating revenue	68,179	2,305	70,484	88,133	23,610	111,743
Operating expenses:						
Other current	21,130	5,047	26,177	21,706		21,706
Total operating expenses	21,130	5,047	26,177	21,706	0	21,706
Total operating income (loss)	47,049	(2,742)	44,307	66,427	23,610	90,037
Nonoperating receipts (disbursements):						
Interest received		100	100			
Grants receiver		7,000	7,000			
Grants given		(6,500)	(6,500)			
Loan payments	(57,505)		(57,505)	(74,112)		(74,112)
Total nonoperating receipts (disbursements):	(57,505)	600	(56,905)	(74,112)	0	(74,112)
Change in net position	(10,456)	(2,142)	(12,598)	(7,685)	23,610	15,925
Net position:						
December 31, 2010				87,760	14,051	101,811
Prior year correction:						
Adjust cash to actual				(12,788)		(12,788)
December 31, 2010, adjusted				74,972	14,051	89,023
December 31, 2011	67,287	37,661	104,948	67,287	37,661	104,948
December 31, 2012	56,831	35,519	92,350			

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, 2012 are:

Mayor:
Brad Preheim

Council:
Kevin Kroger, President
Nate Hisel
Dan Redhage
Mike Satter
David Wixon
Vacant

Finance Officer:
Janette Ellis

Attorney:
Gregory Brewers

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

Financial Reporting Entity:
Primary Government: - City of Centerville
Component Units: - Centerville Housing & Redevelopment Commission
- Centerville Development Corporation

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) and the Centerville Development Corporation (CDC) are component units of the City of Centerville. These two component units represent 100% of the balances and activity of the discretely presented component unit column of these financial statements.

CHRC is organized to provide housing through the construction and operation of a two 4-plex apartment units. CHRC is a Housing and Redevelopment Commission, established under SDCL 11-7-7. Financial information about CHRC is available at the Centerville City Hall.

CDC is involved with the economic development of the City of Centerville. Financial information about CDC is available at 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 my be classified as either governmental or business-type activities. See the 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:

2nd cent sales tax fund - A fund allowed by SDCL 10-52-2 to account for prior year receipts from the 2nd cent sales tax. The 2nd cent can be spent on capital improvements or debt retirement. The 2nd cent fund is a major fund and was closed out in 2012.

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 unit 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.

The government-wide business-type activities and enterprise funds do not apply any FASB Statements or Interpretations issued after November 30, 1989.

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, 2012 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 $268,233 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 or 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 principal activity of the fund. 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 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:

Fund Balance Classifications	Account or Fund	Authority or Action	Amount
Nonspendable			0
Restricted	2nd Cent (closed)	Statute	0
	3rd Cent	Statute	18,105
	Pascale - Senior Citizens	Bequest	10,142
	Pascale - Ball Fields	Bequest	10,142
Committed			0
Assigned	General - capital projects	Resolutions	393,381
Unassigned	Revolving Loan		(7,239)
	Pascale - Senior Citizens		2,169
	Pascale - Ball Fields		2,196
	General		75,133
			504,029

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 2nd and 3rd cent sales tax funds receives its revenue from the 2nd and 3rd cent sales tax. The City's special revenue revolving loan fund receives its revenue from note receivable payments 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:

2012:	General fund	- Public Safety/Police	$ 11,197
2011:	General fund	- General Government/Mayor and Council	$ 20,210
		- Public Safety/Police	2,960
	3rd Cent	- Conservation and Dev/Economic Development	3,830

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

3. DEFICIT UNASSIGNED FUND BALANCE

At December 31, 2012 the revolving loan fund had a deficit unassigned fund balance of $7,239. This deficit is expected to self-correct as note receivable payments are received.

4. 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, 2012 were as follows: Insured $373,670, Collateralized ** $615,483, for a total of $989,153.

** 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, 2012 was $962,947 held as follows.

First Midwest Bank:	
Checking	$ 96,499
Savings	577,806
Certificates of deposit	288,517
	$ 962,822
Petty cash	125
	$ 962,947

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, 2012 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, 2012 the City was exposed to custodial risk for deposits at First Midwest Bank for 1.23% of its collateralized deposits or $7,570.

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, 2012 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.

5. 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
3rd cent fund	Statute	18,105	
Permanent funds:			
Senior citizens	Bequest	10,142	
Ball field	Bequest	10,142	
Water fund	Debt Covenants		45,508 (1)
Sewer fund	Debt Covenants		25,560 (1)
		38,389	71,068 (2)

(1) One year of payments
(2) Restricted cash

6. INTERFUND TRANSFERS

Transfers "in" and "(out)" between funds were:

2012	Governmental	Enterprise	Purpose
General	(28,995)		Operations
3rd cent	(2,928)		Operations
Revolving loan	31,923		Operations
Water		(27,732)	Operations
Sewer		27,732	Operations
	0	0	

2011	Governmental	Enterprise	Purpose
General	140,133		Operations
2nd cent	(26,553)		To close fund in 2012
3rd cent	(5,518)		Operations
Revolving loan	(27,331)		Operations
Water		(42,716)	Operations
Sewer		(38,015)	Operations
	80,731	(80,731)	

7. REVOLVING LOAN FUND

The City maintains a special revenue revolving loan fund for the purpose of making loans to local business for economic development. At December 31, 2012 the City had outstanding notes receivable of $28,500 for rehabilitation of the NAPA building and $40,000 for rehabilitation of the theatre building.

8. 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 $713,487. The bond was incurred to cover the cost of water improvements as described on page 37. The bonds will mature in 2035. In 2012 the bonds had pledged revenue of $55,957 and total bond payments of $45,522.

All sewer fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure a 2002 Clean Water State Revolving Loan, which

has a remaining balance of $323,093 and a 2007 USDA Rural Development Loan, which has a remaining balance of $414,131. These bonds were incurred to cover the cost of sewer improvements as described on page 37. The 2002 bond will mature in 2024 and the 2007 bond will mature in 2040. In 2012 the bonds had pledged revenue of $53,777 and total bond payments of $60,427.

9. 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 $766 positive cash at December 31, 2012. This cash is accounted for within the general fund. Activity in this account is not considered material to these financial statements.

10. RETIREMENT PLAN

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. SDRS provides retirement, disability and survivors 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 by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

General employees are required by statute to contribute 6% of their salary to the plan, while public safety and judicial employees contribute at 8% and 9% respectively. 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, 2012, 2011, and 2010 were $13,314, $12,334 and $11,564 (employer's share) respectively, equal to the required contributions each year.

There are no deferred contributions.

11. PROPERTY TAX

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The City is permitted by several state statutes to levy varying amounts of taxes per $1,000 of taxable valuation on taxable real property in 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, 2012 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 coverage also includes a $2,000,000 lifetime maximum payment per person.

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 City pays 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.

The agreement with the SDPAA provides that the above coverage's will be provided to a $1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of $250,000 for property coverage and $500,000 for liability coverage to the upper limit. The City carries a $500 deductible for business auto coverage.

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 cost 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 an annual premium, to provide liability coverage detailed above, under a claims-made policy and the premiums are accrued on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage.

A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve on the following formula:

End of the City's:
First Full Year (50%), Second Full Year (60%), Third Full Year (70%)
Fourth Full Year (80%), Fifth Full Year (90%), Sixth Full Year (100%)

As of December 31, 2012, the City has a vested balance in the cumulative reserve fund of $18,703.

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, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide worker's compensation coverage for its employees. 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 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. The City may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs.

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.

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, 2012 and none are expected in 2013.

13. 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 2013 the City expects to begin a bike path development project for an estimated cost of $350,000.

In 2013 the City began Phase II of a sewer lining project funded with a $435,000 30 year SRF loan and a $340,000 grant for a total estimated cost of $775,000.

The Centerville Development Corporation, a component unit of the City, took control of the Good Samaritan Society of Centerville's nursing home on June 1, 2013.

CITY OF CENTERVILLE

SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2012

GENERAL FUND	Budgeted Amounts				Actual	Variance
Receipts:	Original	Contingency Transfers	Supplemental	Final	(Modified Cash Basis)	Positive (Negative)
Receipts from local sources:						
Taxes:						
Ad valorem taxes	322,875			322,875	327,643	4,768
Sales and use tax	130,000			130,000	128,361	(1,639)
Amusement tax				0	180	180
Licenses and permits:	5,750			5,750	4,545	(1,205)
Intergovernmental receipts:	590,174		9,760	599,934	63,085	(536,849)
Charges for goods and services	10,625			10,625	19,265	8,640
Fines and forfeits	200			200	837	637
Miscellaneous receipts:	3,500		52,322	55,822	61,667	5,845
Total receipts	1,063,124	0	62,082	1,125,206	605,583	(519,623)
Disbursements:						
General government:						
Mayor and Council	46,632	4,000		50,632	32,463	18,169
Contingency	20,000			20,000		20,000
Amount transferred		(20,000)		(20,000)		(20,000)
Elections	850			850	15	835
Financial administration	55,976	5,000		60,976	58,376	2,600
Other	11,800			11,800	11,644	156
Public safety:						
Police	90,269	9,500	24,353	124,122	135,319	(11,197)
Fire	25,200			25,200	19,528	5,672
Public works:						
Highways and streets	116,239			116,239	105,939	10,300
Sanitation	1,525	1,000		2,525	1,792	733
Health and welfare:						
Ambulance	1,275			1,275	871	404
Culture and recreation:						
Recreation	387,900			387,900	2,831	385,069
Parks	53,899		52,322	106,221	99,069	7,152
Pool	59,975			59,975	48,159	11,816
Library	55,120			55,120	46,736	8,384
Conservation and development:						
Economic development	241,144	500	9,760	251,404	54,507	196,897
Total disbursements	1,167,804	0	86,435	1,254,239	617,249	636,990
Excess of receipts over (under) disbursements	(104,680)	0	(24,353)	(129,033)	(11,666)	117,367
Other financing sources (uses):						
Transfer in	0			0	2,928	2,928
Transfer (out)	0			0	(31,923)	(31,923)
Net change in fund balance	(104,680)	0	(24,353)	(129,033)	(40,661)	88,372
Fund balance:						
January 1, 2012	509,175			509,175	509,175	0
December 31, 2012	404,495	0	(24,353)	380,142	468,514	88,372

CITY OF CENTERVILLE

SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2011

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	314,875			314,875	300,122	(14,753)
Sales and use tax	130,000			130,000	154,108	24,108
Amusement tax				0	252	252
Licenses and permits:	5,750			5,750	4,900	(850)
Intergovernmental receipts:	615,204		11,121	626,325	187,690	(438,635)
Charges for goods and services	10,625			10,625	29,325	18,700
Fines and forfeits	150			150	1,191	1,041
Miscellaneous receipts:	73,500		6,000	79,500	83,058	3,558
Total receipts	1,150,104	0	17,121	1,167,225	760,646	(406,579)
Disbursements:						
General government:						
Mayor and Council	24,820		21,621	46,441	66,651	(20,210)
Contingency	20,000			20,000		20,000
Amount transferred		(19,683)		(19,683)		(19,683)
Elections	750			750	724	26
Financial administration	50,285			50,285	45,781	4,504
Other	37,983			37,983	9,529	28,454
Public safety:						
Police	87,635	18,594	8,000	114,229	117,189	(2,960)
Fire	23,600		6,163	29,763	29,445	318
Public works:						
Highways and streets	347,626		69,883	417,509	181,020	236,489
Sanitation	1,495			1,495	1,205	290
Health and welfare:						
Ambulance	1,275			1,275	847	428
Culture and recreation:						
Recreation	2,650			2,650	2,511	139
Parks	91,735		51,260	142,995	104,324	38,671
Pool	57,850			57,850	47,387	10,463
Library	53,445			53,445	48,394	5,051
Conservation and development:						
Economic development	423,198	1,089	130,000	554,287	202,725	351,562
Total disbursements	1,224,347	0	286,927	1,511,274	857,732	653,542
Excess of receipts over (under) disbursements	(74,243)	0	(269,806)	(344,049)	(97,086)	246,963
Other financing sources (uses):						
Transfer in	0			0	140,133	140,133
Sale of assets	0			0	28,471	28,471
Net change in fund balance	(74,243)	0	(269,806)	(344,049)	71,518	415,567
Fund balance:						
January 1, 2011	437,657			437,657	437,657	0
December 31, 2011	363,414	0	(269,806)	93,608	509,175	415,567

CITY OF CENTERVILLE

SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2012

2ND 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			0		0
Total receipts	0	0	0	0	0
Disbursements:					
Culture and recreation:					
Parks - bike path	23,000		23,000	4,000	19,000
Total disbursements	23,000	0	23,000	4,000	19,000
Excess of receipts over (under) disbursements	(23,000)	0	(23,000)	(4,000)	19,000
Other financing sources (uses):					
None	0		0		0
Net change in fund balance	(23,000)	0	(23,000)	(4,000)	19,000
Fund balance:					
January 1, 2012	4,000		4,000	4,000	0
December 31, 2012	(19,000)	0	(19,000)	0	19,000
				CLOSED	

	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplemental:	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax			0		0
Total receipts	0	0	0	0	0
Disbursements:					
Public works:					
Highways and streets	1,850		1,850		1,850
Culture and recreation:					
Parks - bike path	23,000		23,000	4,919	18,081
Total disbursements	24,850	0	24,850	4,919	19,931
Excess of receipts over (under) disbursements	(24,850)	0	(24,850)	(4,919)	19,931
Other financing sources (uses):					
Transfer (out)	0		0	(26,553)	(26,553)
Net change in fund balance	(24,850)	0	(24,850)	(31,472)	(6,622)
Fund balance:					
January 1, 2011	35,472		35,472	35,472	0
December 31, 2011	10,622	0	10,622	4,000	(6,622)

CITY OF CENTERVILLE

SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2012

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	5,000		5,000	7,255	2,255
Total receipts	5,000	0	5,000	7,255	2,255
Disbursements:					
Public works:					
Highway and streets	9,000		9,000	8,400	600
Conservation and development:					
Economic development	1,000		1,000	961	39
Total disbursements	10,000	0	10,000	9,361	639
Excess of receipts over (under) disbursements	(5,000)	0	(5,000)	(2,106)	2,894
Other financing sources (uses):					
Transfer (out) - general	0		0	(2,928)	(2,928)
Net change in fund balance	(5,000)	0	(5,000)	(5,034)	(34)
Fund balance:					
January 1, 2012	23,139		23,139	23,139	0
December 31, 2012	18,139	0	18,139	18,105	(34)

	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplemental:	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax	5,000		5,000	7,960	2,960
Miscellaneous receipts:					
Other			0	5,518	(5,518)
Total receipts	5,000	0	5,000	13,478	(2,558)
Disbursements:					
Parks and recreation:					
Parks	9,000		9,000		9,000
Conservation and development:					
Economic development	1,000		1,000	4,830	(3,830)
Total disbursements	10,000	0	10,000	4,830	5,170
Excess of receipts over (under) disbursements	(5,000)	0	(5,000)	8,648	2,612
Other financing sources (uses):					
Transfer (out)	0		0	(5,518)	(5,518)
Net change in fund balance	(5,000)	0	(5,000)	3,130	(2,906)
Fund balance:					
January 1, 2011	20,009		20,009	20,009	0
December 31, 2011	15,009	0	15,009	23,139	(2,906)

NOTES TO BUDGETARY COMPARISON SCHEDULES FOR THE GENERAL FUND AND SPECIAL REVENUE FUNDS FOR THE TWO YEARS ENDING DECEMBER 31, 2012

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 was one supplemental budget for the 2011 year and one supplemental budget for the 2012 year. See page 32 and 33 for more information.

e. Formal budgetary integration is employed as a management control device for the general, 2nd cent, and 3rd cent funds.

f. The budget for the general, 2nd cent, and 3rd cent fund is 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, 2012

GOVERNMENTAL	Beginning 12-31-10	2011 Additions (Deletions)	2012 Additions (Deletions)	Governmental Funds Ending 12-31-12	Enterprise Funds Ending 12-31-12	Principal Payments Due in 2013
2010 Bank Loan:						
Original amount of $40,050						
Maturing in 11-1-2015						
Interest at 4.25%						
Annual payments of $8,982 after 2011						
Paid by the fire department	40,050	(9,144)	(30,407)	499		499
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	368,409	(22,263)	(23,053)		323,093	23,204
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%						
First payment on 1-1-2005 interest only						
Quarterly payments of $11,377.01						
Paid by the water fund	756,564	(21,190)	(21,887)		713,487	22,694
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	430,379	(7,957)	(8,291)		414,131	8,477
Totals	1,595,402	(60,554)	(83,638)	499	1,450,711	54,874

SCHEDULE OF PAYMENTS FOR LONG-TERM DEBT
AT DECEMBER 31, 2012

		Total Payment	Principal	Interest	Balance
2010 Bank Loan:					
	2013	503	499	4	0
2002 Clean Water State Revolving Loan Fund:					
	2013	34,868	23,204	11,664	299,889
	2014	34,867	24,042	10,825	275,847
	2015	34,868	24,910	9,958	250,937
	2016	34,867	25,809	9,058	225,128
	2017	34,867	26,741	8,126	198,387
	2018-2022	174,337	148,900	25,437	49,487
	2023-2024	51,866	49,487	2,379	0
	Totals	400,540	323,093	77,447	
2004 Drinking Water Revenue Borrower Bond:					
	2013	45,521	22,694	22,827	690,793
	2014	45,522	23,420	22,102	667,373
	2015	45,521	24,169	21,352	643,204
	2016	45,522	24,943	20,579	618,261
	2017	45,521	25,741	19,780	592,520
	2018-2022	227,608	141,597	86,011	450,923
	2023-2027	227,608	165,745	61,863	285,178
	2028-2032	227,608	194,011	33,597	91,167
	2033-2035	95,785	91,167	4,618	0
	Totals	1,006,216	713,487	292,729	
2007 USDA Rural Development Loan:					
	2013	25,560	8,477	17,083	405,654
	2014	25,560	8,827	16,733	396,827
	2015	25,560	9,191	16,369	387,636
	2016	25,560	9,570	15,990	378,066
	2017	25,560	9,965	15,595	368,101
	2018-2022	127,800	56,339	71,461	311,762
	2023-2027	127,800	68,959	58,841	242,803
	2028-2032	127,800	84,404	43,396	158,399
	2033-2037	127,800	103,309	24,491	55,090
	2038-2040	58,986	55,090	3,896	0
	Totals	697,986	414,131	283,855	

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, 2012 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 June 17, 2013 which was unmodified except for a disclaimer of opinion on the aggregate 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of current audit findings as item 2012-01.

Management response to the finding identified in my audit is described in the accompanying schedule of current audit findings. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

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 June 17, 2013.

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 2012-01 and 2012-02 to be significant deficiencies.

Management responses to the findings identified in my audit are described in the accompanying schedule of current audit findings. The City'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.

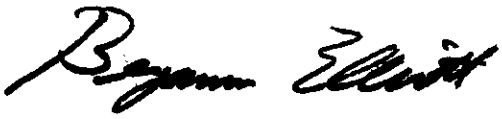
I did note other matters involving internal control that I reported to the governing body and management of the City of Centerville in a separate Letter of Comments dated June 17, 2013.

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



June 17, 2013

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit finding:
Late filing of the Data Collection Form. - Moot with respect 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 2012-01: 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 2012 and 2011 these City departments exceeded their budget by the following amounts.

2012:	General fund	- Public Safety/Police	$ 11,197
2011:	General fund	- General Government/Mayor and Council	$ 20,210
		- Public Safety/Police	2,960
	3rd Cent	- Conservation and Dev/Economic Development	3,830

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 2012-02: 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.

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES (continued)

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.