

**MUNICIPALITY OF EUREKA
EUREKA, SOUTH DAKOTA
AUDIT REPORT
FOR THE YEAR THEN ENDED
DECEMBER 31, 2015**

MUNICIPALITY OF EUREKA
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1
Schedule of Prior and Current Audit Findings	2 - 4
Independent Auditors' Report	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	6
Statement of Activities	7
Fund Financial Statements	
Governmental Funds	
Balance Sheet	8
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	9
Statement of Revenues, Expenditures and Changes in Fund Balance	10 - 11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities	12
Proprietary Funds	
Statement of Net Position	13
Statement of Revenues, Expenses and Changes in Net Position	14
Statement of Cash Flows .	15
Notes to the Financial Statements	16 - 35
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund - Budgetary Basis	36 - 37
Notes to Required Supplementary Information - Budgetary Comparison Schedules	38
Schedule of the Municipality's Proportionate Share of the Net Pension Asset	39
Schedule of the Municipality's Contributions	40
Notes to Required Supplementary Information - Pension	41



CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

Municipal Council
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, as of December 31, 2015 and for the year then ended which collectively comprises the Municipality's basic financial statements and have issued our report thereon dated July 13, 2016, 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, which is required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipality of Eureka'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 of Eureka's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality of Eureka's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as discussed in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as items 2015-01, 2015-02 & 2015-03, to be material weaknesses.

Jason W. Bauer, CPA, CGMA, PFS • bauer@cahillbauer.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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*. We noted certain other matters that we reported to management of the City in a separate communication dated July 13, 2016.

Municipality's Response to Findings

The Municipality of Eureka's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Calvin Bauer

Mobridge, South Dakota

July 13, 2016

**MUNICIPALITY OF EUREKA
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS & QUESTIONED COSTS
DECEMBER 31, 2015**

STATUS OF PRIOR AUDIT FINDINGS:

Finding Number 2014-01:

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. This finding has not been corrected and is restated as current audit Finding 2015-01.

Finding Number 2014-02:

The Municipality lacks controls over the recording of all necessary material adjustments in order to ensure compliant accounting records. This finding has not been corrected and is restated as current audit Finding 2015-02.

Finding Number 2014-03:

The Municipality has a lack of segregation of duties in certain areas due to a limited staff. This finding has not been corrected and is restated as current audit Finding 2015-03.

SCHEDULE OF CURRENT AUDIT FINDINGS:

CURRENT AUDIT FINDINGS:

Finding 2015-01:

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.

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.

**MUNICIPALITY OF EUREKA
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS & QUESTIONED COSTS
DECEMBER 31, 2015**

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.

Corrective Action Plan

The city finance officer, Nicole Frerk, is the contact person responsible for the corrective action plan for this comment. The Municipality of Eureka is continuing its work on correcting this deficiency.

Finding 2015-02:

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.

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.

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.

Corrective Action Plan

The Municipality of Eureka is continuing its work in correcting this deficiency.

**MUNICIPALITY OF EUREKA
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS & QUESTIONED COSTS
DECEMBER 31, 2015**

Finding 2015-03:

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.

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.

Corrective Action Plan

The city finance officer, Nicole Frerk, is the contact person responsible for the corrective action plan for this comment. The Municipality of Eureka is continuing its work on correcting this deficiency and implementing compensating controls where possible and practical.



CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Municipal Council
Municipality of Eureka
Eureka, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Eureka, South Dakota, as of December 31, 2015, 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.

Management's Responsibility for the Financial Statements

The Municipality's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the Municipality's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for that component unit 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.

Jason W. Bauer, CPA, CGMA, PFS • bauer@cahillbauer.com

Opinions

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of the Municipality of Eureka, South Dakota, as of December 31, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Eureka, South Dakota, as of December 31, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and Pension Schedules on pages 36 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economical, 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 inquires 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 13, 2016 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 with Government Auditing Standards in considering the Municipality's internal control over financial reporting and compliance.

Cahill Bow

Mobridge, South Dakota
July 13, 2016

**MUNICIPALITY OF EUREKA
STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 934,610	\$ 755,291	\$ 1,689,901
Investments	30,000	380,000	410,000
Accounts receivable, net	49,673	36,663	86,336
Inventories	15,880	15,080	30,960
Deposits	19,483	-	19,483
Net pension asset	24,274	6,069	30,343
Capital assets			
Land and improvements	94,086	51,065	145,151
Other capital assets, net of depreciation	2,050,500	4,005,996	6,056,496
TOTAL ASSETS	\$ 3,218,506	\$ 5,250,164	\$ 8,468,670
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred Outflows	\$ 43,234	\$ 10,808	\$ 54,042
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 43,234	\$ 10,808	\$ 54,042
LIABILITIES			
Accounts payable	\$ 39,802	\$ 17,238	\$ 57,040
Other current liabilities	3,247	15,915	19,162
Noncurrent liabilities:			
Due within one year	15,762	47,143	62,905
Due in more than one year	-	1,741,199	1,741,199
TOTAL LIABILITIES	\$ 58,811	\$ 1,821,495	\$ 1,880,306
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred Inflows	\$ 35,818	\$ 8,955	\$ 44,773
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 35,818	\$ 8,955	\$ 44,773
NET POSITION			
Net investment in capital assets	\$ 2,129,199	\$ 2,268,719	\$ 4,397,918
Restricted for			
Cummulative reserve balance	19,483	-	19,483
Equipment repair and/or replacement	-	7,200	7,200
Debt service	4,091	-	4,091
SDRS Pension	31,690	7,922	39,612
Revenue bond contingency	-	60,550	60,550
Water reserve	-	14,358	14,358
Unrestricted	982,648	1,071,773	2,054,421
TOTAL NET POSITION	\$ 3,167,111	\$ 3,430,522	\$ 6,597,633

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, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities							
General government	\$ 209,972	\$ 12,391	\$ -	\$ -	\$ (197,581)	\$ -	\$ (197,581)
Public safety	40,702	-	-	44,274	3,572	-	3,572
Public works	276,770	90,563	69,297	-	(116,910)	-	(116,910)
Health and welfare	18,221	-	-	-	(18,221)	-	(18,221)
Culture and recreation	156,154	3,425	-	-	(152,729)	-	(152,729)
Conservation and development	42,649	-	-	-	(42,649)	-	(42,649)
Interest on long-term debt	1,135	-	-	-	(1,135)	-	(1,135)
Total governmental activities	745,603	106,379	69,297	44,274	(525,653)	-	(525,653)
Business-type activities							
Water	207,348	177,103	-	9,028	-	(21,217)	(21,217)
Sewer	188,537	167,004	-	-	-	(21,533)	(21,533)
Total business-type activities	395,885	344,107	-	9,028	-	(42,750)	(42,750)
Total primary government	\$ 1,141,488	\$ 450,486	\$ 69,297	\$ 53,302	\$ (525,653)	\$ (42,750)	\$ (568,403)
General Revenues							
Taxes							
Property taxes					303,327	-	303,327
Sales tax					288,735	-	288,735
State shared revenue					7,436	-	7,436
Unrestricted investment earnings					6,422	2,651	9,073
Miscellaneous revenue					23,454	-	23,454
Total general revenues					629,374	2,651	632,025
Change in net position					103,721	(40,099)	63,622
Net position - beginning					3,034,368	3,463,366	6,497,734
Prior period adjustment (See note 10)					29,022	7,255	36,277
Net position - ending					\$ 3,167,111	\$ 3,430,522	\$ 6,597,633

**MUNICIPALITY OF EUREKA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Assets:			
Cash and cash equivalents	\$ 930,101	\$ 4,509	\$ 934,610
Investments	30,000	-	30,000
Taxes receivables - delinquent	9,244	523	9,767
Accounts receivable - net	10,025	-	10,025
Special assessments receivable - delinquent	3,335	-	3,335
Due from other governments	26,390	156	26,546
Inventory of supplies	15,880	-	15,880
Deposits	19,483	-	19,483
TOTAL ASSETS	\$ 1,044,458	\$ 5,188	\$ 1,049,646
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 38,648	\$ -	\$ 38,648
Annuities payable	1,154	-	1,154
Accrued taxes payable	2,673	-	2,673
Accrued interest payable	-	574	574
Total Liabilities	42,475	574	43,049
Deferred Inflows of Resources:			
Unavailable Revenue - Special Assessmen	\$ 3,335	\$ -	\$ 3,335
Unavailable Revenue - Property Taxes	9,244	523	9,767
Total Deferred Inflows of Resources	12,579	523	13,102
Fund balances:			
Nonspendable			
Inventory	\$ 15,880	\$ -	\$ 15,880
Cumulative Reserve Balance	19,483	-	19,483
Restricted			
Debt Service Fund	-	4,091	4,091
Assigned			
Next Years Appropriation	202,588	-	202,588
Economic development	34,864	-	34,864
Unassigned	716,589	-	716,589
Total fund balance	989,404	4,091	993,495
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,044,458	\$ 5,188	\$ 1,049,646

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, 2015**

Total fund balances - governmental funds	\$ 993,495
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.	2,144,586
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(15,762)
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.	13,102
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	24,274
Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.	43,234
Pension related deferred inflows are components of pension asset and therefore are not reported in the funds.	<u>(35,818)</u>
Net position - governmental funds	<u>\$ 3,167,111</u>

MUNICIPALITY OF EUREKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Primary Government		
	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes			
General property taxes	\$ 284,478	\$ 15,743	\$ 300,221
General sales and use taxes	288,735	-	288,735
Amusement taxes	168	-	168
Penalties and interest on delinquent taxes	1,327	74	1,401
Licenses and permits	5,043	-	5,043
Intergovernmental revenue			
Federal grants	44,274	-	44,274
State shared revenue			
Bank franchise tax	2,038	-	2,038
Motor vehicle commercial prorate	4,567	-	4,567
Liquor tax reversion	5,398	-	5,398
Motor vehicle licenses (5%)	13,754	-	13,754
Local government highway and bridge fund	44,154	-	44,154
County shared revenue			
County road tax (25%)	6,822	-	6,822
Charges for goods and services			
General government	1,859	-	1,859
Sanitation	90,563	-	90,563
Culture and recreation	3,425	-	3,425
Other	464	-	464
Miscellaneous revenue			
Investment earnings	6,422	-	6,422
Rentals	1,343	-	1,343
Contributions and donations from private sources	3,682	-	3,682
Other	13,194	-	13,194
Total Revenues	\$ 821,710	\$ 15,817	\$ 837,527

MUNICIPALITY OF EUREKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Primary Government		
	General Fund	Other Governmental Funds	Total Governmental Funds
EXPENDITURES			
General government			
Legislative	\$ 2,914	\$ -	\$ 2,914
Executive	20,945	-	20,945
Elections	392	-	392
Financial administration	126,174	-	126,174
Other	47,871	-	47,871
Public safety			
Police	40,702	-	40,702
Public works			
Highways and streets	91,938	-	91,938
Sanitation	72,399	-	72,399
Airport	48,120	-	48,120
Health and welfare			
Health	2,721	-	2,721
Hospital, nursing homes and rest homes	15,500	-	15,500
Culture and recreation			
Parks	84,516	-	84,516
Libraries	12,848	-	12,848
Conservation and development			
Economic development and assistance (Industrial development)	42,649	-	42,649
Debt service	-	15,796	15,796
Capital outlay	82,656	-	82,656
Total expenditures	<u>692,345</u>	<u>15,796</u>	<u>708,141</u>
Excess of revenue over (under) expenditures	129,365	21	129,386
Other financing sources (uses)			
Sale of municipal property	10,260	-	10,260
Total other financing sources	<u>10,260</u>	<u>-</u>	<u>10,260</u>
Net change in fund balances	139,625	21	139,646
Fund balance - beginning	<u>849,779</u>	<u>4,070</u>	<u>853,849</u>
Fund Balance - Ending	<u>\$ 989,404</u>	<u>\$ 4,091</u>	<u>\$ 993,495</u>

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, 2015**

Net change in fund balances - total governmental funds	\$ 139,646
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.	(56,689)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	14,661
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.	1,898
Pension expense 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.	42
Changes in the pension related deferred outflows/inflows are direct components of pension asset and are not reflected in the governmental funds.	2,626
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".	1,537
	<hr/>
Change in net position of governmental activities	<u>\$ 103,721</u>

**MUNICIPALITY OF EUREKA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015**

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 134,715	\$ 620,576	\$ 755,291
Investments	120,000	260,000	380,000
Accounts receivable - net	15,101	14,973	30,074
Unbilled accounts receivable	3,218	3,371	6,589
Inventory of supplies	4,805	10,275	15,080
Net pension asset	3,035	3,035	6,070
Total current assets	<u>280,874</u>	<u>912,230</u>	<u>1,193,104</u>
Noncurrent assets			
Capital assets			
Land and construction in progress	12,387	38,678	51,065
Buildings	209,209	-	209,209
Improvements other than buildings	2,851,152	2,932,514	5,783,666
Machinery and equipment	131,518	250,572	382,090
Less accumulated depreciation	(1,254,066)	(1,114,903)	(2,368,969)
Total noncurrent assets	<u>1,950,200</u>	<u>2,106,861</u>	<u>4,057,061</u>
TOTAL ASSETS	\$ 2,231,074	\$ 3,019,091	\$ 5,250,165
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	\$ 5,404	\$ 5,404	\$ 10,808
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 5,404	\$ 5,404	\$ 10,808
LIABILITIES			
Current liabilities			
Accounts payable	\$ 12,112	\$ 5,126	\$ 17,238
Annuities payable	118	140	258
Accrued interest payable	196	5,344	5,540
Accrued taxes payable	230	273	503
Customer deposits	7,200	-	7,200
Revenue collected in advance	2,414	-	2,414
Bonds payable	24,927	22,216	47,143
Total current liabilities	<u>47,197</u>	<u>33,099</u>	<u>80,296</u>
Noncurrent liabilities			
Bonds payable			
Revenue	429,762	1,311,437	1,741,199
TOTAL LIABILITIES	476,959	1,344,536	1,821,495
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	\$ 4,478	\$ 4,478	\$ 8,956
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 4,478	\$ 4,478	\$ 8,956
NET POSITION			
Net Investment in capital assets	1,495,511	773,208	2,268,719
Restricted for			
Revenue bond contingency	60,550	-	60,550
SDRS pension	3,961	3,961	7,922
Equipment repair and/or replacement	-	7,200	7,200
Water reserve	14,358	-	14,358
Unrestricted net position	<u>180,661</u>	<u>891,112</u>	<u>1,071,773</u>
TOTAL NET POSITION	\$ 1,755,041	\$ 1,675,481	\$ 3,430,522

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, 2015**

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
OPERATING REVENUE			
Charges for goods and services	\$ 177,103	\$ 167,004	\$ 344,107
Total operating revenue	<u>177,103</u>	<u>167,004</u>	<u>344,107</u>
OPERATING EXPENSES			
Personal services	18,076	16,080	34,156
Other current expense	98,298	16,353	114,651
Depreciation	76,057	104,388	180,445
Total Operating Expenses	<u>192,431</u>	<u>136,821</u>	<u>329,252</u>
Operating income	<u>(15,328)</u>	<u>30,183</u>	<u>14,855</u>
NONOPERATING REVENUES (EXPENSES)			
Grants	-	9,028	9,028
Investment earnings	808	1,843	2,651
Interest expense and fiscal charges	(14,919)	(51,715)	(66,634)
Total nonoperating revenues	<u>(14,111)</u>	<u>(40,844)</u>	<u>(63,983)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS, SPECIAL ITEMS, EXTRAORDINARY ITEMS AND TRANSFERS	<u>(29,439)</u>	<u>(10,661)</u>	<u>(40,100)</u>
CHANGE IN NET POSITION	<u>(29,439)</u>	<u>(10,661)</u>	<u>(40,100)</u>
NET POSITION - BEGINNING	<u>1,780,852</u>	<u>1,682,514</u>	<u>3,463,366</u>
PRIOR PERIOD ADJUSTMENT (See note 10)	3,628	3,628	7,256
NET POSITION - ENDING	<u>\$ 1,755,041</u>	<u>\$ 1,675,481</u>	<u>\$ 3,430,522</u>

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, 2015**

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 175,190	\$ 165,444	\$ 340,634
Payments to employees for services	(17,957)	(15,940)	(33,897)
Payments to suppliers of goods and services	(83,922)	(10,896)	(94,818)
Net cash provided (used) by operating activities	<u>73,311</u>	<u>138,608</u>	<u>211,919</u>
CASH FLOWS FROM (FOR) NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies	-	9,028	9,028
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>9,028</u>	<u>9,028</u>
CASH FLOWS FROM (FOR) CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	-	51,475	51,475
Purchases of capital improvements	(19,020)	(9,028)	(28,048)
Principal paid on capital debt	(34,316)	(18,560)	(52,876)
Interest paid on capital debt	(14,787)	(52,226)	(67,013)
Net cash used by capital and related financing activities	<u>(68,123)</u>	<u>(28,339)</u>	<u>(96,462)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,996	121,140	127,136
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	248,719	759,436	1,008,155
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 254,715	\$ 880,576	\$ 1,135,291
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income	\$ (15,327)	\$ 30,183	\$ 14,856
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Depreciation expense	76,057	104,388	180,445
Change in assets and liabilities			
Receivables	(1,913)	(1,560)	(3,473)
Accounts and other payables	13,069	5,597	18,666
Customer deposits	1,425	-	1,425
Net cash provided (used) by operating activities	<u>\$ 73,311</u>	<u>\$ 138,608</u>	<u>\$ 211,919</u>

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

**MUNICIPALITY OF EUREKA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(See Independent Auditors' Report)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a: Financial Reporting Entity

The reporting entity of the Municipality of Eureka, 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.

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.

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. (SDL 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. (SDL 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.

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, 2015, are as follows:

Due from other governments:	\$	26,546
Accounts receivable:	\$	10,025

Due from other governments includes sales tax remittances, December tax collected in January, state grant funds for police department and local government and highway, motor vehicle licenses and 911 fax reimbursements from McPherson County.

Accounts receivable includes Cable TV franchise fees, refund of police contract with McPherson County, 911 fax reimbursement, and hay land rent.

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. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

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.

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 estimated fair 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 life of a capital asset are also capitalized.

The total December 31, 2015, 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, 2015, 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 capitalized in accordance with USGAAP.

NOTES TO FINANCIAL STATEMENTS - Page 6
(See Independent Auditors' Report)

Depreciation 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/Balance Sheet. Accumulated depreciation is reported on the government-wide Statement of Net Position and on the proprietary fund's Statement of Net Position/Balance Sheet.

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

<i>Governmental Activities</i>	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
 <i>Enterprise Funds</i>	 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 general obligations bonds, SRF loan, RD loan and compensated absences.

NOTES TO FINANCIAL STATEMENTS - Page 7
(See Independent Auditors' Report)

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.

NOTES TO FINANCIAL STATEMENTS - Page 8
(See Independent Auditors' Report)

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.

m: 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.

n: 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.

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 and the City's balance in the cumulative reserve fund of the SDPAA, which are both in nonspendable form.

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.

NOTE 2 - DEPOSITS AND INVESTMENTS, CREDIT REISK, 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.

NOTES TO FINANCIAL STATEMENTS - Page 10
(See Independent Auditors' Report)

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.

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 have a deposit policy for custodial credit risk. As of December 31, 2015, 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.

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, except for the \$3,335 of special assessment for a curb and gutter replacement in which the city has an agreement with the Eureka Community Development Company that they will repay the funds to the city when the property is sold.

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.

NOTES TO FINANCIAL STATEMENTS - Page 11
(See Independent Auditors' Report)

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 statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the Municipality.

NOTE 6 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2015 is as follows.

	Balance 01/01/2015	Increases	Decreases	Balance 12/31/2015
Primary Government				
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 90,062	\$ 4,024	\$ -	\$ 94,086
Total capital assets, not being depreciated	90,062	4,024	-	94,086
Capital assets, being depreciated				
Buildings	481,248	-	-	481,248
Improvements other than buildings	2,065,441	74,346	-	2,139,787
Machinery and equipment	860,294	4,286	(5,880)	858,700
Total capital assets, being depreciated	3,406,983	78,632	(5,880)	3,479,735
Less accumulated depreciation for				
Buildings	282,259	11,633	-	293,892
Improvements other than buildings	535,981	68,081	-	604,062
Machinery and equipment	477,530	59,631	(5,880)	531,281
Total accumulated depreciation	1,295,770	139,345	(5,880)	1,429,235
Total capital assets, being depreciated, net	2,111,213	(60,713)	-	2,050,500
Governmental activity capital assets, net	\$ 2,201,275	\$ (56,689)	\$ -	\$ 2,144,586

NOTES TO FINANCIAL STATEMENTS - Page 12
(See Independent Auditors' Report)

Depreciation expense was charged to functions as follows

	<u>12/31/2015</u>
Governmental activities	
General government	\$ 16,242
Public works	64,313
Culture and recreation	<u>58,790</u>
 Total depreciation expense - Governmental activities	 <u>\$ 139,345</u>

	<u>Balance</u> <u>01/01/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2015</u>
Business-type activities				
Capital assets, not being depreciated				
Land	51,065	-	-	51,065
Total capital assets, not being depreciated	<u>51,065</u>	<u>-</u>	<u>-</u>	<u>51,065</u>
Capital assets, being depreciated				
Buildings	209,209	-	-	209,209
Improvements other than buildings	5,755,618	28,048	-	5,783,666
Machinery and equipment	382,090	-	-	382,090
Total capital assets, being depreciated	<u>6,346,917</u>	<u>28,048</u>	<u>-</u>	<u>6,374,965</u>
Less accumulated depreciation for				
Buildings	209,209	-	-	209,209
Improvements other than buildings	1,808,595	151,196	-	1,959,791
Machinery and equipment	170,720	29,249	-	199,969
Total accumulated depreciation	<u>2,188,524</u>	<u>180,445</u>	<u>-</u>	<u>2,368,969</u>
 Total business-type activities, capital assets, being depreciated, net	 <u>4,158,393</u>	 <u>(152,397)</u>	 <u>-</u>	 <u>4,005,996</u>
 Business-type activities capital assets, net	 <u>\$ 4,209,458</u>	 <u>\$ (152,397)</u>	 <u>\$ -</u>	 <u>\$ 4,057,061</u>

Depreciation expense was charged to functions as follows

	<u>12/31/2015</u>
Business-type activities	
Water	\$ 76,057
Sewer	<u>104,388</u>
 Total depreciation expense - Business-type activities	 <u>\$ 180,445</u>

NOTES TO FINANCIAL STATEMENTS - Page 13
(See Independent Auditors' Report)

NOTE 7 - LONG-TERM DEBT

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

	Beginning Balance 01/01/2015	Additions	Deletions	Ending Balance 12/31/2015	Due Within One Year
Primary					
Governmental activities					
Bonds payable					
General obligation	\$ 30,048	\$ -	\$ (14,661)	\$ 15,387	\$ 15,387
Accrued Compensated Absences					
	2,273	5,710	(7,608)	375	375
Total governmental activities	<u>32,321</u>	<u>5,710</u>	<u>(22,269)</u>	<u>15,762</u>	<u>15,762</u>
Business-type activities					
Bonds payable					
RD Loan	424,574	-	(6,609)	417,965	6,864
SFR Loan	36,763	-	(13,368)	23,395	13,368
RD Loan - Clean Water #1	1,300,738	51,475	(18,560)	1,333,653	22,216
Revenue bonds	27,668	-	(14,337)	13,331	4,695
Total bonds payable	<u>1,789,743</u>	<u>51,475</u>	<u>(52,874)</u>	<u>1,788,344</u>	<u>47,143</u>
Total business-type activities debt	<u>1,789,743</u>	<u>102,950</u>	<u>(105,748)</u>	<u>1,788,344</u>	<u>47,143</u>
Total primary government	<u>\$ 1,822,064</u>	<u>\$ 108,660</u>	<u>\$ (128,017)</u>	<u>\$ 1,804,106</u>	<u>\$ 62,905</u>

Debt payable at December 31, 2015, is comprised of the following

1978 FMHA Water, 5% interest, maturing November 15, 2018, paid by Water Fund.	\$ 13,331
Drinking Water SFR, 0.00%, maturing April 15, 2017, paid by Water Fund.	23,395
Artesian Well Bonds, 4.90%, maturing February 15, 2016 paid by Debt Service Fund.	15,387
RD Water Bonds, 3.25%, maturing January 28, 2050, paid by Water Fund.	417,965
RD Clean Water Bonds, 3.25%, maturing January 15, 2044, paid by Sewer Fund.	1,333,653
Compensating Absences - Employees vacation as of December 31, 2015, will be made out from the general fund.	<u>375</u>
	<u>\$ 1,804,106</u>

NOTES TO FINANCIAL STATEMENTS - Page 14
(See Independent Auditors' Report)

Annual requirements to amortize all debt outstanding as of December 31, 2015, except for compensated absences is as follows:

	Year Ending December 31,	Principal	Interest
Long-Term Debt	2016	62,493	46,877
	2017-2021	219,049	265,496
	2022-2026	235,611	229,656
	2027-2031	277,024	188,242
	2032-2036	325,718	139,549
	2037-2050	683,836	108,707
		\$ 1,803,731	\$ 978,527

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/or> by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

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

NOTES TO FINANCIAL STATEMENTS - Page 15
(See Independent Auditors' Report)

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

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

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

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, 2015, 2014, and 2013 were \$7,266, \$7,961, and \$8,401, 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, 2015, SDRS is 104.1% 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 and reported by the Municipality as of December 31, 2015 are as follows:

	Governmental Activities	Business-Type Activities	Total
Proportionate share of net position restricted for pension benefits	\$ 616,788	\$ 154,197	\$ 770,986
Less proportionate share of total pension liability	\$ (592,514)	\$ (148,128)	\$ (740,642)
Proportionate share of net pension liability (asset)	<u>\$ 24,275</u>	<u>\$ 6,069</u>	<u>\$ 30,343</u>

At December 31, 2015, the Municipality reported an asset of \$30,343 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015 and the total pension liability (asset) used to calculate the net pension liability (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, 2015, the Municipality’s proportion was .0071543%, which is an increase of .0006% from its proportion measured as of June 30, 2014.

NOTES TO FINANCIAL STATEMENTS - Page 16
(See Independent Auditors' Report)

For the year ended December 31, 2015, the Municipality recognized pension expense (revenue) of \$3,312. At December 31, 2015 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.	\$ 6,213	\$ -
Changes in assumption.	\$ 24,060	\$ -
Net difference between projected and actual earnings on pension plan investments	\$ 18,536	\$ 44,773
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 1,950	\$ -
Municipality contributions subsequent to the measurement date.	\$ 3,282	\$ -
Total	\$ 54,042	\$ 44,773

\$3,282 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year ended December 31:

2016	\$	5,534
2017	\$	5,534
2018	\$	5,534
2019	\$	5,030
TOTAL	\$	21,630

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2016 and 7.50 percent thereafter, net of pension plan investment expense.

NOTES TO FINANCIAL STATEMENTS - Page 17
(See Independent Auditors' Report)

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

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, 2015 (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	61.00%	4.50%
Fixed Income	27.00%	1.80%
Real Estate	10.00%	5.20%
Cash	2.00%	0.80%
Total	100%	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2016 and 7.50% thereafter. 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.

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 7.25 percent through 2016 and 7.50 percent thereafter, 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 (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 76,374.07	\$ (30,343.43)	\$(117,362.37)

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 - PRIOR PERIOD ADJUSTMENT

In 2015, the Municipality implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. As a result, beginning net position has been restated to reflect the related net pension asset totaling \$55,888, deferred outflows of resources totaling \$45,117, and deferred inflows of resources totaling (\$64,728) at December 31, 2014. The result was an increase of net position of \$36,277 at December 31, 2014. See Note 9.

NOTE 11 - 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, 2015, 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

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

The agreement with the South Dakota Public Assurance Alliance provides that the above coverages will be provided to a \$2,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The Municipality would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of Municipality's First Full Year	50%
End of Municipality's Second Full Year	60%
End of Municipality's Third Full Year	70%
End of Municipality's Fourth Full Year	80%
End of Municipality's Fifth Full Year	90%
End of Municipality's Sixth Full Year and Thereafter	100%

As of December 31, 2015, the Municipality has vested balance in the cumulative reserve fund of \$19,483.

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 \$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 never exceeded the liability coverage.

NOTES TO FINANCIAL STATEMENTS - Page 20
(See Independent Auditors' Report)

Workmen's Compensation

The Municipality joined the South Dakota Municipal League Worker's Compensation 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 retrospectively rated policy 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 \$325,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,675,000 per individual 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 never exceeded the liability coverage.

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.

REQUIRED SUPPLEMENTARY INFORMATION

**MUNICIPALITY OF EUREKA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - BUDGETARY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes				
General property tax	\$ 292,471	\$ 292,471	\$ 284,478	\$ (7,993)
General sales and use tax	283,800	283,800	288,735	4,935
Amusement taxes	150	150	168	18
Tax deed revenue	1,000	1,000	-	(1,000)
Penalties and interest on delinquent taxes	1,000	1,000	1,327	327
Licenses and permits	5,630	5,630	5,043	(587)
Intergovernmental revenue				
Federal grants	-	-	44,274	44,274
State shared revenue				
Bank franchise tax	3,000	3,000	2,038	(962)
Motor vehicle commercial prorata	4,500	4,500	4,567	67
Liquor tax reversion	7,100	7,100	5,398	(1,702)
Motor vehicle licenses (5%)	7,000	7,000	13,754	6,754
Local government highway and bridge fund	37,500	37,500	44,154	6,654
County shared revenue				
County road tax (25%)	6,900	6,900	6,822	(78)
Charges for goods and services				
General government	2,275	2,275	1,859	(416)
Highways and streets	1,500	1,500	-	(1,500)
Sanitation	92,500	92,500	90,563	(1,937)
Culture and recreation	3,000	3,000	3,425	425
Other	150	150	464	314
Miscellaneous revenue				
Investment earnings	3,000	3,000	6,422	3,422
Rentals	1,000	1,000	1,343	343
Contributions and donations from private sources	3,300	3,300	3,682	382
Other	21,750	21,750	13,194	(8,556)
Total revenue	\$ 778,526	\$ 778,526	\$ 821,710	\$ 43,184

**MUNICIPALITY OF EUREKA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - BUDGETARY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
EXPENDITURES				
General government				
Legislative	\$ 4,500	\$ 4,500	\$ 2,914	\$ 1,586
Contingency	25,936	25,936	-	25,936
Amount transferred	-	-	-	-
Executive	21,400	21,400	24,969	(3,569)
Elections	925	925	392	533
Financial administration	129,390	129,390	126,174	3,216
Other	83,600	83,600	47,871	35,729
Public safety				
Police	43,605	43,605	40,702	2,903
Public works				
Highways and streets	308,340	308,340	151,331	157,009
Sanitation	76,005	76,005	72,399	3,606
Airport	5,400	5,400	48,120	(42,720)
Health and welfare				
Health	1,775	1,775	2,721	(946)
Hospital and nursing homes	15,500	18,500	15,500	3,000
Culture and recreation				
Parks	111,900	111,900	99,469	12,431
Libraries	15,455	15,455	17,134	(1,679)
Conservation and development				
Economic development and assistance (industrial development)	57,500	60,500	42,649	17,851
Total Expenditures	901,231	907,231	692,345	214,886
Excess revenue over/under expenditures	(122,705)	(128,705)	129,365	258,070
Other financing sources/(uses)				
Sale of municipal property	-	-	10,260	10,260
Total other financing sources (uses)	-	-	10,260	10,260
Net change in fund balances	(122,705)	(128,705)	139,625	268,330
Fund balance - beginning	849,779	849,779	849,779	-
Fund balance - ending	\$ 727,074	\$ 721,074	\$ 989,404	\$ 268,330

**MUNICIPALITY OF EUREKA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH
MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, special revenue funds and capital projects funds.

The Municipality did not encumber any amounts at December 31, 2015.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and major special revenue funds.
7. Budgets for the General Fund and major special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP), except that capital outlays are reported separately in the GAAP statements, but are reported in the respective budgetary functions in the budgetary statement.

**MUNICIPALITY OF EUREKA
 SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE SHARE OF THE
 NET PENSION ASSET
 DECEMBER 31, 2015**

	<u>2015</u>
Municipality's proportion of the net pension liability (asset)	0.000071543%
Municipality's proportionate share of net pension liability (asset)	\$ 30,343
Municipality's covered-employee payroll	\$ 127,773
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	23.75%
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.10%

**MUNICIPALITY OF EUREKA
SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS
DECEMBER 31, 2015**

	<u>2015</u>
Contractually required contribution	\$ 7,266
Contributions in relation to the contractually required contribution	<u>\$ 7,266</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Municipality's covered-employee payroll	\$ 127,773
Contributions as a percentage of covered-employee payroll	6%

MUNICIPALITY OF EUREKA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION ASSET
AND SCHEDULE OF CONTRIBUTIONS

Changes of benefit terms:

N/A

Changes of assumptions:

N/A