

REPORT OF
CITY OF CENTRALIA
MARCH 31, 2017

TABLE OF CONTENTS

	PAGE
FINANCIAL SECTION	
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 13
Basic Financial Statements:	
Government-Wide:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets, Liabilities and Fund Balances	16
Reconciliation of the Governmental Funds Statement of Assets, Liabilities and Fund Balances to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Proprietary Funds:	
Statement of Net Position	20
Statement of Revenues, Expenses and Changes in Fund Net Position	21
Statement of Cash Flows	22
Fiduciary Funds:	
Statement of Fiduciary Net Position	23
Notes to Basic Financial Statements	24 - 47
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – General Fund	48
LAGERS (Pension Plan) Schedule of Changes in Net Pension Liability and Related Ratios	49
LAGERS (Pension Plan) Schedule of Contributions – Last Ten Fiscal Years	50
SUPPLEMENTARY INFORMATION:	
Non-Major Governmental Funds:	
Combining Statement of Assets, Liabilities and Fund Balances	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	52

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Board of Aldermen
City of Centralia, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Centralia, Missouri (the City), as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Centralia, Missouri as of March 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and pension plan trend information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Williams Keiper LLC

September 14, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Centralia (the City), we offer readers of the City of Centralia, Missouri's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended March 31, 2017. The City has endeavored, with the assistance of our auditors, to incorporate several requirements of the Governmental Accounting Standards Board (GASB), including GASB 34 relating to capital assets, GASB 65 relating to deferred inflows and outflows, and GASB 68 relating to our pension plan. This discussion and analysis is meant to provide an objective and easily readable analysis of the City's financial activities based on current facts and circumstances. We encourage readers to consider the information presented here in conjunction with additional information that is contained in the audit report's notes to the financial statements, which can be found on pages 24-47 of this report. All amounts, unless otherwise indicated, are rounded to the nearest dollar.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$16,924,537. Of this amount, \$3,918,025 may be used to meet the government's ongoing obligations to citizens and creditors without limitations.
- The City's total net position increased by \$20,021, compared to an increase in the prior year of \$149,900. The City made investments in capital assets and reduced total debt obligations, but much of this was offset by the ongoing depreciation of existing assets, particularly within the waste water utility.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,024,424, a decrease of \$791,692 in comparison with the prior year. Approximately 17.1% of this total amount is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$381,122, or only 19.8% of total General Fund expenditures. This is down from 23.3% as of March 31, 2016 and 42.2% as of March 31, 2015. This reflects both higher expenditures and lower fund balances. It is a trend that must be reversed.
- The City paid off the remaining \$35,000 of bonded debt during the current fiscal year owed on the Library bond issue. The City has nineteen years remaining on the newly issued public facilities revenue bond (principal of \$2,265,000) for the recreation center and municipal swimming pool. Just over seven years remain on a lease-purchase contract to fund construction of an electric substation (principal of \$942,000).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and storm drainage, planning and zoning, economic development, and culture and recreation. The business-type activities of the City include refuse collection, water and sanitary sewer utilities, and an electric distribution utility.

The City provides collection and bookkeeping services for the Centralia Public Library. It passes through property tax collections, which are accounted for in an agency fund. The City does not include any component units in its financial statements.

The government-wide financial statements can be found on pages 14 and 15 of this report.

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

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

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

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Parks and Recreation Sales Tax Fund (major funds). Data from the remaining funds are combined into a single, aggregated presentation, designated "non-major funds". Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* on pages 51 and 52.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, electric, and sanitation utilities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for operating and overhead expenses related to the use of vehicles and equipment by multiple City departments, and for accounting and clerical services available to multiple City departments. In prior years, the City previously used an internal service fund to account for immediate and long-term accrued employee benefits, but that fund was dissolved in the current year. The City's immediate and long-term accrued employee benefits are now accounted for in the governmental and proprietary funds in which the employees primarily work.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, electric, and sanitation funds, all of which are considered to be major funds of the City. Conversely, the two internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statement.

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefits of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 23 of this report.

Notes to the financial statements and other information. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They provide the reader with clarifying explanations and financial details. The notes to the financial statements can be found on pages 24-47 of this report.

The financial statements also include certain *required supplementary information* concerning the City's General Fund budget, as well as progress in funding its obligation to provide pension benefits to its employees. This information can be found on pages 48 and 49.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following notes to the financial statements. Combining and individual fund statements and schedules are considered *supplementary information* and can be found on pages 51 and 52 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$16,924,537 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (65.0%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay its debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (11.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$3,918,025) may be used to meet the government's ongoing obligations to citizens and creditors.

City of Centralia's Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Current and other assets	\$ 4,159,494	\$ 3,028,073	\$ 3,014,489	\$ 3,110,959	\$ 7,173,983	\$ 6,139,032
Capital assets	8,217,147	8,937,493	5,674,098	5,377,021	13,891,245	14,314,514
Total assets	12,376,641	11,965,566	8,688,587	8,487,980	21,065,228	20,453,546
Deferred outflows of resources	167,334	407,544	64,266	156,520	231,600	564,064
Current liabilities	99,226	107,812	337,195	319,573	436,421	427,385
Long-term liabilities	2,635,957	2,445,477	1,183,746	1,056,186	3,819,703	3,501,663
Total liabilities	2,735,183	2,553,289	1,520,941	1,375,759	4,256,124	3,929,048
Deferred inflows of resources	98,398	118,511	37,790	45,514	136,188	164,025
Net position						
Net investment in capital assets	6,291,053	6,551,145	4,633,879	4,444,802	10,924,932	10,995,947
Restricted	2,861,636	1,844,889	279,532	165,676	3,141,168	2,010,565
Unrestricted	557,705	1,305,276	2,280,711	2,612,749	2,838,416	3,918,025
Total net position	\$ 9,710,394	\$ 9,701,310	\$ 7,194,122	\$ 7,223,227	\$ 16,904,516	\$ 16,924,537

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net position for the government as a whole and for its separate business-type activities. There are also positive balances for all categories of net position for separate government activities.

Statement of Changes in Net Position. This statement reflects the revenues and expenses for both the governmental and business-type activities. Governmental activities decreased the City's net position by \$9,084 and business-type activities increased the City's net position by \$29,105, resulting in an overall increase in the City's total net position of \$20,021.

City of Centralia's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Revenues:						
Program revenues:						
Charges for services	\$ 840,630	\$ 854,054	\$ 4,630,331	\$ 4,646,916	\$ 5,470,961	\$ 5,500,970
Capital grants	93,141	207,986	-	39,470	93,141	247,456
Operating grants	42,682	4,378	1,274	1,712	43,956	6,090
General revenues:						
Property taxes	546,594	543,086	-	-	546,594	543,086
Sales taxes	859,635	892,367	-	-	859,635	892,367
Gross receipts	435,312	436,061	-	-	435,312	436,061
Surcharge	121,123	129,103	-	-	121,123	129,103
Gas and motor fuel tax	106,317	108,725	-	-	106,317	108,725
Miscellaneous	5,633	21,222	5,008	16,069	10,641	37,291
County payments	61,523	62,860	-	-	61,523	62,860
Gain on sale of capital assets	38,917	-	-	94,057	38,917	94,057
Interest income	8,310	15,772	4,616	11,853	12,926	27,625
Net transfers in (out)	120,491	185,450	(120,491)	(185,450)	-	-
Total revenues	3,280,308	3,461,064	4,520,738	4,624,627	7,801,046	8,085,691
Expenses:						
General government	713,743	753,296	-	-	713,743	753,296
Public safety	1,010,308	1,108,029	-	-	1,010,308	1,108,029
Public works	507,601	735,296	-	-	507,601	735,296
Community planning and economic development	10,215	30,194	-	-	10,215	30,194
Culture and recreation	639,434	700,205	-	-	639,434	700,205
Cemetery	42,971	51,983	-	-	42,971	51,983
Interest expense	193,384	91,145	-	-	193,384	91,145
Electric	-	-	3,237,585	3,218,844	3,237,585	3,218,844
Water	-	-	525,114	653,235	525,114	653,235
Wastewater	-	-	339,078	283,615	339,078	283,615
Sanitation	-	-	431,713	439,828	431,713	439,828
Total expenses	3,117,656	3,470,148	4,533,490	4,595,522	7,651,146	8,065,670
Increase in net position	162,652	(9,084)	(12,752)	29,105	149,900	20,021
Net position, beginning	9,547,742	9,710,394	7,206,874	7,194,122	16,754,616	16,904,516
Net position, ending	\$ 9,710,394	\$ 9,701,310	\$ 7,194,122	\$ 7,223,227	\$ 16,904,516	\$ 16,924,537

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$2,024,424, a decrease of \$791,692 in comparison with the prior year. Approximately 17.1% of this total amount (\$346,847) constitutes an *unassigned fund balance*, which is available for spending at the government's discretion. Most of the remainder of fund balance is *restricted* to indicate that it is not available for new spending because it has already been committed to pay debt service (\$186,780), to generate income to pay for the perpetual care of the municipal cemetery (\$465,433), for capital construction (\$348,875) or for recreation functions (\$115,150). Smaller portions are *nonspendable*, in that the City cannot spend the resources, and *committed*, in that the City has formerly earmarked certain funds for future equipment replacement and construction projects. Maintaining a significant unassigned balance is also a prudent buffer against unforeseen revenue delays and other contingencies.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$515,650. A portion of this balance is committed for capital construction (\$134,528), and the remainder is unassigned. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. The unassigned fund balance represents only 19.8% percent of total General Fund expenditures incurred during the current fiscal year.

The fund balance of the City's General Fund decreased by \$33,063 during the current fiscal year. Key components of the decrease are:

- Revenues show signs of steady gains. Revenue from property taxes exceeded budgeted expectations by 6.1%, and actual revenues from the previous year by 4.7%. Sales taxes almost exactly met budget targets (-0.39%), and actual revenues exceeded the previous year by 3.8%, but still are lower than FY15, which came in at \$434,305. Gross receipt taxes were below budgeted amounts (-5.4%) and showed almost no growth (0.25%). State-collected motor fuels taxes slightly exceeded both budget projections and the previous year, whereas those on auto sales increased substantially.
- Court fine receipts have never been a major source of revenue for the City and continue to decline. In FY17 they made up 1.2% and in FY16 they made up 1.2% of total General Fund revenues. This is mentioned primarily because much has been made of a few cities that use their Municipal Court as a major revenue source which prompted the State Legislature to require cities to report this source of revenue to the State Auditor.
- The General Fund received a transfer from the Electric Fund of \$80,000 and a transfer from the Water Fund of \$30,000. These transfers helped to maintain minimum standards for street maintenance and are also considered partial reimbursement for the administrative services performed by the City Administrator. Furthermore, the municipal utilities do not pay the property taxes which would otherwise be collected from a private utility.
- Increases in expenditures in public safety and to a lesser extent in general administration are outstripping modest revenue gains. Part of the problem was personnel and other costs that were accounted for in an internal service fund that had been losing money for several years. The addition of part-time staff in the City Clerk's office, higher staffing levels in the police department, and the lease-purchase of the fire engine are the main sources of the increase.

The Centralia Recreation Center completed its seventh full year in operation. Operating expenditures on the facility remained low; membership remained high; and the recreation center was again able to add and/or replace exercise equipment as needed and still cover all costs. Proceeds to the Parks and Recreation Sales Tax Fund paid principal and interest on the refinanced lease from the Industrial Development Authority this year.

The Parks and Recreation Sales Tax Fund became a major fund last year. As of March 31, 2017, the fund balance in this fund was \$177,482. This fund is primarily used to pay the debt on the recreation center and related improvements. The significant drop in fund balance from the prior year is due to the anomaly of having received the revenue from the sale of revenue bonds prior to the payment of the construction costs, which took place in the current year.

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

Unrestricted net position for the Water Fund at the end of the fiscal year amounted to \$667,652; those for the Sewer Fund amounted to \$331,904; those for the Electric Fund amounted to \$1,325,994; and those for the Sanitation Fund amounted to \$287,199. The City has a contract of obligation with the Missouri Department of Natural Resources which could require it over a 30-year period to spend up to \$81,632 to cover the possible "post-closure" costs of monitoring, maintenance, and repair to sanitary landfill sites which are no longer in use.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City adopts an appropriation limit for the General Fund as a whole. The individual line item amounts shown in the budget for specific departments and functions are used only as benchmarks and for internal administrative controls. The City made no amendments to the General Fund budget after its original adoption. Significant deviations from the amounts budgeted for various activities and functions include:

- Overall, most activities had expenditures lower than budgeted.
- The City did not tap into budgeted contingency reserves, nor funds escrowed for the future construction of specific streets.

General Fund revenues are realized from a balanced variety of sources, making the City somewhat less reliant on economic or political happenstance.

General Fund expenditures are weighted heavily in the area of public safety, principally on law enforcement. Fire, police, and code enforcement activities account for 55.1% of budgeted General Fund expenditures. Culture and recreation activities and—to some extent—street functions, presently rely to a major degree on earmarked revenues and grants and are paid out of special revenue and capital projects funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City of Centralia's investment in capital assets for its governmental and business-type activities as of March 31, 2017, amounts to \$10,995,947 (net of accumulated depreciation and related debt). This investment in capital assets includes land, building and systems, improvements, machinery and equipment, park facilities, roads and storm drainage facilities. The total increase in the City of Centralia's investment in capital assets for the current fiscal year was only 0.7%.

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

- The City contracted for asphalt overlay improvements to City streets in the amount of \$162,871.
- The Fire Department purchased a new E-One “mini-pumper” fire truck through a lease-purchase agreement in September 2015. The cost of the vehicle was \$202,495, which will continue to be paid off over the next four years with payments of \$44,000 being made each year.
- The Water Department completed the purchase of an aerator for the Water Treatment Plant in June 2016 and had it installed in November 2016. The final payment was \$25,000 and the total cost of the equipment was \$50,000 with \$9,725 for installation.
- Sanitary sewers were in situ lined in several locations at a cost of \$52,674.
- The Street Department purchased a new International 7400 dump truck with funds transferred from the Capital Equipment Internal Service Fund. A substantial positive fund balance has accrued in this fund, making this purchase possible.

Additional detailed and summary information on the City’s capital assets can be found in Note 7 on pages 37 and 38 of the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, the City had no remaining bonded debt outstanding with the last payment on the Library Bond having been made in March 2017. The Library Bond previously consisted of general obligation bonds (debt backed by the full faith and credit of the government).

Because of its size, the City’s bonded indebtedness is not rated by any rating agency.

State statutes limit the amount of general obligation debt a governmental entity may issue to no more than five percent of its total assessed valuation. Upon a special vote of the electorate, additional debt can be issued up to another five percent of assessed valuation. The current basic debt limitation for the City of Centralia is \$2,711,542 based on a final assessed valuation for 6of \$54,230,830.

The City has no bonded indebtedness outstanding for any of its utility functions.

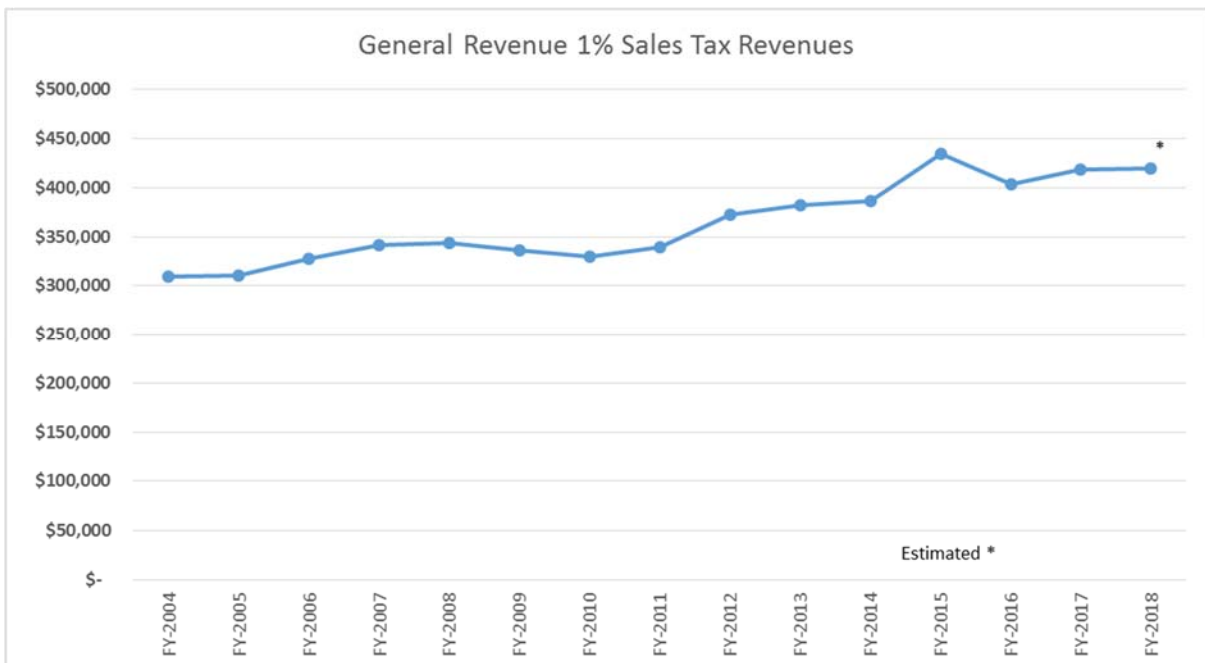
In November 2015, the City, in cooperation with the Industrial Development Authority of Centralia, refinanced the outstanding amount of the capital lease for the Centralia Recreation Center to realize interest savings and to fund improvements to the municipal pool as described above. Revenue bonds in the amount of \$2,390,000 were sold to fund the project. Debt service payments are to be made from the proceeds of the Parks and Recreation Sales Tax Fund, which have reduced the outstanding principal to \$2,265,000 by March 31, 2017. Annual receipts in that fund exceed the debt service requirements.

In 2009, the City contracted for a capital lease for a second electric substation, with a related feeder circuit and SCADA control system in the principal amount of \$1,637,000. Debt service payments have reduced the outstanding principal to \$942,000 by March 31, 2017. The project was completed in 2010 and was significantly under preliminary cost estimates. The unspent principal was applied to debt service payments in FY12. Future debt service payments are to be made from the ongoing operating revenues of the Electric Fund.

Additional information on the City's capital leases can be found in Note 9 on pages 39-41 of the notes to the financial statements. Additional information on long-term debt can be found in Note 10 on page 42.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for the City of Centralia is not separately calculated. The rate for all of Boone County was 2.5% (not seasonally adjusted) for April 2017. During 2016, a Dollar General opened a new, larger building on Highway 22, and a new Dollar Tree opened on Singleton Street. Hubbell/Chance (the City's principal employer) continued to have strong employment numbers as a result of expanding their customer service center in 2015.
- Sales tax revenues were up 3.8% in FY17 as compared to FY16, but still lag behind the peak year of FY15 when sales tax revenues were 434,305. General Fund sales tax revenues are cautiously budgeted at \$420,000 for FY18, which is the same amount budgeted for FY17.



- The local housing market has shown slow, steady growth, which seems to be accelerating. This construction is offsetting the decreasing stock of available existing homes for sale. The following list shows permits issued for the construction of new residential units in each of the last five calendar years:

2012	19 units
2013	21 units
2014	28 units
2015	23 units
2016	35 units

Permits for 24 new single family residences and one duplex (26 units total) have been issued through July 2017.

- Assessed valuation for real estate in the City has steadily grown. However, valuation of personal property (primarily motor vehicles) caused total valuation to stagnate for several years. The following shows the county assessor's final taxable assessed valuations for both real estate and total taxable property for each of the last five fiscal years.

<u>Fiscal Year</u>	<u>Real Estate Valuation</u>	<u>Total Valuation</u>
2012-2013	\$34,979,368	\$46,072,039
2013-2014	\$35,126,345	\$47,020,403
2014-2015	\$36,132,131	\$48,995,944
2015-2016	\$39,065,754	\$53,805,472
2016-2017	\$40,710,711	\$56,781,466

During the current fiscal year, unrestricted fund balance in the General Fund decreased to \$515,650. The City has appropriated all of these funds to allow for emergency spending if necessary. The intention is to use less than \$50,000 of these funds toward expenditures in FY18. It is intended that this use of available fund balance will allow the General Fund to cover its most pressing needs without any increase in tax rates or fee increases and to end the new fiscal year with an unrestricted fund balance of at least \$465,650 (to allow for contingencies and cash flow). The budget for FY18 anticipates that total transfers from the Electric and Water Funds will be \$140,000, an increase of \$30,000. A decision from the Missouri Supreme Court has reaffirmed the right of cities to make prudent transfers from utility "profits."

The rates for commercial sanitation increased slightly in FY17 for commercial customers and decreased slightly for residential customers to reflect actual costs. The City contracted out the collection of refuse and recyclables to Dayne's Disposal Service in October 2016. The electric rates were increased at the start of FY18 to offset the costs of storm damage repair for a significant wind storm that hit the City on July 7, 2016. The rates for water and sewer were increased 5% in FY16 and FY17, and will likely see steady increases for the next several years with the possibility of a combined bond issue on the Municipal Election date of April 3, 2018. A new contract for the purchase of wholesale electric power was negotiated in FY16 for the period of June 1, 2017 through May 31, 2020, which will result in a decrease in the cost of electric energy compared to the previous contract. This contract did not include the cost of electric capacity (an allotment from actual power plants sufficient to cover the needs of the City) and a contract for electric capacity for the same term of June 1, 2017 through May 31, 2020, will largely offset the decrease in the cost of wholesale energy. The need for future rate increases will need to be monitored on an annual basis.

Major one-time expenditures included in the FY18 budget or continuing from the FY17 budget include:

- Continued payments on the new “mini-pumper” style apparatus for the Fire Department via a five-year lease purchase agreement through FY20 - \$44,000
- Asphalt overlay of 1.3 miles of existing City streets - \$206,521
- Reserve for eventual relocation of Randolph Street, and improvements to Wigham Street and Gano Chance Drive - \$145,428
- Removal of dilapidated housing - up to \$7,500
- Extending electric wire through the newly installed conduit under the railroad tracks to improve the resilience and reliability of the City’s electric grid - \$85,000
- Allowance for repairs to the water treatment plant, if needed - \$100,000
- Allowance for repairs and equipment replacement for the sewer treatment plants, if needed - \$47,883
- Allowance for repairs or replacement of electric distribution facilities, if needed - \$796,099
- Materials for the construction of water distribution lines to new subdivisions and replacement of older or under-sized water mains - \$100,000
- Reserves and potential repairs and pump replacements at municipal water wells - \$100,000
- Slip-lining of sanitary sewer mains along Lakeview Street - \$52,000
- Principal and interest payments on the capital lease for the electric substation project - \$152,107
- Landfill closure reserve - \$81,632
- The budget contains no requirement for the issuance of new bonded debt

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Centralia, 114 S. Rollins, Centralia, MO 65240.

CITY OF CENTRALIA

STATEMENT OF NET POSITION

March 31, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,726,603	\$ 2,088,194	\$ 3,814,797
Accounts and grants receivable, net of allowance for doubtful accounts of \$11,194	4,292	415,783	420,075
Inventories	-	383,978	383,978
Taxes receivable, net of allowance for doubtful accounts of \$2,761	207,858	-	207,858
Internal balances	7,350	(7,350)	-
Other assets	2,287	-	2,287
Restricted assets:			
Cash and cash equivalents	413,246	54,897	468,143
Investments	235,053	9,781	244,834
Capital assets:			
Non-depreciable	156,351	192,373	348,724
Depreciable, net	8,781,142	5,184,648	13,965,790
Net pension plan asset	431,384	165,676	597,060
Total assets	11,965,566	8,487,980	20,453,546
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan - contributions	31,752	12,195	43,947
Pension plan - other	375,792	144,325	520,117
Total deferred outflows of resources	407,544	156,520	564,064
LIABILITIES			
Accounts payable	47,891	229,527	277,418
Sales tax payable	-	34,208	34,208
Customer security deposits	-	54,897	54,897
Accrued interest payable	3,664	941	4,605
Unearned revenue	56,257	-	56,257
Long-term liabilities:			
Due within one year			
Accrued employee benefits	28,950	15,951	44,902
Leases payable	129,677	108,000	237,677
Due in more than one year			
Accrued employee benefits	30,132	16,603	46,734
Accrued landfill closure costs	-	81,632	81,632
Leases payable	2,256,718	834,000	3,090,718
Total liabilities	2,553,289	1,375,759	3,929,048
DEFERRED INFLOWS OF RESOURCES			
Pension plan - other	118,511	45,514	164,025
Total deferred inflows of resources	118,511	45,514	164,025
NET POSITION			
Net investment in capital assets	6,551,145	4,444,802	10,995,947
Restricted for:			
Expendable:			
Debt service	186,780	-	186,780
Culture and recreation	175,577	-	175,577
Perpetual care	465,433	-	465,433
Capital projects	348,875	-	348,875
Pension plan	431,384	165,676	597,060
Nonexpendable:			
Perpetual care	236,840	-	236,840
Unrestricted	1,305,276	2,612,749	3,918,025
Total net position	\$ 9,701,310	\$ 7,223,227	\$ 16,924,537

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

CITY OF CENTRALIA
STATEMENT OF ACTIVITIES
Year Ended March 31, 2017

Program/function	Program revenues				Net revenue (expense) and changes in net position	
	Expenses	Charges for services	Capital grants and contributions	Operating grants and contributions	Governmental activities	Business-type activities
Governmental activities:						
General government	\$ 753,296	\$ 190,641	\$ 127,180	\$ -	\$ (435,475)	\$ -
Public safety	1,108,029	12,133	-	-	(1,095,896)	-
Public works	735,296	252,034	78,356	-	(404,906)	-
Community planning and economic development	30,194	-	-	-	(30,194)	-
Culture and recreation	700,205	380,621	2,450	-	(317,134)	-
Cemetery	51,983	18,625	-	4,378	(28,980)	-
Interest expense	91,145	-	-	-	(91,145)	-
Total governmental activities	3,470,148	854,054	207,986	4,378	(2,403,730)	-
Business-type activities:						
Electric	3,218,844	3,420,047	-	1,712	-	202,915
Water	653,235	547,598	-	-	-	(105,637)
Wastewater	283,615	242,636	39,470	-	-	(1,509)
Sanitation	439,828	436,635	-	-	-	(3,193)
Total business-type activities	4,595,522	4,646,916	39,470	1,712	-	92,576
Total	\$ 8,065,670	\$ 5,500,970	\$ 247,456	\$ 6,090	\$ (2,403,730)	\$ 92,576
General revenue:						
Taxes						
Property taxes					543,086	-
Sales taxes					892,367	-
Gross receipts					436,061	-
Surcharge					129,103	-
Gas and motor fuel tax					108,725	-
Miscellaneous					21,222	16,069
County payments					62,860	-
Gain on sale of capital assets					-	94,057
Interest income					15,772	11,853
Net transfers in (out) from other funds					185,450	(185,450)
Total general revenues					2,394,646	(63,471)
Changes in net position					(9,084)	29,105
Net position, April 1					9,710,394	7,194,122
Net position, March 31					\$ 9,701,310	\$ 7,223,227

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

CITY OF CENTRALIA
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
March 31, 2017

	General Fund	Parks and Recreation Sales Tax Fund	Non-Major Funds	Totals
ASSETS				
Cash and cash equivalents	\$ 384,300	\$ 118,839	\$ 766,280	\$ 1,269,419
Accounts receivable	2,146	-	2,146	4,292
Taxes receivable, net of allowance for doubtful accounts of \$2,761	138,298	30,004	39,556	207,858
Due from other funds	22,123	28,592	3,862	54,577
Other assets	-	-	2,287	2,287
Restricted assets				
Cash and cash equivalents	-	47	413,199	413,246
Investments	-	-	235,053	235,053
Total assets	<u>\$ 546,867</u>	<u>\$ 177,482</u>	<u>\$ 1,462,383</u>	<u>\$ 2,186,732</u>
LIABILITIES				
Accounts payable	\$ 16,796	\$ -	\$ 20,072	\$ 36,868
Due to other funds	-	-	47,227	47,227
Unearned revenue	-	-	56,257	56,257
Total liabilities	<u>16,796</u>	<u>-</u>	<u>123,556</u>	<u>140,352</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	<u>14,421</u>	<u>-</u>	<u>7,535</u>	<u>21,956</u>
Total deferred inflows of resources	<u>14,421</u>	<u>-</u>	<u>7,535</u>	<u>21,956</u>
FUND BALANCES				
Nonspendable				
Perpetual care	-	-	236,840	236,840
Restricted for:				
Debt service	-	177,482	9,298	186,780
Culture and recreation	-	-	175,577	175,577
Perpetual care	-	-	465,433	465,433
Capital projects	-	-	348,875	348,875
Committed for:				
Culture and recreation	-	-	115,150	115,150
Capital projects	134,528	-	14,394	148,922
Unassigned	<u>381,122</u>	<u>-</u>	<u>(34,275)</u>	<u>346,847</u>
Total fund balances	<u>515,650</u>	<u>177,482</u>	<u>1,331,292</u>	<u>2,024,424</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 546,867</u>	<u>\$ 177,482</u>	<u>\$ 1,462,383</u>	<u>\$ 2,186,732</u>

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

CITY OF CENTRALIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
TO THE STATEMENT OF NET POSITION
March 31, 2017

Fund balances - total governmental funds \$ 2,024,424

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds:

Governmental capital assets	14,452,672	
Less accumulated depreciation	(5,515,179)	
		8,937,493

Other long term assets and deferred outflows are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds:

Net pension plan asset		431,384
Pension plan - contributions		31,752
Pension plan - other		375,792

Internal service funds are used by management to charge the costs of fleet operations and employee benefits; therefore, the assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position, net of capital assets and long-term liabilities

446,161

Long-term liabilities and deferred inflows, including leases payable, bonds payable and accrued employee benefits, are not due and payable in the current period; therefore, they are not reported as liabilities in the governmental funds:

Accrued interest payable	(3,664)	
Accrued employee benefits	(59,082)	
Leases payable	(2,386,395)	
Pension plan - other	(118,511)	
		(2,567,652)

Some of the City's revenue will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as unavailable revenue in the funds

21,956

Net position of governmental activities

\$ 9,701,310

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

CITY OF CENTRALIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
Year Ended March 31, 2017

	General Fund	Parks and Recreation Sales Tax Fund	Non-Major Funds	Totals
REVENUES				
Taxes	\$ 1,311,298	\$ 210,300	\$ 440,503	\$ 1,962,101
Licenses and permits	46,717	-	-	46,717
Charges for services	1,017	-	385,151	386,168
Intergovernmental revenues	351,206	-	78,356	429,562
Fines and forfeitures	12,133	-	-	12,133
Miscellaneous				
Interest	8,549	1,251	5,972	15,772
Contributions	-	-	6,828	6,828
Other	12,437	-	14,683	27,120
Total revenues	1,743,357	211,551	931,493	2,886,401
EXPENDITURES				
General government	443,680	-	-	443,680
Public safety	1,062,250	-	-	1,062,250
Public works	344,181	-	-	344,181
Community planning and economic development	30,194	-	-	30,194
Culture and recreation	-	-	656,027	656,027
Cemetery	-	-	50,913	50,913
Capital outlay	49,087	663,400	344,022	1,056,509
Debt service	-	179,278	37,173	216,451
Total expenditures	1,929,392	842,678	1,088,135	3,860,205
Excess (deficiency) of revenues over (under) expenditures	(186,035)	(631,127)	(156,642)	(973,804)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	179,404	-	198,657	378,061
Operating transfers (out)	(26,432)	(105,000)	(64,517)	(195,949)
Total other financing sources	152,972	(105,000)	134,140	182,112
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(33,063)	(736,127)	(22,502)	(791,692)
Fund balances, April 1	548,713	913,609	1,353,794	2,816,116
FUND BALANCES, MARCH 31	\$ 515,650	\$ 177,482	\$ 1,331,292	\$ 2,024,424

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

CITY OF CENTRALIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended March 31, 2017

Net change in fund balances - total governmental funds		\$ (791,692)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay capitalized as assets	1,302,979	
Depreciation	<u>(504,487)</u>	
		798,492
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes		(6,058)
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:		
Principal payments	125,000	
Change in interest payable	<u>306</u>	
		125,306
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Pension plan		(76,357)
Internal service funds are used by the City to charge the costs of financial services and equipment maintenance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		<u>(58,775)</u>
Change in net position of governmental activities		<u>\$ (9,084)</u>

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

CITY OF CENTRALIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
March 31, 2017

	Major Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Electric Fund	Water Fund	Sewer Fund	Sanitation Fund		
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,005,774	\$ 432,025	\$ 302,517	\$ 347,878	\$ 2,088,194	\$ 457,184
Accounts receivable, net of allowance for doubtful accounts of \$11,194	298,956	79,938	29,985	6,904	415,783	-
Inventories	298,411	85,567	-	-	383,978	-
Due from other funds	-	63,619	-	-	63,619	-
Total current assets	1,603,141	661,149	332,502	354,782	2,951,574	457,184
Restricted assets:						
Customer security deposits, cash	38,117	16,780	-	-	54,897	-
Restricted investments	9,781	-	-	-	9,781	-
Capital assets:						
Non-depreciable	18,822	24,346	149,205	-	192,373	-
Depreciable, net	2,341,770	1,047,815	1,795,063	-	5,184,648	-
Net pension plan asset	71,134	40,887	14,771	38,884	165,676	-
Total assets	4,082,765	1,790,977	2,291,541	393,666	8,558,949	457,184
DEFERRED OUTFLOWS OF RESOURCES						
Pension plan - contributions	5,235	3,010	1,088	2,862	12,195	-
Pension plan - other	61,966	35,619	12,867	33,873	144,325	-
Total deferred outflows of resources	67,201	38,629	13,955	36,735	156,520	-
LIABILITIES						
Current liabilities:						
Accounts payable	220,465	-	5,768	3,294	229,527	11,023
Sales tax payable	34,208	-	-	-	34,208	-
Accrued employee benefits	5,713	10,238	-	-	15,951	-
Accrued interest payable	941	-	-	-	941	-
Lease payable	108,000	-	-	-	108,000	-
Due to other funds	57,533	-	4,727	8,709	70,969	-
Total current liabilities	426,860	10,238	10,495	12,003	459,596	11,023
Payable from restricted assets:						
Customer security deposits	38,117	16,780	-	-	54,897	-
Long-term liabilities:						
Accrued employee benefits	5,947	10,656	-	-	16,603	-
Lease payable	834,000	-	-	-	834,000	-
Estimated landfill post closure costs	-	-	-	81,632	81,632	-
Total liabilities	1,304,924	37,674	10,495	93,635	1,446,728	11,023
DEFERRED INFLOWS OF RESOURCES						
Pension plan - other	19,541	11,232	4,058	10,683	45,514	-
Total deferred inflows of resources	19,541	11,232	4,058	10,683	45,514	-
NET POSITION						
Net investment in capital assets	1,428,373	1,072,161	1,944,268	-	4,444,802	-
Restricted for pension plan	71,134	40,887	14,771	38,884	165,676	-
Unrestricted	1,325,994	667,652	331,904	287,199	2,612,749	446,161
Total net position	\$ 2,825,501	\$ 1,780,700	\$ 2,290,943	\$ 326,083	\$ 7,223,227	\$ 446,161

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

CITY OF CENTRALIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
ALL PROPRIETARY FUND TYPES

Year Ended March 31, 2017

	Major Funds				Total Enterprise Funds	Internal Service Funds
	Electric Fund	Water Fund	Sewer Fund	Sanitation Fund		
OPERATING REVENUES						
Charges for services	\$ 3,420,047	\$ 547,598	\$ 242,636	\$ 436,635	\$ 4,646,916	\$ 394,941
Contributions	1,712	-	39,470	-	41,182	-
Miscellaneous	-	-	10,125	5,944	16,069	2,164
Total operating revenues	3,421,759	547,598	292,231	442,579	4,704,167	397,105
OPERATING EXPENSES						
Planning and administration	98,292	91,716	22,145	63,145	275,298	147,071
Communication	52,263	25,526	22,599	-	100,388	-
Well operation, maintenance and repair	-	43,606	-	-	43,606	-
Distribution	2,725,791	194,378	-	-	2,920,169	-
Buildings and grounds	23,808	17,352	-	-	41,160	-
Treatment	-	135,707	-	-	135,707	-
Sewerage collections	-	-	19,251	-	19,251	-
Lift operations	-	-	28,527	-	28,527	-
Sewerage treatment collections	-	-	39,329	-	39,329	-
Land application	-	-	6,631	-	6,631	-
Depreciation	167,330	144,950	144,811	9,063	466,154	-
Brush and tree control	82,083	-	-	-	82,083	-
Street lighting	17,619	-	-	-	17,619	-
Equipment operations	-	-	-	-	-	297,379
Trash collection	-	-	-	171,726	171,726	-
Trash disposal	-	-	-	195,894	195,894	-
Miscellaneous	2,048	-	322	-	2,370	2,102
Total operating expenses	3,169,234	653,235	283,615	439,828	4,545,912	446,552
OPERATING INCOME (LOSS)	252,525	(105,637)	8,616	2,751	158,255	(49,447)
NON-OPERATING REVENUES (EXPENSES)						
Interest expense	(49,610)	-	-	-	(49,610)	-
Interest income	5,432	2,980	1,699	1,742	11,853	-
Gain (loss) on sale of capital assets	-	-	-	94,057	94,057	-
Total non-operating revenues (expenses)	(44,178)	2,980	1,699	95,799	56,300	-
NET INCOME (LOSS)	208,347	(102,657)	10,315	98,550	214,555	(49,447)
Operating transfers in	34,325	21,430	-	-	55,755	40,591
Operating transfers (out)	(169,466)	(53,269)	(4,756)	(13,714)	(241,205)	(37,253)
Change in net position	73,206	(134,496)	5,559	84,836	29,105	(46,109)
Net position, April 1	2,752,295	1,915,196	2,285,384	241,247	7,194,122	492,270
NET POSITION, MARCH 31	\$ 2,825,501	\$ 1,780,700	\$ 2,290,943	\$ 326,083	\$ 7,223,227	\$ 446,161

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

CITY OF CENTRALIA
STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
Year Ended March 31, 2017

	Major Funds				Total Enterprise Funds	Internal Service Funds
	Electric Fund	Water Fund	Sewer Fund	Sanitation Fund		
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	\$ 3,443,722	\$ 528,600	\$ 286,961	\$ 443,302	\$ 4,702,585	\$ 397,105
Cash paid to vendors	(2,839,965)	(358,705)	(91,290)	(378,673)	(3,668,633)	(342,315)
Cash paid to employees	(195,312)	(135,554)	(41,206)	(90,808)	(462,880)	(96,911)
Net cash provided (used) by operating activities	408,445	34,341	154,465	(26,179)	571,072	(42,121)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating transfers in (out)	(135,141)	(31,839)	(4,756)	(13,714)	(185,450)	3,338
Net cash provided (used) by noncapital financing activities	(135,141)	(31,839)	(4,756)	(13,714)	(185,450)	3,338
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Payment for capital acquisitions	(61,791)	(55,996)	(91,168)	-	(208,955)	-
Proceeds from sale of capital assets	-	-	-	133,935	133,935	-
Principal paid on debt	(108,000)	-	-	-	(108,000)	-
Interest paid on debt	(49,725)	-	-	-	(49,725)	-
Net cash provided (used) by capital and related financing activities	(219,516)	(55,996)	(91,168)	133,935	(232,745)	-
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest income	5,432	2,980	1,699	1,742	11,853	-
Net cash provided by investing activities	5,432	2,980	1,699	1,742	11,853	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	59,220	(50,514)	60,240	95,784	164,730	(38,783)
Cash and cash equivalents, beginning of year	946,554	482,539	242,277	252,094	1,923,464	495,967
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,005,774</u>	<u>\$ 432,025</u>	<u>\$ 302,517</u>	<u>\$ 347,878</u>	<u>\$ 2,088,194</u>	<u>\$ 457,184</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ 252,525	\$ (105,637)	\$ 8,616	\$ 2,751	\$ 158,255	\$ (49,447)
Adjustments:						
Depreciation and amortization	167,330	144,950	144,811	9,063	466,154	-
(Increase) decrease in assets and deferred outflows:						
Accounts receivable	21,963	(18,998)	(5,270)	723	(1,582)	-
Inventories	(43,288)	3,558	-	-	(39,730)	-
Customer deposits	(2,897)	(1,387)	-	-	(4,284)	-
Net pension plan asset	48,884	28,099	10,151	26,722	113,856	-
Pension plan - contributions	801	460	166	438	1,865	-
Pension plan - other	(40,410)	(23,228)	(8,391)	(22,090)	(94,119)	-
Increase (decrease) in liabilities and deferred inflows:						
Accounts payable	4,002	-	3,693	(32,348)	(24,653)	7,326
Sales tax payable	2,862	-	-	-	2,862	-
Customer deposits	2,897	1,387	-	-	4,284	-
Estimated landfill post closure costs	-	-	-	(2,722)	(2,722)	-
Accrued employee benefits	(9,540)	3,231	-	(10,529)	(16,838)	-
Pension plan - other	3,316	1,906	689	1,813	7,724	-
Net cash provided by operating activities	<u>\$ 408,445</u>	<u>\$ 34,341</u>	<u>\$ 154,465</u>	<u>\$ (26,179)</u>	<u>\$ 571,072</u>	<u>\$ (42,121)</u>

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

CITY OF CENTRALIA
STATEMENT OF FIDUCIARY NET POSITION
March 31, 2017

	<u>Agency</u>
	Library Trust
	<u>Fund</u>
ASSETS	
Taxes receivable	<u>\$ 13,652</u>
LIABILITIES	
Due to other governments	<u>2,789</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>10,863</u>
NET POSITION	<u><u>\$ -</u></u>

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

CITY OF CENTRALIA

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies employed in the preparation of the accompanying financial statements, as presented on the basis set forth in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

A. Reporting Entity

The City of Centralia is located in central Missouri and is governed by a City Administrator, an elected Mayor, and a six-member Board of Aldermen.

The City, for financial purposes, includes all of the funds relevant to the operations of the City of Centralia. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Centralia that have been determined not to be component units as defined by Governmental Accounting Standards Board Statement 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements 14 and 34*. The City provides collection and bookkeeping services for the City of Centralia Municipal Library District (the Library), which is not a component unit of the City. The property tax collections that are passed through to the Library are accounted for as an agency fund.

B. Government-Wide and Fund Financial Accounting

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. The effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The City uses funds to report its financial position and results of its operations in the fund financial statements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund – This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. It is required by law to operate in accordance with a formal budget.

Parks and Recreation Sales Tax Fund – This debt service fund was established to account for sales taxes legally restricted for debt service on the City's community recreation center lease.

The City reports the following major proprietary funds:

Enterprise Funds:

Electric Fund – The Electric Fund accounts for the billing and collection of charges for electric service for most city residents. Revenues are used to pay for both operating expenses and capital expenditures to maintain these services. All activities necessary to provide such services are accounted for in this fund.

Water Fund – The Water Fund accounts for the billing and collection of charges for water service for most city residents. Revenues are used to pay for both operating expenses and capital expenditures to maintain these services. All activities necessary to provide such services are accounted for in this fund.

Sewer Fund – The Sewer Fund accounts for the billing and collection of charges for sanitary sewer service for most city residents. Revenues are used to pay for both operating expenses and capital expenditures to maintain these services. All activities necessary to provide such services are accounted for in this fund.

Sanitation Fund – The Sanitation Fund accounts for the billing and collection of charges for sanitation service for most city residents. Revenues are used to pay for both operating expenses and capital expenditures to maintain these services. All activities necessary to provide such services are accounted for in this fund.

Internal Service Fund:

The Internal Service Fund accounts for the financing of goods or services provided by one department or agency to other departments of the City. The Internal Service Fund provides financial services and equipment maintenance.

Additionally, the City reports the following fiduciary fund:

Agency Fund – The Library Fund accounts for funds collected for the benefit of the Library. These funds are subsequently remitted to the Library.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements and the fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, interest and principal on general long-term debt are recognized when due.

Property tax, sales tax, gasoline tax, motor vehicle tax, interest, and revenues from other governmental units associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund financial statements use the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

The City's general spending prioritization policy is to consider restricted resources to have been used first, followed by committed, assigned, and unassigned amounts when expenditures have been incurred for which resources in more than one classification could be used.

Sometimes the City will fund outlays for a particular purpose from both restricted (i.e. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Because a statement of cash flows is prepared only for proprietary funds under generally accepted accounting principles, cash and cash equivalents are only distinguished for those funds.

E. Accounts Receivable

Accounts receivable result primarily from utility services accounted for in the Electric, Water, Sewer, and Sanitation Funds. All unbilled receivables are included in accounts receivable in the accompanying financial statements as of March 31, 2017.

F. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund balance sheets.

G. Inventories

Inventories of materials and supplies in the enterprise funds are stated at the lower of cost or market, using the first-in, first-out accounting method.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

As permitted by GASB Statement 34, the City has elected not to retroactively capitalize general government infrastructure assets (streets, bridges, sidewalks) acquired prior to the City's fiscal year ended March 31, 2005.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	5-50 years	Vehicles and equipment	5-20 years
Meters	7-15 years	Utility plants and systems	40-50 years
Sewer lines	40-50 years	Furniture and office equipment	5-20 years
Water mains, lines, and trunks	30-40 years		

Fully depreciated fixed assets are included in the capital assets accounts until their disposal.

I. Compensated Absences:

All vested or accumulated vacation leave is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Under terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts. However, in the event of termination, an employee is paid for all of accumulated vacation and one-half of accumulated sick leave up to 400 hours.

J. Deferred Outflows/Inflows of Resources and Unearned Revenue

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category,

which are the pension plan contributions and pension plan – other reported in the government-wide statement of net position and the proprietary funds statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category, which are the unavailable revenue – property taxes reported in the governmental funds statement of assets, liabilities and fund balances and fiduciary funds statement of net position, and the pension plan – other reported in the government-wide statement of net position and the proprietary funds statement of net position. The City records contract payments and user fees received in advance of the service period as unearned revenue in the deferred inflows of resources section of all statements.

K. Long-Term Obligations

General long-term obligations consist of the non-current portion of accrued employee benefits, accrued landfill closure costs, and bonds and leases payable. In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in all statements as incurred.

In the governmental fund statements, general long-term obligations are not reported as liabilities because they do not require the use of current resources. Governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issue is reported as other financing sources while discounts on debt issuance are reported as other financing uses. Principal repayments are reported as debt service expenditures.

L. Fund Equity

In the governmental fund financial statements, equity is displayed in five components as follows:

Nonspendable – This consists of amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted – This consists of amounts that are constrained to specific purposes by their providers, through constitutional or contractual provisions or enabling legislation.

Committed – This consists of amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority (the Board of Aldermen) by the end of the fiscal year. The Board of Aldermen can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Assigned – This consists of amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Board of Aldermen can assign fund balance; however, an additional formal action does not have to be taken for the removal of the assignment.

Unassigned – This consists of amounts that are available for any purpose and can only be reported in the General Fund or special revenue fund that has a fund deficit.

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

M. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The most significant estimates used by management are the useful lives of fixed assets, collectability of receivables, unbilled utility billings, the net pension asset and related amounts, and the estimated post closure liability related to the landfill.

N. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. BUDGETS

Annual operating budgets are adopted each fiscal year through passage of an annual budget resolution and are amended as required for the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Proprietary Funds. The budgetary basis of accounting is based on actual cash receipts and disbursements for the proprietary funds and is essentially equivalent to the modified accrual basis for governmental funds.

The City Administrator, elected mayor, and Board of Aldermen follow these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 1, the City Administrator submits to the Board of Aldermen a proposed operating budget for the fiscal period commencing April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments. The proposed budget is available for public inspection prior to the public hearing.
3. Prior to April 1, the budget is legally enacted through passage of a resolution.

4. The City Administrator is authorized to make changes within departments, between departments, and between functions within each fund. Changes or transfers at the fund level require approval by the Board of Aldermen.
5. All appropriations lapse at yearend.

The reported budgetary data represents the final approved budget after amendments as adopted by the Board of Aldermen. The budget was not amended during the year.

3. CASH, INVESTMENTS, AND FAIR VALUE MEASUREMENTS

Missouri State Statutes authorize the City to deposit funds in obligations of the U.S. Treasury, federal agencies and instrumentalities, certificates of deposit, and repurchase agreements. Custodial credit risk for deposits is the risk that, in event of a bank failure, the government's deposits may not be returned to it. The City's deposit policy is set by state statute. Statutes require that collateral pledged must have a fair value equal to 100% of the funds on deposit, less insured amounts. Collateral securities which are the same types as authorized for investments by the City are limited to the following as prescribed by state statutes:

- Bonds of the State of Missouri, of the United States, or of any wholly owned corporation of the United States.
- Other short term obligations of the United States.

The City of Centralia maintains a cash pool that is used by most individual funds. The cash pool consists of funds held in checking and money market accounts. Each fund type's portion of the pool is displayed on the statement of net position as "cash and cash equivalents".

Deposits, categorized by level of custodial risk, were as follows as of March 31, 2017:

	Cash and Cash Equivalents	Certificates of Deposit	Petty Cash	Total
Bank balance				
Insured by the FDIC	\$ 3,116	\$ 250,000	\$ -	\$ 253,116
Collateralized with securities pledged by the financial institution	3,589,912	760,730	-	4,350,642
Collateralized by securities held by the pledging financial institutions' trust depart- ment or agent but not in the depositor government's name	-	-	-	-
Uncollateralized	-	-	-	-
	<u>\$ 3,593,028</u>	<u>\$ 1,010,730</u>	<u>\$ -</u>	<u>\$ 4,603,758</u>
Carrying value	<u>\$ 3,282,690</u>	<u>\$ 1,000,000</u>	<u>\$ 250</u>	<u>\$ 4,282,940</u>

Investments, categorized by level of custodial risk, were as follows as of March 31, 2017:

	<u>Investment Maturities (in years)</u>		<u>Fair Value</u>	<u>Carrying Value</u>
	<u>Less than 1</u>	<u>1-5</u>		
U.S. Treasuries				
Restricted	\$ 235,053	\$ -	\$ 235,053	\$ 235,053
Money market funds				
Restricted	9,781	-	9,781	9,781
Total investments	<u>\$ 244,834</u>	<u>\$ -</u>	<u>\$ 244,834</u>	<u>\$ 244,834</u>

Interest rate risk – Interest rate risk is the risk that the fair values of investments will be adversely affected by a change in interest rates. The City manages its exposure to declines in fair values by only investing in obligations that return initial purchase prices and the earned interest. This practice eliminates exposure to declines in fair values.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's. State statutes authorize the City to invest in obligations of the U.S. Treasury, and federal agencies and instrumentalities; certificates of deposit issued by Missouri banks; and repurchase agreements. The City's policy is to only invest in obligations of the United States or its agencies, insured or secured certificates of deposits, certain obligations of the State of Missouri or political subdivisions and municipalities, and certain surety bonds. Policy prohibits the purchase of any investments that do not meet the above mentioned criteria. The money market funds are invested primarily in a portfolio of U.S. Treasury securities maturing in 397 days or less.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The City's investment policy does not address concentration of credit risk.

Custodial credit risk – investments – For an investment, this is the risk that in an event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. As of March 31, 2017, there is no custodial credit risk for the City's investments due to the City's investment policy which prohibits obligations not fully secured.

For assets and liabilities required to be reported at fair value, U.S. generally accepted accounting principles prescribes a framework for measuring fair value and financial statement disclosures about fair value measurements. A fair value hierarchy has been established that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The fair value hierarchy as prescribed by U.S. generally accepted accounting principles is as follows:

- Level 1 Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that the City has the ability to access.
- Level 2 Valuation is based upon quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption based on unobservable inputs for the asset or liability, which are typically based on the entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The City's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The City's assets are invested in U.S. Treasuries and money market funds, both of which are considered Level 2 investments.

The City's total cash and investments are summarized below:

	Government-Wide Statement of Net Position
Cash and cash equivalents:	
Unrestricted	\$ 3,814,797
Restricted	468,143
Subtotal	<u>4,282,940</u>
Investments:	
Restricted	<u>244,834</u>
Total cash and investments	<u><u>\$ 4,527,774</u></u>

4. RESTRICTED ASSETS

At March 31, 2017, total restricted assets were classified as follows:

Restricted cash and cash equivalents	\$ 468,143
Restricted investments	<u>244,834</u>
Total restricted assets	<u><u>\$ 712,977</u></u>

A portion of restricted assets consists of cash reserved in accordance with bond ordinances and can be used only as explained below:

Capital Lease Obligation – Electric Substation Lease:

Reserve Account: Lease proceeds totaling \$15,256 are to be deposited to this account. Once funded, payments from the account shall be expended solely to prevent any default in the payment of interest or principal. At March 31, 2017, assets restricted for the Lease Revenue Account totaled \$9,781.

Restricted Assets by Purpose:

At March 31, 2017, assets were restricted for various uses as follows:

	<u>Assets</u>
Special revenue funds:	
Cemetery Fund (restricted for perpetual care)	\$ 402,402
Debt service funds:	
Parks and Recreation Sales Tax Fund	47
Library Bonds Debt Service	9,010
Permanent fund:	
A.B. Chance Memorial Trust Fund (restricted for perpetual care)	236,840
Enterprise funds:	
Electric Fund	
Debt service	9,781
Customer security deposits	38,117
Water Fund	
Customer security deposits	<u>16,780</u>
Total restricted assets	<u><u>\$ 712,977</u></u>

5. PROPERTY TAX

Property tax revenue is recognized independent of receivable recognition. A receivable is recognizable as of the lien date when the City has an enforceable legal claim while revenue is recognized in the period for which the taxes are levied. Receivables recognized prior to that period are recorded as deferred inflows of resources – unavailable revenue in both the government-wide and fund statements. Delinquent taxes expected to be received later than 60 days after the close of the fiscal year are also classified as deferred inflows of resources – unavailable revenue within the governmental fund financial statements because they do not meet the criteria of being available as described in Note 1.

The City's property tax is levied by the City on September 1 on the value of all real and personal property located in the City as of the prior January 1, the lien date. Taxes are billed by November 1 and are considered delinquent after December 31. Property taxes levied in the fiscal year are recognized as receivable and revenue as of that fiscal yearend because they meet the recognition requirements. However, no amounts have been recorded as receivable or deferred inflows for taxes that will be due for property owned on January 1, 2017, because the levy and assessed valuation had not been determined as of March 31, 2017.

The City has entered into an agreement with the County of Boone for collection of property taxes. The County reports collections to the City monthly.

The City's preliminary assessed valuations and tax levies per \$100 assessed valuation of those properties for calendar year 2016 are as follows:

	2016 Calendar Year
Assessed valuation:	
Real estate	\$ 39,065,354
Personal property	14,443,493
State assessed	721,983
	<u>\$ 54,230,830</u>

	Per \$100 Assessed Valuation	
	Maximum Levy Allowed by Law	City's Levy
General Revenue	\$ 0.6673	\$ 0.6673
Parks and Recreation	0.2988	0.2988
Library General Revenue	0.5505	0.5505
Library Debt Service	0.0902	0.0464
		<u>\$ 1.5630</u>

6. INTERFUND TRANSFERS AND RECEIVABLES/PAYABLES

A summary of interfund transfers for the year ended March 31, 2017, follows:

	Transfer Out	Transfer In
Governmental funds:		
General	\$ 26,432	\$ 179,404
Special revenue:		
Pool	-	100,100
Park	8,817	63,557
Parks and Rec Center	55,700	-
Cemetery	-	35,000
Debt service:		
Parks and Recreation Sales Tax	105,000	-
Subtotal - governmental funds	<u>195,949</u>	<u>378,061</u>

	Transfer Out	Transfer In
Enterprise funds:		
Electric	169,466	34,325
Water	53,269	21,430
Sewer	4,756	-
Sanitation	13,714	-
Subtotal - enterprise funds	241,205	55,755
Internal Service Fund	37,253	40,591
Total	\$ 474,407	\$ 474,407

Transfers are used to move revenues from the fund that budgets or ordinance requires to collect them to the fund that budget or ordinance requires to expend them and to use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and board approval.

Interfund receivable and payable balances at March 31, 2017 in the fund financial statements resulting from interfund transfers were as follows:

	Interfund Receivable	Interfund Payable	Net
Governmental funds:			
General	\$ 22,123	\$ -	\$ 22,123
Special revenue:			
Cemetery Fund	-	14,558	(14,558)
Park Fund	-	215	(215)
Pool Fund	-	28,592	(28,592)
Debt service:			
Parks and Recreation Sales Tax Fund	28,592	-	28,592
Capital projects:			
Fire Equipment Fund	3,862	-	3,862
Highways and Streets Fund	-	3,862	(3,862)
Subtotal - governmental funds	54,577	47,227	7,350
Enterprise funds:			
Electric	-	57,533	(57,533)
Water	63,619	-	63,619
Sewer	-	4,727	(4,727)
Sanitation	-	8,709	(8,709)
Subtotal - enterprise funds	63,619	70,969	(7,350)
Total	\$ 118,196	\$ 118,196	\$ -

The balance due to the General Fund from the Electric Fund (\$7,350) is from prior utility services.

The balance due to the General Fund from the Park Fund (\$215) represents proceeds from a vehicle sale where the vehicle was originally owned by the street department but sold by the Park Fund. These balances originated during fiscal year 2011 and were not settled during fiscal year 2017.

The balance due to the General Fund from the Cemetery Fund (\$14,558) represents the Cemetery Fund's overdraft from the City's cash pool. This balance originated during fiscal year 2014 and was not settled during fiscal year 2017.

The balance due to the Parks and Recreation Sales Tax Fund from the Pool Fund (\$28,592) represents the Pool Fund's overdraft from the City's cash pool. This balance originated during fiscal year 2015 and was not settled during fiscal year 2017.

The balance due between the capital projects funds originated during a prior fiscal year and was not settled during fiscal year 2017.

The balance due to the Water Fund from the Electric Fund (\$50,183), the Sewer Fund (\$4,727), and the Sanitation Fund (\$8,709) represents expenses incurred by the Water Fund on behalf of the Electric Fund, the Sewer Fund, and the Sanitation Fund. This balance originated during fiscal year 2014, increased during fiscal year 2016, and was not settled during fiscal year 2017.

7. PROPERTY, PLANT AND EQUIPMENT

A summary of changes in capital assets for the year ended March 31, 2017 is as follows:

	Balance March 31, 2016	Additions	Retirements	Transfers/Other	Balance March 31, 2017
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 88,081	\$ -	\$ -	\$ -	\$ 88,081
Right of way	68,270	-	-	-	68,270
Construction in progress	502,226	-	-	(502,226)	-
Total capital assets, not being depreciated	658,577	-	-	(502,226)	156,351
Capital assets, being depreciated:					
Buildings	3,159,942	-	-	-	3,159,942
Structures other than buildings	32,086	-	-	-	32,086
Equipment	5,704,140	230,258	(44,710)	161,820	6,051,508
Infrastructure	3,701,991	994,307	-	356,487	5,052,785
Total capital assets, being depreciated	12,598,159	1,224,565	(44,710)	518,307	14,296,321
Less accumulated depreciation:					
Buildings	832,479	86,702	-	-	919,181
Structures other than buildings	226,349	-	-	-	226,349
Equipment	3,362,995	281,852	(44,710)	15,813	3,615,950
Infrastructure	617,766	135,933	-	-	753,699
Total accumulated depreciation	5,039,589	504,487	(44,710)	15,813	5,515,179
Total capital assets being depreciated, net	7,558,570	720,078	-	502,494	8,781,142
Governmental activities capital assets, net	\$ 8,217,147	\$ 720,078	\$ -	\$ 268	\$ 8,937,493

	Balance March 31, 2016	Additions	Retirements	Transfers/Other	Balance March 31, 2017
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 192,373	\$ -	\$ -	\$ -	\$ 192,373
Total capital assets, not being depreciated	192,373	-	-	-	192,373
Capital assets, being depreciated:					
Buildings	308,098	-	-	-	308,098
Structures other than buildings	12,601,430	142,650	-	-	12,744,080
Equipment	2,361,359	67,206	(258,157)	(16,081)	2,154,327
Total capital assets, being depreciated	15,270,887	209,856	(258,157)	(16,081)	15,206,505
Less accumulated depreciation for:					
Buildings	220,467	12,159	-	-	232,626
Structures other than buildings	7,827,306	298,344	-	-	8,125,650
Equipment	1,741,389	155,651	(217,646)	(15,813)	1,663,581
Total accumulated depreciation	9,789,162	466,154	(217,646)	(15,813)	10,021,857
Total capital assets being depreciated, net	5,481,725	(256,298)	(40,511)	(268)	5,184,648
Business-type activities capital assets, net	<u>\$ 5,674,098</u>	<u>\$ (256,298)</u>	<u>\$ (40,511)</u>	<u>\$ (268)</u>	<u>\$ 5,377,021</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 81,318
Streets	211,678
Public safety	45,779
Parks and recreation center	68,529
Parks	96,113
Cemetery	1,070
	<u>\$ 504,487</u>
Business-type activities:	
Water	\$ 144,950
Sewer	144,811
Electric	167,330
Sanitation	9,063
	<u>\$ 466,154</u>

8. LONG-TERM ACCRUED EMPLOYEE BENEFITS

The following is a summary of changes in long-term accrued employee benefits:

	Employee Benefits
Beginning	\$ 95,808
Retirements	(56,017)
Additions	51,845
Ending	91,636
Less: amount due within one year	(44,902)
Total long-term accrued employee benefits	<u>\$ 46,734</u>

Accrued employee benefits are generally liquidated by funds in which the employees primarily work.

9. CAPITAL LEASES PAYABLE

The City has the following leases:

Community Recreation Center Lease: In August 2008, the City entered into a lease/purchase agreement with UMB Bank, N.A. (UMB) as trustee, lessor, and grantor. The lease/purchase agreement covered the construction of the community recreation center. On the same date, UMB issued \$1,985,000 in Certificates of Participation to third-party investors for undivided, proportionate interests in the rental payments made by the City. The City made the required payments to UMB, who in turn repaid the holders of the certificates.

In November 2015, the City, in conjunction with the Industrial Development Authority of Centralia, refinanced the lease/purchase agreement with Central Bank of Boone County. The City makes the required payments to the Industrial Development Authority of Centralia, who in turn repays Central Bank of Boone County. The proceeds from the refinancing totaled \$2,390,000. Of this amount, \$1,490,000 was used to pay off the Series 2008 Community Recreation Center Lease, and the remaining \$900,000 will be used to finance renovations at the City's municipal pool. The economic gain (the difference between the present values of the debt service payments on the old and new debt) obtained as a result of the refinancing was \$153,098.

Incremental sales taxes are projected to produce the debt service requirements over the life of the lease. The lease bears interest at 3.69%. Principal and interest payments are due annually and semi-annually, respectively, through March 2035. Principal and interest paid for the current year and total parks and recreation sales tax revenues were \$179,278 and \$210,300, respectively.

As of March 31, 2017, improvements of \$2,178,973 have been capitalized as buildings, with \$466,588 of accumulated depreciation. Also as of March 31, 2017, improvements of \$1,046,732 have been capitalized as infrastructure, with \$32,618 of accumulated depreciation. The associated debt is recorded in the governmental activities on the statement of net position.

Electric Substation Lease: In July 2009, the City entered into a lease/purchase agreement with the Missouri Association of Municipal Utilities (MAMU) as lessor with U.S. Bank, N.A. (US Bank) as trustee. The lease/purchase agreement covers the purchase, construction and installation of a new electric substation. As of March 31, 2017, improvements of \$1,591,500 have been capitalized, with \$419,783 of accumulated depreciation. The associated debt is recorded in the Electric Fund on the statement of net position. The lease/purchase agreement may be prepaid at the City's discretion with a minimum 60 days written notice. If the City chooses to prepay the lease, the prepayment price includes unpaid principal and accrued interest. In addition, because the trustee has entered into an interest rate exchange agreement with respect to the principal with a counterparty the City would be required to pay any termination amounts attributable to that agreement.

The City has pledged future utility customer revenues to repay the \$1,637,000 electric substation lease. The total principal and interest remaining to be paid on the bonds is \$1,123,465. Principal and interest paid for the current year and total operating electric revenues were \$157,725 and \$3,420,047, respectively.

The lease agreement contains a financial covenant, with which the City was in compliance as of March 31, 2017.

Wheel Loader Lease: In April 2015, the City entered into a lease/purchase agreement with John Deere for the purchase of a wheel loader. The lease bears interest at 3%. Principal and interest payments were originally due annually through May 2017; however, the lease was paid off early during the year ended March 31, 2017. Principal and interest paid for the current year was \$40,430. As of March 31, 2017, \$132,295 has been capitalized as equipment, with \$10,338 of accumulated depreciation.

Fire Apparatus Lease: In September 2015, the City entered into a lease/purchase agreement with U.S. Bancorp for the construction and purchase of a fire apparatus. The lease bears interest at 1.957%. Principal and interest payments are due monthly through March 2020. Principal and interest paid for the current year was \$41,697. As of March 31, 2017, \$202,495 has been capitalized as equipment, with \$714 of accumulated depreciation. The associated debt is recorded in the governmental activities on the statement of net position.

The City is not obligated to levy any form of taxation or otherwise appropriate for payments for the above leases. The lease/purchase agreements are secured by the properties financed with the agreements. The City intends to satisfy its obligation to make rental payments under the lease/purchase agreement for the community recreation center from the ½ cent sales tax levied for park and recreation purposes and for the electric substation from electric revenues.

These lease/purchase agreements qualify as capital leases for accounting purposes because ownership transfers at the end of the lease term. Therefore, the leases have been recorded as debt at the present value of the future minimum lease payments as of the date of their inception.

Capital leases payable as of March 31, 2017, are as follows:

	Original Amount	Interest Rate	Maturity Date	Principal Balance 3/31/2017
Governmental activities:				
Community recreation center lease	\$ 2,390,000	3.69%	March 2035	\$ 2,265,000
Fire apparatus lease	202,495	1.96%	March 2020	121,395
Total - governmental activities				<u>2,386,395</u>
Business-type activities:				
Electric substation lease	1,637,000	3.22%	July 2024	942,000
Total capital leases				<u>\$ 3,328,395</u>

The following is a summary of capital leases payable transactions for the City for the year ended March 31, 2017:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due in One Year
Governmental activities:					
Community recreation center lease	\$ 2,355,000	\$ -	\$ (90,000)	\$ 2,265,000	\$ 90,000
Wheel loader lease	39,237	-	(39,237)	-	-
Fire apparatus lease	160,304	-	(38,909)	121,395	39,677
Total - governmental activities	<u>2,554,541</u>	<u>-</u>	<u>(168,146)</u>	<u>2,386,395</u>	<u>129,677</u>
Business-type activities:					
Electric substation lease	1,050,000	-	(108,000)	942,000	108,000
Total	<u>\$ 3,604,541</u>	<u>\$ -</u>	<u>\$ (276,146)</u>	<u>\$ 3,328,395</u>	<u>\$ 237,677</u>

The following is a schedule of the future minimum lease payments for the above capital lease in aggregate, and the present value of the net minimum lease payments at March 31, 2017.

Year Ending March 31:	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 129,677	\$ 85,599	\$ 215,276	\$ 108,000	\$ 43,582	\$ 151,582
2019	135,460	81,495	216,955	118,000	38,131	156,131
2020	141,258	77,191	218,449	120,000	32,393	152,393
2021	100,000	73,062	173,062	128,000	26,414	154,414
2022	105,000	69,372	174,372	132,000	20,107	152,107
2023-2027	585,000	285,606	870,606	336,000	20,838	356,838
2028-2032	700,000	169,770	869,770	-	-	-
2033-2035	490,000	36,716	526,716	-	-	-
Total	<u>\$2,386,395</u>	<u>\$ 878,811</u>	<u>\$3,265,206</u>	<u>\$ 942,000</u>	<u>\$181,465</u>	<u>\$ 1,123,465</u>

10. BONDS PAYABLE

The following is a summary of bonds payable transactions for the City for the year ended March 31, 2017:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due in One Year
Library Bonds, Series 1997	\$ 35,000	\$ -	\$ (35,000)	\$ -	\$ -

General Obligation Bonds: On July 15, 1997, the City issued \$350,000 in 1997 Series General Obligation Library Bonds for the City of Centralia Municipal Library District to construct a new library building. The bonds are to be repaid from a property tax levy for bond repayment.

Principal payments are due annually on March 1 through March 1, 2017, in amounts ranging from \$10,000 to \$70,000. Interest payments are due semi-annually on March 1 and September 1, at rates from 4.625% to 5.60%. The bonds were paid off during the year ended March 31, 2017.

11. COMMITMENTS AND CONTINGENCIES

A. Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained coverage from commercial insurance companies for these risks of losses. There were no significant reductions in insurance coverage from the prior year. In addition, no settlements have exceeded insurance coverage in the past three years.

B. Landfill

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The City closed its landfill in April, 1994. As of March 31, 2017, the City had recorded \$81,632 in estimated closure and post-closure costs. The estimated total closure and post-closure care costs are based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of March 31, 2017. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

C. Litigation

From time to time, the City is a party to claims and/or lawsuits as a result of various matters and complaints arising in the ordinary course of City activities. The City's management and legal counsel anticipate that potential settlements and judgments not covered by insurance, if any, resulting from such matters would not materially affect the financial position of the City.

D. Electricity Commitments

The City is a member of the Missouri Joint Municipal Electric Utility Commission (MJMEUC). Through its membership in MJMEUC, the City entered into a long-term agreement for the purchase of electric power from the Prairie State Energy Campus (Prairie State). Prairie State consists of a two-unit 1,582 Megawatt (MW) coal-fueled power plant in Washington County, Illinois. MJMEUC has a 12.33% proportionate ownership

interest in the power plant, and therefore committed to fund its proportional share of the development and construction, as well as the operating and plant closure costs. MJMEUC will recover these costs through commitments with its members, including the City of Centralia, under life-of-unit, take or pay unit power purchase agreements. Under its agreement with MJMEUC, the City will pay to MJMEUC 1.03% of MJMEUC's proportionate share of the MW capacity and power of the plant. The City's commitment ends when the power units are taken out of service for purposes of retirement and decommissioning.

The City's share of Prairie State only covers a portion of the City's electric power needs. The City entered into the MJMEUC agreement as a cost hedge against rapidly rising power costs at the time. The City also had been purchasing electric wholesale power from Ameren Energy Marketing (Ameren) under a series of all-requirements agreements. The current agreement runs from January 1, 2015 through May 31, 2017. The agreement provides the City with the power required to meet the capacity and energy needs up to a maximum hourly demand of ten megawatts. Power charges are \$41.69 per megawatt hour to the delivery point specific in the agreement. The City is also responsible for all costs of transmission, distribution, scheduling, reactive power, and ancillary services from the delivery point. Effective June 1, 2017, the agreement was replaced with a new full-requirements power purchase agreement with NextEra Energy Power Marketing, LLC, which runs through May 31, 2020. The power charges are \$34.02 per megawatt hour under the new agreement.

E. Sanitation Commitments

Effective October 7, 2016, the City entered into an agreement with Dayne's Waste Disposal, Inc. for the collection and disposal of solid waste, which runs through October 31, 2021. As the dollar amount of the City's outstanding commitment is based on user charges and consumption, it has not been estimated as of March 31, 2017.

12. INTERGOVERNMENTAL REVENUE

The City receives financial assistance from numerous federal, state, and local governmental agencies in the form of grants. Federal and state grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements or the individual fund-types included herein or on the overall financial position of the City as of March 31, 2017.

13. PENSION PLAN

General Information about the Pension Plan

The following information is presented in accordance with Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Plan Description

The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan

established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS' responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided

LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

	<u>2016 Valuation</u>
Benefit multiplier	1.5%
Final average salary	5 years
Member contributions	0%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees Covered by Benefit Terms

At June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	17
Active employees	30
Total	<u>66</u>

Contributions

The City is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the City do not contribute to the pension plan. Employer contribution rates are 6.8% (General) and 0.6% (Police) of annual covered payroll.

Net Pension Liability (Asset)

The employer's net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of February 29, 2016.

Actuarial Assumptions

The total pension liability in the February 29, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage, 2.50% price
Salary increase	3.25% to 6.55% including inflation
Investment rate of return	7.25%, net of investment expenses

Mortality rates were based on the 2014 Healthy Annuitant, Disabled, and Employees Mortality Tables.

The actuarial assumptions used in the February 29, 2016, valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

Changes in the actuarial assumptions from the February 28, 2015, valuation include the following: inflation was decreased from 3.50% to 3.25% (as indicated above), salary increase was decreased from 3.5% to 6.8% including inflation to 3.25% to 6.55% including inflation (as indicated above), and mortality rates were based on different tables.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	43.00%	5.29%
Fixed income	26.00%	2.23%
Real assets	21.00%	3.31%
Strategic assets	10.00%	5.73%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a) - (b)
Balances at June 30, 2015	\$ 3,281,702	\$ 4,289,074	\$ (1,007,372)
Changes for the year:			
Service cost	103,251	-	103,251
Interest	236,729	-	236,729
Difference between expected and actual experience	(79,299)	-	(79,299)
Changes in assumptions	164,840	-	164,840
Contributions - employer	-	64,321	(64,321)
Contributions - employee	-	-	-
Net investment (loss)	-	(10,213)	10,213
Benefit payments, including refunds	(136,794)	(136,794)	-
Administrative expense	-	(4,963)	4,963
Other changes	-	(33,936)	33,936
Net changes	288,727	(121,585)	410,312
Balances at June 30, 2016	\$ 3,570,429	\$ 4,167,489	\$ (597,060)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.25%, as well as what the employer's net pension liability (asset) would be using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	Current Single Discount		
	1% Decrease (6.25%)	Rate Assumption (7.25%)	1% Increase (8.25%)
Total pension liability	\$ 4,083,053	\$ 3,570,429	\$ 3,147,177
Plan fiduciary net position	\$ 4,167,489	\$ 4,167,489	\$ 4,167,489
Net pension liability/(asset)	\$ (84,436)	\$ (597,060)	\$ (1,020,312)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's net position is available in the separately issued LAGERS financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended March 31, 2017, the City recognized pension expense of \$163,283. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between:		
Expected and actual experience	\$ -	\$ (164,025)
Projected and actual earnings on investments	389,463	-
Changes in assumptions*	130,654	-
Contributions subsequent to the measurement date**	43,947	-
Total	<u>\$ 564,064</u>	<u>\$ (164,025)</u>

*The amount reported as deferred outflows of resources resulting from changes in assumptions is due to changes in actuarial assumptions made in the February 29, 2016, actuarial valuation.

**The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability (asset) for the year ending March 31, 2018.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending:	
2017	\$ 91,396
2018	91,396
2019	94,810
2020	78,490
Total	<u>\$ 356,092</u>

14. FUND DISCLOSURES

The Pool Fund has an accumulated deficit at March 31, 2017. This is due to interfund transfers to the Pool Fund not being made until after yearend and as such, the deficit will be eliminated upon receipt of the transfers.

15. TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*, requires disclosures of tax information about (1) a reporting government's own tax abatement agreements, and (2) those that are entered into by other governments that reduce the reporting government's tax revenues. There were such agreements, but they were not significant as of and for the year ended March 31, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CENTRALIA
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
Year Ended March 31, 2017

	Actual	Original and Final Budget	Variance Favorable/ (Unfavorable)
REVENUES			
Taxes	\$ 1,311,298	\$ 1,308,285	\$ 3,013
Licenses and permits	46,717	33,200	13,517
Charges for services	1,017	1,600	(583)
Intergovernmental revenues	351,206	355,080	(3,874)
Fines and forfeitures	12,133	21,150	(9,017)
Miscellaneous	20,986	115,550	(94,564)
Total revenues	1,743,357	1,834,865	(91,508)
EXPENDITURES			
General government	443,680	454,548	10,868
Public safety	1,062,250	1,083,940	21,690
Public works	344,181	347,316	3,135
Community planning and economic development	30,194	56,038	25,844
Capital outlay	49,087	646,138	597,051
Total expenditures	1,929,392	2,587,980	658,588
Excess (deficiency) of revenues over (under) expenditures	(186,035)	(753,115)	567,080
OTHER FINANCING SOURCES (USES)			
Operating transfers in	179,404	-	179,404
Operating transfers (out)	(26,432)	-	(26,432)
Total other financing sources	152,972	-	152,972
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ (33,063)	\$ (753,115)	\$ 720,052

CITY OF CENTRALIA
LAGERS (PENSION PLAN)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
March 31, 2016

	2017	2016
Total pension liability		
Service cost	\$ 103,251	\$ 101,377
Interest on the total pension liability	236,729	234,857
Difference between expected and actual experience	(79,299)	(171,090)
Assumption changes	164,840	-
Benefit payments	(136,794)	(143,574)
Net change in total pension liability	288,727	21,570
Total pension liability, beginning	3,281,702	3,260,132
Total pension liability, ending	<u>\$ 3,570,429</u>	<u>\$ 3,281,702</u>
Plan fiduciary net position		
Contributions - employer	\$ 64,321	\$ 73,038
Pension plan net investment income (loss)	(10,213)	84,676
Benefit payments	(136,794)	(143,574)
Pension plan administrative expense	(4,963)	(5,406)
Other	(33,936)	(87,317)
Net change in plan fiduciary net position	(121,585)	(78,583)
Plan fiduciary net position, beginning	4,289,074	4,367,657
Plan fiduciary net position, ending	<u>\$ 4,167,489</u>	<u>\$ 4,289,074</u>
Employer's net pension liability/(asset)	<u>\$ (597,060)</u>	<u>\$ (1,007,372)</u>
Plan fiduciary net position as a percentage of the total pension liability	116.72%	130.70%
Covered employee payroll	\$ 1,151,154	\$ 1,149,885
Employer's net pension liability/(asset) as a percentage of covered employee payroll	-51.87%	-87.61%

Note: This schedule will ultimately contain ten years of data.

CITY OF CENTRALIA
LAGERS (PENSION PLAN)
SCHEDULE OF CONTRIBUTIONS – LAST TEN FISCAL YEARS
March 31, 2016

	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 57,601	\$ 65,936	\$ 75,284	\$ 75,770	\$ 82,683
Contributions in relation to the actuarially determined contribution	57,601	65,936	75,284	65,956	60,417
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ 9,814	\$ 22,266
Covered employee payroll	\$ 1,151,154	\$ 1,149,885	\$ 1,108,886	\$ 1,083,650	\$ 1,090,774
Contributions as a percentage of covered employee payroll	5.00%	5.73%	6.79%	6.09%	5.54%
	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 80,736	\$ 85,242	\$ 34,889	\$ 42,166	\$ 38,493
Contributions in relation to the actuarially determined contribution	51,816	44,324	34,889	42,166	38,493
Contribution deficiency (excess)	\$ 28,920	\$ 40,918	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,045,877	\$ 1,023,191	\$ 1,077,910	\$ 1,068,376	\$ 1,066,081
Contributions as a percentage of covered employee payroll	4.95%	4.33%	3.24%	3.95%	3.61%

SUPPLEMENTARY INFORMATION

CITY OF CENTRALIA
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
NON-MAJOR FUNDS
March 31, 2017

	Special Revenue						Debt Service	Permanent	Capital Projects		
	Pool Fund	Park Fund	Parks and Rec Center Fund	Cemetery Fund	Transportation Sales Tax Fund	Avenue of Flags Fund	Library Bonds Fund	A.B. Chance Memorial Fund	Fire Equipment Fund	Highways and Streets Fund	Total
ASSETS											
Cash and cash equivalents	\$ 4,507	\$ 175,548	\$ 169,120	\$ 76,014	\$ 318,872	\$ 7,825	\$ -	\$ -	\$ 10,532	\$ 3,862	\$ 766,280
Accounts receivable	-	-	-	2,146	-	-	-	-	-	-	2,146
Taxes receivable	-	8,188	-	-	30,003	-	1,365	-	-	-	39,556
Due from other funds	-	-	-	-	-	-	-	-	3,862	-	3,862
Other assets	-	-	2,287	-	-	-	-	-	-	-	2,287
Restricted assets											
Cash and cash equivalents	-	-	-	402,402	-	-	9,010	1,787	-	-	413,199
Investments	-	-	-	-	-	-	-	235,053	-	-	235,053
Total assets	<u>\$ 4,507</u>	<u>\$ 183,736</u>	<u>\$ 171,407</u>	<u>\$ 480,562</u>	<u>\$ 348,875</u>	<u>\$ 7,825</u>	<u>\$ 10,375</u>	<u>\$ 236,840</u>	<u>\$ 14,394</u>	<u>\$ 3,862</u>	<u>\$ 1,462,383</u>
LIABILITIES											
Accounts payable	\$ 10,190	\$ 9,311	\$ -	\$ 571	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,072
Due to other funds	28,592	215	-	14,558	-	-	-	-	-	3,862	47,227
Unearned revenue	-	-	56,257	-	-	-	-	-	-	-	56,257
Total liabilities	<u>38,782</u>	<u>9,526</u>	<u>56,257</u>	<u>15,129</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,862</u>	<u>123,556</u>
DEFERRED INFLOWS OF RESOURCES											
Unavailable revenue - property taxes	-	6,458	-	-	-	-	1,077	-	-	-	7,535
Total deferred inflows of resources	<u>-</u>	<u>6,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,535</u>
FUND BALANCES (DEFICIT)											
Nonspendable											
Perpetual care	-	-	-	-	-	-	-	236,840	-	-	236,840
Restricted for:											
Debt service	-	-	-	-	-	-	9,298	-	-	-	9,298
Culture and recreation	-	167,752	-	-	-	7,825	-	-	-	-	175,577
Perpetual care	-	-	-	465,433	-	-	-	-	-	-	465,433
Capital projects	-	-	-	-	348,875	-	-	-	-	-	348,875
Committed for:											
Culture and recreation	-	-	115,150	-	-	-	-	-	-	-	115,150
Capital projects	-	-	-	-	-	-	-	-	14,394	-	14,394
Unassigned	<u>(34,275)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,275)</u>
Total fund balances (deficit)	<u>(34,275)</u>	<u>167,752</u>	<u>115,150</u>	<u>465,433</u>	<u>348,875</u>	<u>7,825</u>	<u>9,298</u>	<u>236,840</u>	<u>14,394</u>	<u>-</u>	<u>1,331,292</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 4,507</u>	<u>\$ 183,736</u>	<u>\$ 171,407</u>	<u>\$ 480,562</u>	<u>\$ 348,875</u>	<u>\$ 7,825</u>	<u>\$ 10,375</u>	<u>\$ 236,840</u>	<u>\$ 14,394</u>	<u>\$ 3,862</u>	<u>\$ 1,462,383</u>

CITY OF CENTRALIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
Year Ended March 31, 2017

	Special Revenue						Debt Service	Permanent	Capital Projects		
	Pool Fund	Park Fund	Parks and Rec Center Fund	Cemetery Fund	Transportation Sales Tax Fund	Avenue of Flags Fund	Library Bonds Fund	A.B. Chance Memorial Fund	Fire Equipment Fund	Highways and Streets Fund	Total
REVENUES											
Taxes	\$ -	\$ 205,201	\$ -	\$ -	\$ 210,297	\$ -	\$ 23,038	\$ -	\$ 1,967	\$ -	\$ 440,503
Charges for services	78,243	2,997	291,286	12,625	-	-	-	-	-	-	385,151
Intergovernmental revenues	-	-	-	-	78,356	-	-	-	-	-	78,356
Miscellaneous											
Interest	-	532	1,612	2,823	-	45	5	895	60	-	5,972
Contributions	-	2,450	-	1,978	-	2,400	-	-	-	-	6,828
Other	-	8,095	-	6,000	-	588	-	-	-	-	14,683
Total revenues	78,243	219,275	292,898	23,426	288,653	3,033	23,043	895	2,027	-	931,493
EXPENDITURES											
Culture and recreation	184,291	199,391	271,613	-	-	732	-	-	-	-	656,027
Cemetery	-	-	-	45,956	-	-	-	4,957	-	-	50,913
Capital outlay	-	63,660	-	-	280,362	-	-	-	-	-	344,022
Debt service	-	-	-	-	-	-	37,173	-	-	-	37,173
Total expenditures	184,291	263,051	271,613	45,956	280,362	732	37,173	4,957	-	-	1,088,135
Excess (deficiency) of revenues over (under) expenditures	(106,048)	(43,776)	21,285	(22,530)	8,291	2,301	(14,130)	(4,062)	2,027	-	(156,642)
OTHER FINANCING SOURCES (USES)											
Operating transfers in	100,100	63,557	-	35,000	-	-	-	-	-	-	198,657
Operating transfers (out)	-	(8,817)	(55,700)	-	-	-	-	-	-	-	(64,517)
Total other financing sources (uses)	100,100	54,740	(55,700)	35,000	-	-	-	-	-	-	134,140
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	(5,948)	10,964	(34,415)	12,470	8,291	2,301	(14,130)	(4,062)	2,027	-	(22,502)
Fund balances, April 1	(28,327)	156,788	149,565	452,963	340,584	5,524	23,428	240,902	12,367	-	1,353,794
FUND BALANCES (DEFICIT), MARCH 31	\$ (34,275)	\$ 167,752	\$ 115,150	\$ 465,433	\$ 348,875	\$ 7,825	\$ 9,298	\$ 236,840	\$ 14,394	\$ -	\$ 1,331,292