MUNICIPALITY OF EUREKA
EUREKA, SOUTH DAKOTA
AUDIT REPORT
FOR THE YEAR THEN ENDED
DECEMBER 31, 2022

MUNICIPALITY OF EUREKA
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CAHILL BAUER & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

Independent Auditor's Report

Governing Board
Municipality of Eureka
Eureka, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Eureka, South Dakota (Municipality), as of December 31, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated September 5, 2023, which was adverse on the aggregate discretely presented component units because the financial statements do not include financial data for the Municipality's legally separate component unit.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs, as items 2022-001 through 2022-007 to be material weaknesses.

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Report on Compliance and Other Matters

are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Municipality's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Municipality's response to the findings identified in our audit. The Municipality's response to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The Municipality's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipality's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Cahill Baum

Mobridge, South Dakota

September 5, 2023

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

Governing Board
Municipality of Eureka
Eureka, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Municipality of Eureka, South Dakota (Municipality), compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the Municipality's major federal programs for the year ended December 31, 2022. The Municipality's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

In our opinion, the Municipality of Eureka complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Municipality and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Municipality's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Municipality's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Municipality's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Municipality's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Municipality's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of Municipality's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

Cahill Bauer

Mobridge, South Dakota
September 5, 2023

MUNICIPALITY OF EUREKA
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022

PRIOR FINDINGS - FINANCIAL STATEMENT AUDIT

Finding Number 2021-001:

The Municipality lacks an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Current Status

Ongoing: Condition still exists, see current audit finding number 2022-001. The reason for recurrence is due to cost considerations, the Municipality has determined it is not practical to employ additional staff to adequately segregate duties. The Municipality will implement compensating controls where practical.

Finding Number 2021-002:

The Municipality lacks controls over the recording of all necessary material adjustments in order to ensure compliant accounting records.

Current Status

Ongoing: Condition still exists, see current audit finding number 2022-002. The reason for recurrence is due to cost considerations, the Municipality accepts the risks associated with the auditors preparing the financial statements. The Municipality will implement compensating controls where practical.

Finding Number 2021-003:

A material weakness was reported for a lack of proper segregation of duties for the revenue function resulting in decreased reliability of reported financial data and increased potential for the loss public assets.

Current Status

Ongoing: Condition still exists, see current audit finding number 2022-003. The reason for recurrence is due to cost considerations, the Municipality has determined it is not practical to employ additional staff to adequately segregate duties. The Municipality will implement compensating controls where practical.

(Continued on next page)

MUNICIPALITY OF EUREKA
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022

SECTION I - SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

Financial Statements

a. An unmodified opinion was issued on the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. An adverse opinion was issued on the aggregate discretely presented component units.

b. Material weakness's were disclosed by our audit of the financial statements. They are described in findings number 2022-001 through 2022-007.

c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.

e. Our audit did not disclose any audit finding required to be disclosed in accordance with 2 CFR 200.516(a).

f. The federal award tested as a major program was:

CFDA No. 10.760 - Water and Waste Water Disposal Systems for Rural Communities

g. The dollar threshold used to distinguish between Type A and Type B federal award programs was $750,000.

h. Municipality of Eureka did not qualify as a low-risk auditee.

(Continued on next page)

SECTION II - FINANCIAL SATEMENT FINDINGS

Internal Control-Related Findings - Material Weaknesses:

Finding 2022-001:

This has been a finding since 1998.

Criteria:

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Condition Found:

The Municipality does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements.

Cause/Effect:

This condition may affect the Municipality's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Recommendation:

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials and Planned Corrective Action:

See the Municipality's corrective action plan.

Finding 2022-002:

This has been a finding since 1998.

Criteria:

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that the accounting records are in accordance with generally accepted accounting principles.

(Continued on next page)

Condition Found:

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the Municipality's existing internal controls, and therefore could have resulted in a material misstatement of the Municipality's financial statements.

Cause/Effect:

This condition may affect the Municipality's ability to record, process, summarize and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation:

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of the cost or other considerations.

Views of Responsible Officials and Planned Corrective Action:

See the Municipality's corrective action plan.

Finding 2022-003:

This has been a finding since 1998.

Criteria:

To obtain adequate internal control over cash management, the duties of collecting and handling of cash must be segregated from the recording of cash transactions. The duties of preparing, mailing or otherwise distributing checks should be segregated from the recording process.

Condition Found:

A lack of proper segregation of duties existed for the revenue function resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This lack of segregation of duties has a direct effect on the cash management of the Municipality. The finance officer received money, issued receipts, recorded receipts, posted receipts in the accounting records, prepared bank deposits, reconciled bank statements and prepared financial statements. As a result, an inadequate segregation of duties existed for the revenue function of the Municipality.

(Continued on next page)

Cause/Effect:

Inaccurate financial statement and/or misappropriations of funds could result from a lack of segregation of duties.

Recommendation:

We recommend that Municipality officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever possible and practical.

Views of Responsible Officials and Planned Corrective Action:

See the Municipality's corrective action plan.

Finding Number 2022-004:

Criteria:

A Municipality must have controls in place to ensure that all employees are paid at their approved rate and have all proper documentation on file for each employee they hire.

Condition Found:

During the course of our engagement, we noted one employee was paid an incorrect rate and one employee for which a form I-9 was not on file.

Cause/Effect:

The Municipality does not have an internal control system in place to identify deficiencies in its payroll process that could lead to errors and/or miscalculations.

Recommendation:

The Municipality should implement a review process for payroll that can identify errors and/or miscalculations in payroll.

Views of Responsible Officals:

See the Municipality's corrective action plan.

(Continued on next page)

Finding Number 2022-005:

Criteria:

A Municipality is required to designate at a meeting of its governing body an official newspaper for the ensuing year in accordance with SDCL 9-12-6.

Condition Found:

During the course of our engagement, we noted that the Municipality did not designate an official newspaper at a meeting of its governing body.

Cause/Effect:

This condition affects the publics ability to decipher which newspaper(s) the minutes and proceedings of the Municipality's governing body are published.

Recommendation:

We recommend that the Municipality make more effort to ensure that an offical newspaper is designated for the ensuing year at a meeting of its governing body.

Views of Responsible Officals:

See the Municipality's corrective action plan.

Finding Number 2022-006:

Criteria:

A Municipality is required to designate an official depository or depositories in which the funds belonging to the Municipality shall be deposed in accordance with SDCL 9-22-6.

Condition Found:

During the course of our engagement, we noted that the Municipality did not designate an official depository or depositories at a meeting of its governing body.

Cause/Effect:

This condition affects the publics ability to decipher which depository or depositories that the Municipality uses.

(Continued on next page)

Recommendation:

We recommend that the Municipality make more effort to ensure that an offical depository or depositories is (are) designated for the ensuing year at a meeting of its governing body.

Views of Responsible Officals:

See the Municipality's corrective action plan.

Finding Number 2022-007:

Criteria:

As persuant to SDCL, a Municipality is required to have dual signature on all checks or warrants drawn, except those of trust & agency. One signature is required by the finance officer and another countersignature by the Mayor or President of the Board.

Condition Found:

During our review of expenditures, we noted one check written that did not have dual signature by the finance officer and Mayor or President of the Board.

Cause/Effect:

There is a breakdown of controls within the organization with regards to expenditures.

Recommendation:

We recommend that the Municipality make more effort to ensure that all checks or warrants drawn, bear the signature of both the finance officer and Mayor or President of the Board.

Views of Responsible Officals:

See the Municipality's corrective action plan.

CITY OF EUREKA

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CORRECTIVE ACTION PLAN

Finding Number 2022-001

The Municipality does not have an internal control system designed to provide for the preparation of the financial statements including required footnotes and disclosures, in accordance with the modified cash basis of accounting.

Views of responsible officials and planned corrective actions:

The Finance Officer is the contact at this entity responsible for the corrective action plan for this comment. Both the City Council and management are aware of this process and have expressed their confidence in that the information is accurate and they are willing to accept this risk.

Finding Number 2022-002

The Municipality does not have an internal control system designed to provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with the modified cash basis of accounting.

Views of responsible officials and planned corrective actions:

The Finance Officer is the contact person at this entity responsible for the corrective action plan for this comment. Management is aware of their overall responsibility for the completeness of the Municipality's financial statements and the necessity for those to be complete with all material adjustments reflected and will attempt to compete all material adjustments for future financial statements.

Finding Number 2022-003

Internal control over financial reporting and compliance is not adequate.

Views of responsible officials and planned corrective actions:

The Finance Officer is the contact at this entity responsible for the corrective action plan for this comment. Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct any matters that may result.

Finding Number 2022-004

Material weakness due to the lack of internal control structure in place to identify deficiencies in its payroll process that could lead to errors and/or miscalculations.

Views of responsible officials and planned corrective actions:

The Finance Officer is the contact person at this entity responsible for the corrective action plan for this comment. The Municipality will ensure that all employees are paid the correct rate and Form I-9's will be on file for all employees hired.

Finding Number 2022-005

The Municipality does not have an internal control system designed to ensure that an official newspaper is designated at a meeting for the ensuing year in accordance with SCL 9-12-6.

Views of responsible officials and planned corrective actions:

The Finance Officer is the contact person at this entity responsible for the corrective action plan for this comment. Management is aware of their responsibility to designate an official newspaper and will put procedures in place to ensure that this happens each year.

Finding Number 2022-006

The Municipality does not have an internal control system designed to ensure that an official depository is designated at a meeting for the ensuing year in accordance with SCL 9-22-6.

Views of responsible officials and planned corrective actions:

The Finance Officer is the contact person at this entity responsible for the corrective action plan for this comment. Management is aware of their responsibility to designate an official depository and will put procedures in place to ensure that this happens each year.

Finding Number 2022-007

The Munipality had one check written that did not have dual signature by the Finance Officer and Mayor or President of the Board.

Views of responsible officials and planned corrective actions:

The Finance Officer is the contact person at this entity responsible for the corrective action plan for this comment. Management is aware of their responsibility for proper dual signature and will put procedures in place to ensure this happens when checks are written.

Finance Officer

Mayor

CAHILL BAUER & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Governing Board
Municipality of Eureka
Eureka, South Dakota

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Eureka, South Dakota, as of December 31, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprises the Municipality's basic financial statements as listed in the Table of Contents.

Adverse Opinion on the Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statements referred to above do not present fairly the respective financial position of the aggregate discretely presented component units of the Municipality of Eureka, South Dakota, as of December 31, 2022, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities, Business-Type Activities, Each Major Fund, and the Aggregrate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Municipality of Eureka as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (Government Auditing Standards), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Municipality and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matter Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Units

Management has not included the aggregrate discretely presented component units of the Municipality of Eureka, South Dakota's, financial statements. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the Municipality's primary government unless the Municipality also issues financial statements for the financial reporting entity that include the financial data for its component unit. The Municipality has not issued such reporting entity financial statements.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether accounting principles generally accepted in the United States of America financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit 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 Municipality's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the Municipality Contributions, and the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset) on pages 48 through 53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Municipality has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 5, 2023 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Municipality's internal control over financial reporting and compliance.

Cahill Bower

Mobridge, South Dakota
September 5, 2023

MUNICIPALITY OF EUREKA
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 2,127,418	$ 311,794	$ 2,439,212
Investments	30,000	380,000	410,000
Accounts receivable, net	36,634	70,334	106,968
Inventories	22,550	23,588	46,138
Net pension asset	533	186	719
Capital assets			
Land and improvements	141,896	3,755,415	3,897,311
Other capital assets, net of depreciation	2,511,351	2,825,535	5,336,886
TOTAL ASSETS	$ 4,870,382	$ 7,366,852	$ 12,237,234
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	$ 49,759	$ 17,304	$ 67,063
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 49,759	$ 17,304	$ 67,063
LIABILITIES			
Accounts payable	$ 30,644	$ 1,012,593	$ 1,043,237
Other current liabilities	6,516	30,506	37,022
Noncurrent liabilities:			
Due within one year	-	54,634	54,634
Due in more than one year	$ 3,742	$ 3,787,233	$ 3,790,975
TOTAL LIABILITIES	$ 40,902	$ 4,884,966	$ 4,925,868
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	$ 31,654	$ 11,382	$ 43,036
Other deferred inflows of resources	7,907	-	7,907
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 39,561	$ 11,382	$ 50,943
NET POSITION			
Net investment in capital assets	$ 2,653,247	$ 2,739,083	$ 5,392,330
Restricted for			
Equipment repair and/or replacement	-	7,200	7,200
Debt service	5,684	-	5,684
SDRS pension	18,638	6,108	24,746
Revenue bond contingency	-	60,550	60,550
Water reserve	-	14,358	14,358
Unrestricted	2,162,109	(339,491)	1,822,618
TOTAL NET POSITION	$ 4,839,678	$ 2,487,808	$ 7,327,486

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

MUNICIPALITY OF EUREKA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities							
General government	$ 345,923	$ 29,310	$ 75,523	$ -	$ (241,090)	$ -	$ (241,090)
Public safety	52,598	-	-	-	(52,598)	-	(52,598)
Public works	234,871	97,124	68,766	-	(68,981)	-	(68,981)
Health and welfare	3,150	-	-	-	(3,150)	-	(3,150)
Culture and recreation	101,163	4,061	-	-	(97,102)	-	(97,102)
Conservation and development	53,736	-	-	-	(53,736)	-	(53,736)
Total governmental activities	791,441	130,495	144,289	-	(516,657)	-	(516,657)
Business-type activities							
Water	390,210	308,773	-	-	-	(81,437)	(81,437)
Sewer	179,061	336,351	-	-	-	157,290	157,290
Total business-type activities	569,271	645,124	-	-	-	75,853	75,853
Total primary government	$ 1,360,712	$ 775,619	$ 144,289	$ -	$ (516,657)	$ 75,853	$ (440,804)
	General Revenues						
	Taxes						
	Property taxes				368,994	-	368,994
	Sales tax				382,230	-	382,230
	State shared revenue				8,705	-	8,705
	Unrestricted investment earnings				7,156	1,520	8,676
	Miscellaneous revenue				15,339	-	15,339
	Total general revenues				782,424	1,520	783,944
	Change in net position				265,767	77,373	343,140
	Net position - beginning				4,573,911	2,410,435	6,984,346
	Net position - ending				$ 4,839,678	$ 2,487,808	$ 7,327,486

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

MUNICIPALITY OF EUREKA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Assets:			
Cash and cash equivalents	$ 2,121,734	$ 5,684	$ 2,127,418
Investments	30,000	-	30,000
Taxes receivables - delinquent	9,945	-	9,945
Accounts receivable - net	14,964	-	14,964
Due from other governments	3,818	-	3,818
Leases receivable	7,907	-	7,907
Inventory of supplies	22,550	-	22,550
TOTAL ASSETS	$ 2,210,918	$ 5,684	$ 2,216,602
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 30,644	$ -	$ 30,644
Accrued taxes payable	6,516	-	6,516
Total Liabilities	37,160	-	37,160
Deferred Inflows of Resources:			
Unavailable revenue -property taxes	$ 9,945	$ -	$ 9,945
Other deferred inflows of resources	7,907	-	7,907
Total Deferred Inflows of Resources	17,852	-	17,852
Fund balances:			
Nonspendable			
Inventory	$ 22,550	$ -	$ 22,550
Restricted			
Debt service fund	-	5,684	5,684
Assigned			
Next years appropriation	202,588	-	202,588
Economic development	34,864	-	34,864
Unassigned	1,895,904	-	1,895,904
Total Fund Balance	2,155,906	5,684	2,161,590
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 2,210,918	$ 5,684	$ 2,216,602

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

MUNICIPALITY OF EUREKA
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022

Total fund balances - governmental funds	$	2,161,590
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		2,653,247
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(3,742)
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent, and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.		9,945
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		533
Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.		49,759
Pension related deferred inflows are components of pension asset and therefore are not reported in the funds.		(31,654)
Net position - governmental funds	$	4,839,678

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

MUNICIPALITY OF EUREKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Primary Government		
	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes			
General property taxes	$ 366,883	$ -	$ 366,883
General sales and use taxes	382,230	-	382,230
Penalties and interest on delinquent taxes	907	-	907
Licenses and permits	9,676	-	9,676
Intergovernmental revenue			
Federal grants	75,523	-	75,523
State shared revenue			
Bank franchise tax	2,965	-	2,965
Motor vehicle commercial prorate	5,325	-	5,325
Liquor tax reversion	5,740	-	5,740
Motor vehicle licenses (5%)	14,284	-	14,284
Local government highway and bridge fund	35,513	-	35,513
County shared revenue			
County road tax (25%)	13,644	-	13,644
Charges for goods and services			
General government	7,516	-	7,516
Sanitation	97,124	-	97,124
Culture and recreation	4,061	-	4,061
Miscellaneous revenue			
Investment earnings	7,156	-	7,156
Rentals	4,288	-	4,288
Contributions and donations from private sources	7,830	-	7,830
Other	5,389	-	5,389
Total Revenues	$ 1,046,054	$ -	$ 1,046,054

(Continued on next page)

MUNICIPALITY OF EUREKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Primary Government		
	General Fund	Other Governmental Funds	Total Governmental Funds
EXPENDITURES			
General government			
Legislative	6,284	-	6,284
Executive	23,589	-	23,589
Financial administration	169,844	-	169,844
Other	81,484	-	81,484
Public safety			
Police	50,598	-	50,598
Other protection	2,000		2,000
Public works			
Highways and streets	111,671	-	111,671
Sanitation	84,580	-	84,580
Airport	2,908	-	2,908
Health and welfare			
Health	3,150	-	3,150
Culture and recreation			
Parks	52,157	-	52,157
Libraries	12,360	-	12,360
Conservation and development			
Economic development and assistance (Industrial development)	53,736	-	53,736
Capital outlay	192,458	-	192,458
Total expenditures	846,819	-	846,819
Excess of revenue over (under) expenditures	199,235	-	199,235
Other financing sources (uses)			
Sale of municipal property	9,950	-	9,950
Total other financing sources	9,950	-	9,950
Net change in fund balances	209,185	-	209,185
Fund balance - beginning	1,946,721	5,684	1,952,405
Fund balance - ending	$ 2,155,906	$ 5,684	$ 2,161,590

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

MUNICIPALITY OF EUREKA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

Net change in fund balances - total governmental funds		209,185
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 are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		51,299
Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.		2,073
Pension expense(revenue) reported in the Statement of Activities does not require the use of current financial resources and are not reported as expenditures in the governmental funds.		1,937
Changes in the pension related deferred outflows/inflows are direct components of pension asset and are not reflected in the governmental funds.		69
The fund financial statement governmental funds property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".		1,204
Change in net position of governmental activities	$	265,767

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

MUNICIPALITY OF EUREKA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current assets			
Cash and cash equivalents	$ 115,991	$ 195,803	$ 311,794
Investments	120,000	260,000	380,000
Accounts receivable - net	28,942	41,392	70,334
Inventory of supplies	21,833	1,755	23,588
Net pension asset	93	93	186
Total current assets	286,859	499,043	785,902
Noncurrent assets			
Capital assets			
Land and construction in progress	12,387	3,743,028	3,755,415
Buildings	209,209	-	209,209
Improvements other than buildings	2,851,152	2,932,514	5,783,666
Machinery and equipment	170,678	251,093	421,771
Less accumulated depreciation	(1,789,912)	(1,799,199)	(3,589,111)
Total noncurrent assets	1,453,514	5,127,436	6,580,950
TOTAL ASSETS	$ 1,740,373	$ 5,626,479	$ 7,366,852
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	8,652	8,652	17,304
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 8,652	$ 8,652	$ 17,304
LIABILITIES			
Current liabilities			
Accounts payable	$ 16,034	$ 996,559	$ 1,012,593
Accrued taxes payable	444	415	859
Accrued interest payable	-	25,545	25,545
Revenue collected in advance	4,102	-	4,102
Bonds payable	8,568	46,066	54,634
Total current liabilities	29,148	1,068,585	1,097,733
Noncurrent liabilities			
Bonds payable			
Revenue	356,466	791,374	1,147,840
Notes payable	-	2,639,393	2,639,393
Total noncurrent liabilities	356,466	3,430,767	3,787,233
TOTAL LIABILITIES	385,614	4,499,352	4,884,966
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	5,691	5,691	11,382
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 5,691	$ 5,691	$ 11,382
NET POSITION			
Net Investment in capital assets	1,088,480	1,650,603	2,739,083
Restricted for			
Revenue bond contingency	60,550	-	60,550
SDRS pension	3,054	3,054	6,108
Equipment repair and/or replacement	-	7,200	7,200
Water reserve	14,358	-	14,358
Unrestricted net position	191,278	(530,769)	(339,491)
TOTAL NET POSITION	$ 1,357,720	$ 1,130,088	$ 2,487,808

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

MUNICIPALITY OF EUREKA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
OPERATING REVENUE			
Charges for goods and services	$ 308,773	$ 336,351	$ 645,124
Total operating revenue	308,773	336,351	645,124
OPERATING EXPENSES			
Personal services	29,278	22,385	51,663
Other current expense	272,200	18,486	290,686
Depreciation	76,755	90,566	167,321
Total Operating Expenses	378,233	131,437	509,670
Operating income	(69,460)	204,914	135,454
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	480	1,040	1,520
Interest expense and fiscal charges	(11,977)	(47,624)	(59,601)
Total nonoperating revenues	(11,497)	(46,584)	(58,081)
INCOME (LOSS) BEFORE CONTRIBUTIONS, SPECIAL ITEMS, EXTRAORDINARY ITEMS AND TRANSFERS	(80,957)	158,330	77,373
CHANGE IN NET POSITION	(80,957)	158,330	77,373
NET POSITION - BEGINNING	1,438,677	971,758	2,410,435
NET POSITION - ENDING	$ 1,357,720	$ 1,130,088	$ 2,487,808

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

MUNICIPALITY OF EUREKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 304,910	$ 321,225	$ 626,135
Payments to employees for services	(29,846)	(23,059)	(52,905)
Payments to suppliers of goods and services	(270,882)	939,042	668,160
Net cash provided (used) by operating activities	4,182	1,237,208	1,241,390
CASH FLOWS FROM (FOR) CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	-	2,639,393	2,639,393
Purchases of capital improvements	-	(3,704,350)	(3,704,350)
Principal paid on capital debt	(8,318)	(44,600)	(52,918)
Interest paid on capital debt	(12,009)	(28,126)	(40,135)
Net cash used by capital and related financing activities	(20,327)	(1,137,683)	(1,158,010)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	480	1,040	1,520
Net cash provided by investing activities	480	1,040	1,520
NET CHANGE IN CASH AND CASH EQUIVALENTS	(15,665)	100,565	84,900
CASH AND INVESTMENTS AT BEGINNING OF YEAR	251,656	355,238	606,894
CASH AND INVESTMENTS AT END OF YEAR	$ 235,991	$ 455,803	$ 691,794
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income	$ (69,460)	$ 204,914	$ 135,454
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Depreciation expense	76,755	90,566	167,321
Change in assets and liabilities			
Receivables	(4,422)	(15,126)	(19,548)
Inventories	(3,810)	-	(3,810)
Accounts and other payables	5,128	957,528	962,656
Contracts and benefits payable	97	(9)	88
Customer deposits	559	-	559
Pension asset/liability	(665)	(665)	(1,330)
Net cash provided (used) by operating activities	$ 4,182	$ 1,237,208	$ 1,241,390

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a: Financial Reporting Entity

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

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Municipality is financially accountable if its governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the Municipality. The Municipality may also be financially accountable for another organization if that organization is fiscally dependent on the Municipality.

The Housing and Redevelopment Commission of the Municipality of Eureka, South Dakota, is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission.

The Municipality has created a Housing and Redevelopment Commission under the authority of South Dakota Codified Law 11-7-7. The financial information of the component unit is available upon request from the Eureka Housing and Redevelopment Commission, Eureka, South Dakota.

b: Basis of Presentation

Government-wide Financial Statements

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

(Continued on next page)

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

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type, and;

b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined, or;

c. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the Municipality financial reporting entity are described below within their respective fund types:

Governmental Funds

General Fund - The General Fund is the general operating fund of the Municipality. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. This not a major fund.

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Proprietary Funds

Enterprise Fund Types - Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)

b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.

c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Water Fund - financed primarily by user charges this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1) This is a major fund.

Sewer Fund - financed primarily by user charges this fund accounts for the construction and operation of the municipal sanitary system and related facilities. (SDCL 9-48-2) This is a major fund.

c: Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus

Government-wide Financial Statements

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental type funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary funds.

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Basis of Accounting

Government-wide Financial Statements

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Eureka, the length of that cycle is 45 days.

The revenues which are accrued at December 31, 2022, are as follows:

Due from other governments:	$	3,818
Accounts receivable:	$	14,964

Due from other governments includes sales tax remittances, December tax collected in January and local government and highway, motor vehicle licenses and alcohol reversion taxes.

Accounts receivable includes sanitation fees, 911 fax reimbursements, etc.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met but for which revenue recognition criteria have not been met, are reported as deferred inflow of resources.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

(Continued on next page)

d: Deposits and Investments

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

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6.

e: Capital Assets

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful file of a capital asset are also capitalized.

The total December 31, 2022, balance of governmental activities capital assets include approximately ten percent for which the costs were determined by estimates of the original costs. The total December 31, 2022, balance of business-type capital assets is valued at original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the Municipality. Infrastructure assets acquired since January 1, 2004, are recorded at cost, and classified as "Improvements Other Than Buildings."

For governmental activities, Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is not capitalized in accordance with USGAAP.

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Depreciation/amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position and on each proprietary fund's Statement of Net Position. Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on the proprietary fund's Statement of Net Position.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation/amortization methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary fund are as follows:

Governmental Activities	**Capitalization Threshold**	**Depreciation/ Amortization Method**	**Estimated Useful Life**
Land	Any Amount	N/A	N/A
Improvements, other than buildings	$ 5,000	Straight-line	20-40 years
Buildings	5,000	Straight-line	20-50 years
Machinery and equipment	5,000	Straight-line	10-20 years
Intangible lease assets	Any Amount	Straight-line	3-10 years

Enterprise Funds	**Capitalization Threshold**	**Depreciation Method**	**Estimated Useful Life**
Land	Any Amount	N/A	N/A
Improvements, other than buildings	$ 5,000	Straight-line	20-40 years
Buildings	5,000	Straight-line	20-50 years
Machinery and equipment	5,000	Straight-line	10-20 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as Capital Outlay expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f: Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the governmental-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of RD loans, an interim construction loan, and compensated absences.

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In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

g: Program Revenues

Program revenues derive directly from the program itself or from parties other than the Municipality's taxpayers or citizenry, as a whole. Program revenues are classified into three categories:

a: Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services.

b: Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

c: Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h: Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

i: Proprietary Funds Revenue and Expense Classifications

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

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j: Cash and Cash Equivalents

The Municipality pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

k: Equity Classifications

Government-wide Statements

Equity is classified as Net Position and is displayed in three components:

a: Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b: Restricted Net Position - Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c: Unrestricted Net Position - All other net position that do not meet the definition of "restricted" or " net investment in capital assets."

Fund Financial Statements

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements.

l: Application of Net Position

It is the Municipality's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

m: Fund Balance Classification Policies and Procedures

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

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

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Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Municipal Council.

Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of inventory.

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

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

n: Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. Municipal contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

o: Leases

Lessor:

The Municipality is a lessor for a noncancellable leases of airport hangars and land. The Municipality recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the Municipality initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Municipality determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Municipality uses its estimated incremental borrowing rate as the discount rate for leases.

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- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Municipality monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

NOTE 2 - DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:

The Municipality follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The Municipality's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.11 and 9-22-6.2 and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits municipality funds to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.
As of December 31, 2022, the Municipality did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

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

Credit Risk - State law limits eligible investments for the Municipality of Eureka. The Municipality has no investment policy that would further limit its investment choices.

Custodial Credit Risk - The risk that, in the even of a depository failure, the Municipality's deposits may not be returned to it. The Municipality does not a have deposit policy for custodial credit risk. As of December 31, 2022, none of the Municipality's deposits were exposed to custodial credit risk.

Concentration of Credit Risk - The Municipality places no limit on the amount that may be invested in any one issuer. More than 5 percent of the Municipality's investments are in Certificates of Deposit.

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

NOTE 3 - RECEIVABLES AND PAYABLES

Receivables are not aggregated in these financial statements. The Municipality expects all receivables to be collected within one year.

NOTE 4 - INVENTORY

Inventory in the General Fund and Special Revenue Funds consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Inventory acquired for resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

Government-wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed. Material supply inventories are offset by a Nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

NOTE 5 - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

The Municipality is permitted by several state statues to levy varying amounts of taxes per $1,000 of taxable valuation on taxable real property in the Municipality.

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NOTE 6 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2022 is as follows.

	Balance 01/01/2022	Increases	Decreases	Balance 12/31/2022
Primary Government				
Governmental activities				
Capital assets, not being depreciated				
Land	$ 113,396	$ 28,500	-	$ 141,896
Total capital assets, not being depreciated	113,396	28,500	-	141,896
Capital assets, being depreciated				
Buildings	494,640	-	(28,000)	466,640
Improvements other than buildings	3,265,924	58,286	(17,177)	3,307,033
Machinery and equipment	1,039,101	105,672	-	1,144,773
Total capital assets, being depreciated	4,799,665	163,958	(45,177)	4,918,446
Less accumulated depreciation for				
Buildings	355,690	10,101	(28,000)	337,791
Improvements other than buildings	1,107,357	95,033	-	1,202,390
Machinery and equipment	848,066	36,025	(17,177)	866,914
Total accumulated depreciation	2,311,113	141,159	(45,177)	2,407,095
Total capital assets, being depreciated, net	2,488,552	22,799	-	2,511,351
Governmental activity capital assets, net	$ 2,601,948	$ 51,299	-	$ 2,653,247

Depreciation expense was charged to functions as follows

	12/31/2022
Governmental activities	
General government	$ 68,801
Public works	35,712
Culture and recreation	36,646
Total depreciation expense - Governmental activities	$ 141,159

(Continued on next page)

	Balance 01/01/2022	Increases	Decreases	Balance 12/31/2022
Business-type activities				
Capital assets, not being depreciated				
Land	$ 51,065	-	-	$ 51,065
Construction in progress	-	3,704,350	-	3,704,350
Total capital assets, not being depreciated	51,065	3,704,350	-	3,755,415
Capital assets, being depreciated				
Buildings	209,209	-	-	209,209
Improvements other than buildings	5,783,666	-	-	5,783,666
Machinery and equipment	435,371	-	(13,600)	421,771
Total capital assets, being depreciated	6,428,246	-	(13,600)	6,414,646
Less accumulated depreciation for				
Buildings	209,209	-	-	209,209
Improvements other than buildings	2,869,806	151,671	-	3,021,477
Machinery and equipment	356,375	15,650	(13,600)	358,425
Total accumulated depreciation	3,435,390	167,321	(13,600)	3,589,111
Total business-type activities, capital assets, being depreciated, net	2,992,856	(167,321)	-	2,825,535
Business-type activities capital assets, net	$ 3,043,921	$ 3,537,029	$ -	$ 6,580,950

Depreciation expense was charged to functions as follows

	12/31/22
Business-type activities	
Water	$ 76,755
Sewer	90,566
Total depreciation expense - Business-type activities	$ 167,321

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is as follows:

	Beginning Balance 01/01/2022	Additions	Deletions	Ending Balance 12/31/2022	Due Within One Year
Primary government					
Governmental activities					
Accrued Compensated Absences	$ 5,815	$ 6,387	$ (8,460)	$ 3,742	$ -
Total governmental activities	5,815	6,387	(8,460)	3,742	-

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	Beginning Balance 01/01/2022	Additions	Deletions	Ending Balance 12/31/2022	Due Within One Year
Business-type activities					
Bonds payable					
RD Loan	373,352	-	(8,318)	365,034	8,568
RD Loan - Clean Water #1	882,039	-	(44,599)	837,440	46,066
Total bonds payable	1,255,391	-	(52,917)	1,202,474	54,634
Total business-type activities debt	1,255,391	-	(52,917)	1,202,474	54,634
Total primary government	$ 1,261,206	$ 6,387	$ (61,377)	$ 1,206,216	$ 54,634

Debt payable at December 31, 2022, is comprised of the following:

RD Water Bonds, 3.25%, maturing January 28, 2050, paid by Water Fund.	365,034
RD Clean Water Bonds, 3.25%, maturing January 15, 2044, paid by Sewer Fund.	837,440
Compensating Absences - Employees vacation as of December 31, 2022, will be made out from the general fund.	3,742
	$ 1,206,216

Annual requirements to amortize all debt outstanding as of December 31, 2022, except for compensated absences is as follows:

Long-Term Liabilities	Year Ending 12/31,	Principal	Interest
	2023	54,634	38,419
	2024-2028	301,358	163,908
	2029-2033	354,324	110,943
	2034-2038	303,966	50,970
	2039-2043	76,921	24,719
	2044-2050	111,271	11,574
		$ 1,202,474	$ 400,533

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NOTE 8 - PENSION PLAN

Plan Information:

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

Benefits Provided:

SDRS has four different classes of employees, Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouse of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service.

At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
    - The increase in the 3rd qtr CPI-W, no less than 0.5% and no greater than 3.5%.

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- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3rd qtr CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

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

Contribution:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2022, 2021, and 2020 were $10,923, $11,560, and $12,340, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2022, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of this measurement period ending June 30, 2022 and reported by the Municipality as of December 31, 2022 are as follows:

	Governmental Activities	Business-Type Activities	Total
Proportionate share of pension liability	$ 794,002	$ 277,873	$ 1,071,875
Less proportionate share of net pension restricted for pension benefits	$ (794,535)	$ (278,059)	$ (1,072,594)
Proportionate share of net pension liability (asset)	$ (533)	$ (186)	$ (719)

At December 31, 2022, the Municipality reported a asset of $719 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022 and the total pension asset used to calculate the net pension asset was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the Municipality's proportion was .0075930%, which is an decrease of .0016290% from its proportion measured as of June 30, 2021.

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For the year ended December 31, 2022, the Municipality recognized a reduction of expense of $4,637. At December 31, 2022 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience.	$ 13,659	$ 47
Changes in assumption.	45,607	39,968
Net difference between projected and actual earnings on pension plan investments	-	1,720
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	2,450	1,301
Municipality contributions subsequent to the measurement date.	5,347	-
Total	$ 67,063	$ 43,036

$5,347 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year ended December 31:

2023	$ 4,277
2024	$ 10,550
2025	$ (10,643)
2026	$ 14,496
TOTAL	$ 18,680

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Investment Rate of Return	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

Mortality Rates:

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

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Active and Terminated Vested Members:
- Teachers, Certified Regents, and Judicial: PubT-2010
- Other Class A Members: PubG-2010
- Public Safety Members: PubS-2010

Retired Members:
- Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
- Other Class A Retirees: PubG-2010, 93% of rates through age 74, increased by 2% per year until 111% of rates at age 83 and above
- Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries
- PubG-2010 contingent survivor mortality table

Disabled Members:
- Public Safety: PubS-2010 disabled member mortality table
- Others: PubG-2010 disable member mortality table

The acuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	LT Expected Real Rate of Return
Global Equity	58.00%	3.70%
Fixed Income	30.00%	1.10%
Real Estate	10.00%	2.60%
Cash	2.00%	0.40%
Total	100.00%	2.70%

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

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

The following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.5%, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.5%) or 1-percentage point higher (7.5%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Municipality's proportionate share of the net pension liability (asset)	$ 149,000	$ (719)	$ (123,077)

Pension Plan Fiduciary Net Position:

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

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to issued.

NOTE 10 - RISK MANAGEMENT

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2022, the Municipality managed its risks as follows:

Employee Health Insurance

The Municipality purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance

The Municipality joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Municipality's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Municipality. The Municipality pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for: real and personal property, vehicles, miscellaneous, electronic equipment, employee dishonesty, and boiler and equipment breakdown.

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Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing member with such a partial refund because the departing member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing member pursuant to the revised IGC.

The Municipality carries a $250 deductible for the personal and real property, miscellaneous, and electronic equipment coverage and $100 deductible for the vehicle coverage and $1,500 deductible for the boiler and equipment breakdown coverage.

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

Workmen's Compensation

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first $650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of $2,000,000 per incident.

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

Unemployment Benefits

The Municipality provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

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NOTE 11 - LEASES RECEIVABLE

The Municipality leases various real estate owned by the Municipality with various terms. A summary of changes in lease receivable for the year ended December 31, 2022 is as follows:

	Beginning Balance 01/01/2022	Additions	Deletions	Ending Balance 12/31/2022
Governmental activities				
Leases receivable	$ 8,384	$ 2,059	$ 2,536	$ 7,907
Total governmental activities	8,384	2,059	2,536	7,907

The following schedule shows the aggregrate future minimum lease payments required by year under the leases as of December 31, 2022:

	Year Ending 12/31,	Lease revenue	Interest revenue
Leases receivable			
	2023	2,514	175
	2024	1,345	132
	2025	1,177	100
	2026	1,004	72
	2027	1,038	48
	Therafter	829	63
		7,907	590

NOTE 12 - INTERIM FINANCING

The Municipality has entered into an interim financing loan agreement with Great Plains Bank to provide funding for the Water and Waste Disposal Loan System Project for Rural Communities. The interim financing will be converted to USDA Rural Development loans so it is reported as long-term debt on the financial statements. The following is the interim financing activity for the year:

Fund	Beginning Balance	Additions	Deletions	Ending Balance
Sewer	$ -	$ 2,639,393	$ -	$ 2,639,393

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPALITY OF EUREKA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes				
General property tax	$ 380,908	$ 380,908	$ 366,883	$ (14,025)
General sales and use tax	325,100	325,100	382,230	57,130
Penalties and interest on delinquent taxes	1,000	1,000	907	(93)
Licenses and permits	6,000	6,000	9,676	3,676
Intergovernmental revenue				
Federal grants	20,000	20,000	75,523	55,523
State shared revenue				
Bank franchise tax	3,000	3,000	2,965	(35)
Motor vehicle commercial prorate	3,000	3,000	5,325	2,325
Liquor tax reversion	6,000	6,000	5,740	(260)
Motor vehicle licenses (5%)	15,000	15,000	14,284	(716)
Local government highway and bridge fund	40,000	40,000	35,513	(4,487)
County shared revenue				
County road tax (25%)	6,800	6,800	13,644	6,844
Charges for goods and services				
General government	3,100	3,100	7,516	4,416
Sanitation	97,500	97,500	97,124	(376)
Culture and recreation	3,000	3,000	4,061	1,061
Miscellaneous revenue				
Investment earnings	5,000	5,000	7,156	2,156
Rentals	3,000	3,000	4,288	1,288
Contributions and donations from private sources	7,700	7,700	7,830	130
Other	4,300	4,300	5,389	1,089
Total revenue	$ 930,408	$ 930,408	$ 1,046,054	$ 115,646

MUNICIPALITY OF EUREKA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
EXPENDITURES				
General government				
Legislative	5,000	6,284	6,284	-
Contingency	66,315	66,315	-	
Amount transferred	-	(28,503)	-	37,812
Executive	33,000	33,000	23,589	9,411
Elections	2,500	2,500	-	2,500
Financial administration	185,100	185,100	169,844	15,256
Other	296,700	297,549	81,484	216,065
Public safety				
Police	52,500	52,500	50,598	1,902
Fire	2,000	2,000	2,000	-
Other	1,000	1,000	-	1,000
Public works				
Highways and streets	404,500	404,500	195,693	208,807
Sanitation	97,000	97,000	84,580	12,420
Airport	3,250	3,250	2,908	342
Health and welfare				
Health	1,450	3,150	3,150	-
Culture and recreation				
Parks	119,500	144,170	131,493	12,677
Libraries	15,000	15,000	12,960	2,040
Conservation and development				
Economic development and assistance (industrial development)	107,800	107,800	82,236	25,564
Total Expenditures	1,392,615	1,392,615	846,819	545,796
Excess revenue over/under expenditures	(462,207)	(462,207)	199,235	661,442
Other financing sources/(uses)				
Sale of municipal property	10,000	10,000	9,950	(50)
Total other financing sources (uses)	10,000	10,000	9,950	(50)
Net change in fund balances	(452,207)	(452,207)	209,185	661,392
Fund balance - beginning	1,946,721	1,946,721	1,946,721	-
Fund balance - ending	$ 1,494,514	$ 1,494,514	$ 2,155,906	$ 661,392

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

The Municipality followed these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Municipal Commission introduces the annual appropriation ordinance for the ensuing fiscal year.

2. After adoption by the Municipal Commission, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.

3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Municipal Commission to any other budget category that is deemed insufficient during the year.

4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.

5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Municipal Commission.

   Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and special revenue funds.

   The Municipality did not encumber any amounts at December 31, 2022.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and major special revenue funds.

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NOTE 2 -GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

The financial statements prepared in conformity with USGAAP applied within the context of the modified cash basis of accounting present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

MUNICIPALITY OF EUREKA
SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE SHARE OF THE NET PENSION (LIABILITY) ASSET
DECEMBER 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Municipality's proportion of the net pension liability (asset)	0.007593000%	0.009222000%	0.008963700%	0.008083500%	0.006585200%	0.006007800%	0.006653700%	0.007154300%
Municipality's proportionate share of net pension (liability)/asset	$ (719)	$ (70,624)	$ (390)	$ (856)	$ 153	$ 546	$ (22,476)	$ 30,343
Municipality's covered-employee payroll	$ 181,313	$ 209,291	$ 196,727	$ 171,873	$ 136,908	$ 122,067	$ 126,520	$ 131,623
Municipality's proportionate share of the net pension (liability)/asset as a percentage of its covered-employee payroll	0.40%	33.74%	0.20%	0.50%	0.11%	0.45%	-17.76%	23.05%
Plan fiduciary net position as a percentage of the total pension (liability)/asset	100.10%	105.53%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

* The amounts presented for each year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30. Until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.

MUNICIPALITY OF EUREKA
SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS
DECEMBER 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 10,923	$ 11,560	$ 12,340	$ 11,215	$ 8,938	$ 7,373	$ 8,398	$ 7,266
Contributions in relation to the contractually required contribution	$ 10,923	$ 11,560	$ 12,340	$ 11,215	$ 8,938	$ 7,373	$ 8,398	$ 7,266
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipality's covered-employee payroll	$ 182,043	$ 192,665	$ 205,671	$ 186,920	$ 148,960	$ 122,887	$ 139,969	$ 121,227
Contributions as a percentage of covered-employee payroll	6%	6%	6%	6%	6%	6%	6%	6%

* Until a full 10-year trend is compiled, the County/Municipality will present information for those years for which information is available.

Changes from prior valuation:

The June 30, 2022 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021 Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

The details of the changes since the last valuation are as follows:

Benefit provision changes:

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial assumption changes:

As a result of an experience analysis covering the period from July 1, 2016 to June 30, 2021 and presented to the SDRS Board of Trustees in April and June, 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022 actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021 Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

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As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027 Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

Actuarial method changes:

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.

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SUPPLEMENTARY INFORMATION

MUNICIPALITY OF EUREKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures 2022
US Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities (Note 3)	10.760	N/A	$ 3,635,393
Total US Department of Agriculture			$ 3,635,393
GRAND TOTAL			$ 3,635,393

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Municipality under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Municipality, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Municipality.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Municipality has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.

Note 4: Federal Loan Program

The Municipality is eligible to draw $4,000,000 from the Water and Waste Disposal Systems for Rural Communities loan. The beginning loan balance for the year ended December 31, 2021 was $0.00. During the year ended December 31, 2022, the Municipality drew $2,639,393.19 on the loan and did not make any loan payments. The Municipality had the following loan balances outstanding at December 31, 2022. These loan balances outstanding which have continuing compliance requirements are also included in the federal expenditures

Cluster/Program Title	Federal CFDA Number	Amount Outstanding
Water and Waste Disposal Loan	10.760	$ 2,639,393