

CITY OF EUREKA, ILLINOIS
FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Eureka, Illinois

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Eureka, Illinois** (City), as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 Qualified Opinion on General Fund

Management has elected not to include certain required report disclosures about the City's post-employment health insurance benefit in the General Fund, as these disclosures would require the services of an actuary. The modified cash basis of accounting requires that these disclosures be made. The amount by which this departure would affect the assets, fund balance, and revenues of the General Fund has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on General Fund” paragraph, the financial statements referred to previously present fairly, in all material respects, the modified cash basis financial position of the General Fund of the City of Eureka, Illinois, as of April 30, 2016, and the changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund other than the General Fund, and the aggregate remaining fund information of the City of Eureka, Illinois, as of April 30, 2016, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eureka, Illinois', basic financial statements. The other information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of General Fund Expenditures – Modified Cash Basis – Budget and Actual on page 58 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 General Fund Expenditures – Modified Cash Basis – Budget and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The remaining other information listed in the accompanying table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Heinold Barwant, Ltd.

October 3, 2016

October 3, 2016

CITY OF EUREKA
128 N. Main, Eureka, Illinois 61530
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COUNCIL:

Scott Punke, Mayor	Rick Joseph, City Attorney	Jeff McSweeney, Ward III
Marilyn Walter, City Clerk	Laurie Klaus, Ward I	Bob Prather, Ward III
Lynn Hinnen, City Treasurer	Milt Hinnen, Ward I	James Meares, Ward IV
Melissa Brown, Administrator	Chuck Germann, Ward II	Gene Rossetti, Ward IV
Alex Collinge, Chief of Police	Richard Teegarden, Ward II	

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Eureka's financial performance provides an overview of the City's financial activities for the fiscal year ending April 30, 2016. Please read it in conjunction with the City's financial statements that follow.

FINANCIAL HIGHLIGHTS

The City's total revenues exceeded total expenses for General Fund activity by \$346,126. The Enterprise Fund departments' revenues exceeded expenses by \$228,974 for the fiscal year ending April 30, 2016. The end result is a slight increase in total cash and investments of 12% in the General Fund for a total of \$346,126 over the previous year and a 2% increase in Enterprise cash from the previous year for a total of \$26,190. It is important to note, while Enterprise revenues appear to have exceeded expenses, the Cash Flow Statements illustrate that several Enterprise expenses were capitalized as assets. The Enterprise Fund for stormwater actually spent more than it created in revenues.

On May 1, 2015, the City initiated a stormwater utility. This newly created utility assesses impervious surface as measured by Equivalent Residential Unit (ERU). The ERU is 3,250 square feet, and each parcel owner pays \$6.00 per ERU. This revenue is used exclusively for stormwater utility repair and maintenance. The need for this utility has been clearly documented in the last several years as the City has experienced a series of stormwater pipes collapsing underground. These events have led to continued discoveries of pipes in dire need of repair, replacement or upsizing. Through the process of establishing this utility, the City identified several areas that are the most flood-prone in terms of stormwater. Those areas have an estimated repair cost in excess of \$5 million.

The City has continued its efforts to control and reduce annual operating expenses along with the Mayor and Council requiring management to operate under a balanced budget. It has also become apparent with growing needs for repairs of aging systems within the Enterprise departments of water, sewer and stormwater, rates will need to increase or alternative sources of funding will need to be considered to cover these capital improvements.

The overall financial position of the City has remained solid with the evaluation by management of current resources and needs.

- The City has continued the contract for this fiscal year for police protection with Eureka College. The City received \$68,000 to provide this service for Fiscal Year 2016. The City has designated the excess of the revenues over direct costs for the purchase of future police vehicles and equipment; as of April 30, 2016, the City has a balance of \$115,001. The contract began in the fall of 2005. The Eureka College expenditures for Fiscal Year 2015-2016 totaled \$51,024.
- The General Fund received \$38,297 from the Community Unit #140 School District for a cost share on the continuation of the School Resource Police Officer. The Agreement will be continued until the end of the 2018 school year. Following this three-year agreement, there will be a reevaluation to determine the continuation of the School Resource Officer position.
- The City increased the property tax levy in Fiscal Year 15-16 to be collected in Fiscal Year 16-17. The property tax levy was increased by \$6,879 to \$470,681. With the current City assessed valuation increased by \$1,974,264 to \$70,307,970, the property tax rate will be .6698 for Fiscal Year 16-17. The property tax rate for Fiscal Year 15-16 was .6792, thus the rate decreased by .0094 for this current year.
- The City has two outstanding loans for the City of Eureka Revolving Loan Program, which is a Community Development Assistance Program, Revolving Loan Grant (CDAP). The account has \$80,460 available to loan for a local business project. The outstanding loans are in the amount of \$75,387. The most recent loan was made to SmartEarth Technologies (DBA SoBrite) to retain the business location in Eureka.
- The City personnel expenses for salaries in Fiscal Year 2015-2016 increased over the Fiscal Year 2014-2015 salaries by \$29,188. This increase is due to the 1.5% salary increase for employees. Due to conservative increases, careful hiring practices and human resource management, the City has continued to keep personnel expenses at a minimum.
- In 2005, the City instituted a cost share with the employees for health insurance coverage. The employee contribution is 30 percent of the premium for an employee's spouse or family coverage and the City contributes 70 percent of the health insurance premium. The healthcare cost for Fiscal Year 2015-2016 was \$6,492 less than spent in Fiscal Year 2014-2015. The City has worked with insurance agents to find the most competitive rates. The City was given yet another year extension before having to convert to the Affordable Care Act (ACA). The rates were lower than last year due to very competitive rates and the choice of a plan with a slightly higher out-of-pocket cost for employees. This change resulted in a decrease of 4 percent for health insurance.

ANNUAL REPORT

The annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement 34 implements a model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report.

Report Components

This annual report consists of five parts as follows:

Government-Wide Financial Statements: The Statement of Net Position (page 12) and the Statement of Activities (page 13) provide information about City activities on a government-wide basis and present a long-term view of the City's finances.

Fund Financial Statements: The financial statement focus is on the individual parts of the City government. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. For proprietary activities, these statements offer short-term and long-term financial information about the activities of the City-operated businesses (i.e., the water and sewer utilities).

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Other Information: The Management Discussion and Analysis, General Fund Budgetary Comparison Schedule, and pension-related schedules represent financial information required to be presented by the GASB. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes referred to as the basic financial statements.

The budget to actual comparison of General Fund expenditures, information required by general obligation bond ordinance, and a schedule of insurance policies in force are also provided to address certain specific needs of various users of the City's annual report.

Basis of Accounting

The City has elected to present its financial statements on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the City's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they are received and spent for all cash transactions, with a provision for depreciation in the government-wide and proprietary fund statements.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues, such as accounts receivable and revenue for billed or provided services not yet collected, and certain liabilities and their related expenses, such as accounts payable and

expenses for goods or services received but not yet paid, and accrued expenses and liabilities are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

The Government-Wide Statement of Net Position and the Statement of Activities

Our financial analysis of the City as a whole begins with the government-wide financial statements within the audited financial statements. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all of the City's assets and liabilities resulting from the use of the modified cash basis of accounting.

These two statements report the City's net position and changes in it. Keeping in mind the modified cash basis of accounting, one can think of the City's net position or the difference between assets and liabilities (and deferred inflows and outflows) as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as changes in the City's sales tax base and the condition of the City's utility system to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, the City's activities are divided into two categories:

Governmental activities - Most of the City's basic services are reported here, including the police, general administration, emergency services, streets, economic development, motor fuel tax, audit, liability insurance, retirement fund and parks. Revenue sources include sales taxes, income tax, occupational tax, property taxes, franchise fees, fines, and state and federal grants.

Business-type activities - The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's Enterprise Fund water and sewer system and Enterprise Fund stormwater are reported here. To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical statement of revenues, expenses, and changes in fund balance. One will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net expense/revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

Reporting the City's Most Significant Funds

The Fund Financial Statements

Our analysis is of the City's major funds' financial statements with detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes certain other

funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds - Most of the City's basic services are reported in governmental activities, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the report of the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps one determine through a review of changes to fund balance whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between governmental activities reported in the Statement of Net Assets and the Statement of Activities and governmental funds in reconciliation at the bottom of the fund financial statements. The City considers the General Fund and the Motor Fuel Tax Fund to be major governmental funds.

Proprietary funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. In fact, the City's proprietary (enterprise) funds' financial statements are essentially the same as the business-type activities reported in the government-wide statements, but the fund statements provide more detail and additional information such as cash flows. The City has two proprietary funds: Enterprise Water and Sewer Fund and Enterprise Stormwater Fund.

Fiduciary funds - Fiduciary funds are often used to account for assets that are held in a trustee or fiduciary capacity such as pension plan assets, assets held per trust agreements and similar arrangements. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City currently has two fiduciary funds: Community Development Assistance Program (CDAP) and Police Pension Trust Fund. Total net position of the fiduciary funds was \$485,540 as of April 30, 2016.

Financial Analysis

Total assets of the City increased by \$704,389 to \$15,922,257. This net increase is comprised of an increase in cash and investments of \$421,288, a notes receivable and bond issuance cost decrease of \$1,931, and an increase in capital assets of \$285,032. See the Statement of Net Position - Modified Cash Basis for more detail.

Total liabilities of the City decreased by \$91,257 to \$507,929. This decrease is due to the continued payment of debt service (2013 Refinanced Water Bond) during the fiscal year.

Total net position and the changes in net assets are a good way to measure the City's financial health. Total net position of the City increased by \$795,646 (change in net position) to \$15,414,328. The

amount of net position and this increase in net position illustrate the financial strength of the City. The following analysis of the City's activities during the year provides additional information on this increase in net position.

The analysis of the City's activities is first focused on the City as whole, and then the governmental activities and the business-type activities are separately analyzed. This analysis gives detailed insight into the changes the City has made during the current fiscal year in relation to the prior fiscal year.

Government-Wide

	Fiscal Year 2014-2015	Fiscal Year 2015-2016	Percent Change
Total Government-Wide			
Revenue	\$ 3,661,679	\$ 3,837,916	5%
Expenses	3,072,389	3,042,270	(1%)
Change in net assets	<u>\$ 589,290</u>	<u>\$ 795,646</u>	35%

The revenues received in FY 2015-2016 increased 5 percent over revenues received in FY 2014-2015. The biggest variation over last fiscal year can be found in the Enterprise revenues as the City began collecting stormwater utility fees, which explains the 16-percent hike in overall business-type activities revenue. Expenses decreased by 1 percent, with the net position showing a \$795,646 gain in revenues over expenses.

Governmental Activities

	Fiscal Year 2014-2015	Fiscal Year 2015-2016	Percent Change
Revenues			
Taxes	\$2,028,740	\$2,059,461	2%
Charges for services	247,879	261,438	6%
Grants & contributions	41,766	19,314	(54%)
Interest & other	8,992	12,344	37%
	<u>2,327,377</u>	<u>2,352,557</u>	1%
Expenses			
General government	451,078	379,347	(16%)
Public safety	642,788	640,992	0%
Streets	605,306	614,336	2%
Park	113,536	132,742	17%
Emergency services	3,431	4,642	35%
Economic development	18,011	13,826	(23%)
	<u>1,834,150</u>	<u>1,785,885</u>	(3%)
Transfers in (out)	<u>(4,229)</u>	<u>12,618</u>	(398%)
Change in net position	<u>\$ 488,998</u>	<u>\$ 579,290</u>	19%

Business-Type Activities

	Fiscal Year 2014-2015	Fiscal Year 2015-2016	Percent Change
Revenues			
Charges for services	\$1,279,217	\$1,483,880	16%
Interest	1,323	1,479	12%
Grants	53,762	-	-
	<u>1,334,302</u>	<u>1,485,359</u>	11%
Expenses			
Personnel services	341,387	319,643	(6%)
Contractual services	260,589	276,381	6%
Commodities	183,363	213,423	16%
Depreciation	432,937	439,920	2%
Interest	19,963	7,018	(65%)
	<u>1,238,239</u>	<u>1,256,385</u>	2%
Transfers in (out)	<u>4,229</u>	<u>(12,618)</u>	398%
Change in net assets	<u>\$ 100,292</u>	<u>\$ 216,356</u>	116%

The City revenues increased in Enterprise due to the addition of the stormwater utility fees, which began on May 1, 2015. Expenses increased only slightly due to a mix of increased costs for maintenance and commodities and a reduction in personnel services. Interest decreased due to refinancing of the 2005 Water Bond and principal pay-down. The change in net position is \$216,356 gained in revenue over expenses. The City focus is on minimizing operating cost while meeting the long-term maintenance needs of the system. Long-term maintenance goals for water and sewer plants and succession planning for wastewater superintendent will continue to be top priorities for the next several years. An increase in water, sewer and stormwater rates is imminent to sustain operations.

General Fund Budgetary Highlights

Some of the largest expenses in General Fund for FY 15-16 were street maintenance, replacement of aging vehicles and equipment, and replacement of park playground equipment. Enterprise's capital projects for sewer lining and water looping along with equipment and vehicle replacements account for this fund's highlighted expenditures. The General Fund was 12 percent under projected expenses for the year. The Enterprise Fund was 7 percent below budget expenses. The final total budget for the General Fund and the Enterprise Fund was less than the prior year budget by \$41,285. For the year ended April 30, 2016, General Fund expenditures were \$251,409 below budgeted expenses, while actual resources available for budgeted purposes were \$92,979 above the fiscal budgeted amounts. Fiscal year revenues received over budgeted amounts net with fiscal year expenditures below budgeted amounts were \$344,388.

Capital Assets and Long-Term Debt

Capital Assets

At the end of April 30, 2016, the City had \$10,772,518 invested in capital assets, net depreciation, including police and equipment, buildings, park facilities, water lines, and sewer lines.

This year's more significant capital asset additions included:

Storm Water Utility Project Hilldale/Crestwood	\$ 238,497
Water Meters and Transponders	14,733
Curb and Gutter Replacement & Sidewalks	25,285
Spray Patch	75,699
MFT Seal Coat	91,456
Park Playground Equipment	58,645
Water/Bucket Truck	47,075
Sewer Main Lining	80,758
Water Main Looping	112,790
Sewer Truck Replacement	20,477
Dump Truck & Bed (Maint)	20,434
F350 Truck (Maint)	23,724
F350 Ext. Cab (Maint)	26,732
Backhoe Replacement (Maint)	99,837

Long-Term Debt

At year-end, the business-type activities had \$390,619 in long-term debt, as compared to \$485,492 at the prior year-end. The long-term debt is comprised of a long-term bond issue. The long-term debt balance as of April 30, 2016, represents the 2005 Water Bond issue, refinanced in fiscal year 2014, which has maturity dates through 2020. The refinancing has shortened the terms of repayment by five years. The City has also reduced its interest payments by paying down the principal by \$300,000. No additional debt was incurred in 2016 by the governmental activities.

Economic Factors and Next Year's Budget and Rates

Significant economic factors affecting the year ending April 30, 2016:

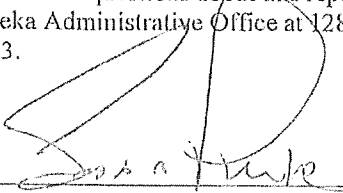
- The utility rate was increased by 1.5 percent on May 1, 2015. The Eureka City Council is committed to the continuation of incremental annual increases to water and sewer rates. On May 1, 2015, a 1.5-percent increase was enacted based on the increase in the Consumer Price Index. The increase is to support the operating expenses, bond debt, and provide surplus for future capital expenditures.
- A Stormwater Utility was initiated on May 1, 2015, to pay for the upgrades, additions and maintenance needed for the City's stormwater mains. The rate has a base unit of \$6.00 and units are determined by amount of impervious surface.
- State income tax increased by \$71,602, gaming tax is now being realized through the addition of business within the City, and Local Share of IL Use Tax increased by \$27,572.

Significant economic factors expected to affect the upcoming fiscal year ending April 30, 2017:

- Some of the significant capital asset items being budgeted in governmental funds for next year are a replacement police vehicle for \$35,000, water plant painting and roof replacement for \$216,000, a sewer plant wall upgrade to mitigate flooding for \$192,500, lining of sewers for \$58,000, and looping of water mains for \$27,300.
- The City has contracted with the school district to maintain a school resource officer in the schools and will share 50 percent of the total cost. Eureka College is continuing the contract with the City for police services for reimbursement of \$65,000 annually.
- As of December 31, 2015, the most recent actuarial valuation date, the City's defined benefit pension plan affiliated with the Illinois Municipal Retirement Fund (IMRF) was 94-percent funded, up from 90-percent funded in the previous year. The police officers participating in this plan were transferred to a separate Police Pension Fund during fiscal year 2013. The City has made every effort to meet the funding obligations for the Police Pension Fund, ending this current fiscal year with a 96-percent funded pension for police. The City will continue to use the latest actuarial valuations to meet its funding obligations. The tax levy is the source of funding for this obligation.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Eureka Administrative Office at 128 North Main, Eureka, IL 61530, telephone number 309-467-2113.



Scott Punke, Mayor



Melissa Brown, Administrator

CITY OF EUREKA, ILLINOIS
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
APRIL 30, 2016

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Cash and cash equivalents	\$ 2,114,306	\$ 916,256	\$ 3,030,562
Investments	1,497,174	-	1,497,174
Restricted cash	-	594,248	594,248
Notes receivable	-	27,755	27,755
Capital assets not being depreciated	1,413,656	106,473	1,520,129
Capital assets, net of accumulated depreciation	3,193,361	6,059,028	9,252,389
	\$ 8,218,497	\$ 7,703,760	\$ 15,922,257
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Utility customer deposits	\$ -	\$ 21,042	\$ 21,042
Current maturities of long-term debt	-	94,873	94,873
Other	-	1,395	1,395
	-	117,310	117,310
NONCURRENT LIABILITIES			
Long-term debt, net of current maturities	-	390,619	390,619
	-	507,929	507,929
NET POSITION			
Net investment in capital assets	4,607,017	5,680,009	10,287,026
Restricted for:			
Debt service	-	129,941	129,941
Other purposes	314,355	464,307	778,662
Unrestricted	3,297,125	921,574	4,218,699
	8,218,497	7,195,831	15,414,328
	\$ 8,218,497	\$ 7,703,760	\$ 15,922,257

See accompanying notes.

CITY OF EUREKA, ILLINOIS
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
YEAR ENDED APRIL 30, 2016

FUNCTION/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities				
General government	\$ 379,347	\$ 97,387	\$ 971	\$ -
Public safety	640,992	162,691	-	-
Streets	614,336	-	-	342
Park	132,742	1,360	18,001	-
Emergency services	4,642	-	-	-
Economic development	13,826	-	-	-
Total governmental activities	1,785,885	261,438	18,972	342
Business-type activities				
Stormwater	11,736	230,392	-	-
Waterworks and sewerage	1,244,649	1,253,488	-	-
Total business-type activities	1,256,385	1,483,880	-	-
TOTAL	\$ 3,042,270	\$ 1,745,318	\$ 18,972	\$ 342

See accompanying notes.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
	\$ (280,989)	\$ -	\$ (280,989)
	(478,301)	-	(478,301)
	(613,994)	-	(613,994)
	(113,381)	-	(113,381)
	(4,642)	-	(4,642)
	(13,826)	-	(13,826)
	<hr/>		
	(1,505,133)	-	(1,505,133)
	-	218,656	218,656
	-	8,839	8,839
	<hr/>		
	-	227,495	227,495
	<hr/>		
	(1,505,133)	227,495	(1,277,638)
<hr/>			
General Revenues			
Taxes			
Property	464,261	-	464,261
Other local	56,305	-	56,305
Replacement	30,274	-	30,274
Sales	680,784	-	680,784
State income	687,741	-	687,741
Motor fuel	140,096	-	140,096
Interest	10,389	1,479	11,868
Other	1,955	-	1,955
Transfers	12,618	(12,618)	-
	<hr/>		
Total general revenues and transfers	2,084,423	(11,139)	2,073,284
	<hr/>		
Change in net position	579,290	216,356	795,646
	<hr/>		
NET POSITION - BEGINNING	7,639,207	6,979,475	14,618,682
	<hr/>		
NET POSITION - ENDING	\$ 8,218,497	\$ 7,195,831	\$ 15,414,328
	<hr/>		

CITY OF EUREKA, ILLINOIS
BALANCE SHEET – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
APRIL 30, 2016

ASSETS	GENERAL	MOTOR FUEL TAX	TOTAL
Cash and cash equivalents	\$ 1,826,743	\$ 287,563	\$ 2,114,306
Investments	1,497,174	-	1,497,174
	\$ 3,323,917	\$ 287,563	\$ 3,611,480

FUND BALANCES

Fund balances			
Restricted	\$ 26,792	\$ 287,563	\$ 314,355
Assigned	637,119	-	637,119
Unassigned	2,660,006	-	2,660,006
	\$ 3,323,917	\$ 287,563	3,611,480

RECONCILIATION TO THE STATEMENT OF NET POSITION:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	4,607,017
Net position of governmental activities	\$ 8,218,497

See accompanying notes.

CITY OF EUREKA, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2016

	GENERAL	MOTOR FUEL TAX	TOTAL
Revenues			
Property taxes	\$ 464,261	\$ -	\$ 464,261
Other local taxes	56,305	-	56,305
Replacement taxes	30,274	-	30,274
Sales taxes	680,784	-	680,784
State income taxes	687,741	-	687,741
Motor fuel taxes	-	140,096	140,096
Federal and state grants	1,313	-	1,313
Interest	10,057	332	10,389
Licenses, fees, and fines	261,438	-	261,438
Contributions	18,001	-	18,001
Other	6,407	-	6,407
	<u>2,216,581</u>	<u>140,428</u>	<u>2,357,009</u>
Expenditures			
Current			
General government	319,642	-	319,642
Public safety	550,533	-	550,533
Streets	386,863	-	386,863
Park	95,461	-	95,461
Emergency services	3,402	-	3,402
Economic development	13,349	-	13,349
Employee retirement	136,257	-	136,257
Capital outlay	364,948	91,456	456,404
	<u>1,870,455</u>	<u>91,456</u>	<u>1,961,911</u>
Excess of revenues over expenditures	346,126	48,972	395,098
Fund balances, beginning of year	<u>2,977,791</u>	<u>238,591</u>	<u>3,216,382</u>
Fund balances, end of year	<u>\$ 3,323,917</u>	<u>\$ 287,563</u>	<u>\$ 3,611,480</u>

See accompanying notes.

CITY OF EUREKA, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2016

RECONCILIATION TO THE STATEMENT OF ACTIVITIES:

Net change in fund balances - governmental funds	\$ 395,098
Governmental funds report capital outlays as expenditures; however, they are capitalized and depreciated in the Statement of Activities	
Capital asset purchases capitalized	456,404
Depreciation expense	<u>(280,378)</u>
	176,026
Net effect of miscellaneous transactions involving capital assets	
Proceeds from the sale of capital assets	(900)
Loss on disposal of capital assets	(3,552)
Capital asset transfer from Enterprise Funds	<u>12,618</u>
	<u>8,166</u>
Change in net position of governmental activities	<u><u>\$ 579,290</u></u>

See accompanying notes.

CITY OF EUREKA, ILLINOIS
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
ENTERPRISE FUNDS
APRIL 30, 2016

ASSETS	STORMWATER FUND	WATERWORKS AND SEWERAGE FUND	TOTAL
CURRENT ASSETS			
Cash and cash equivalents	\$ -	\$ 916,256	\$ 916,256
Notes receivable	-	2,301	2,301
Total current assets	-	918,557	918,557
NONCURRENT ASSETS			
Restricted cash	-	594,248	594,248
Notes receivable	-	25,454	25,454
Capital assets not being depreciated	-	106,473	106,473
Capital assets, net of accumulated depreciation	233,859	5,825,169	6,059,028
Total noncurrent assets	233,859	6,551,344	6,785,203
	\$ 233,859	\$ 7,469,901	\$ 7,703,760
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Utility customer deposits	\$ -	\$ 21,042	\$ 21,042
Current maturities of long-term debt	-	94,873	94,873
Other	-	1,395	1,395
Total current liabilities	-	117,310	117,310
NONCURRENT LIABILITIES			
Long-term debt, net of current maturities	-	390,619	390,619
Total liabilities	-	507,929	507,929
NET POSITION			
Net investment in capital assets	233,859	5,446,150	5,680,009
Restricted for:			
Debt service	-	129,941	129,941
Other purposes	-	464,307	464,307
Unrestricted	-	921,574	921,574
Total net position	233,859	6,961,972	7,195,831
	\$ 233,859	\$ 7,469,901	\$ 7,703,760

See accompanying notes.

CITY OF EUREKA, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
MODIFIED CASH BASIS – ENTERPRISE FUNDS
YEAR ENDED APRIL 30, 2016

	STORMWATER FUND	WATERWORKS AND SEWERAGE FUND	TOTAL
Operating revenues			
Charges for services and sales	\$ 230,392	\$ 1,238,826	\$ 1,469,218
Penalties and miscellaneous	-	14,662	14,662
	<u>230,392</u>	<u>1,253,488</u>	<u>1,483,880</u>
Operating expenses			
Personnel services	-	319,643	319,643
Contractual services	7,100	269,281	276,381
Commodities	-	213,423	213,423
Depreciation	4,636	435,284	439,920
	<u>11,736</u>	<u>1,237,631</u>	<u>1,249,367</u>
Operating income	218,656	15,857	234,513
Nonoperating (revenues) expenses			
Interest income	-	(1,479)	(1,479)
Interest and fiscal charges on long-term debt	-	7,018	7,018
	<u>-</u>	<u>5,539</u>	<u>5,539</u>
Income before operating transfers	218,656	10,318	228,974
Transfers in (out)	15,203	(27,821)	(12,618)
Change in net position	233,859	(17,503)	216,356
Total net position, beginning of year	-	6,979,475	6,979,475
Total net position, end of year	<u>\$ 233,859</u>	<u>\$ 6,961,972</u>	<u>\$ 7,195,831</u>

See accompanying notes.

CITY OF EUREKA, ILLINOIS
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
ENTERPRISE FUNDS
YEAR ENDED APRIL 30, 2016

	STORMWATER FUND	WATERWORKS AND SEWERAGE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 230,392	\$ 1,253,488	\$ 1,483,880
Payments to suppliers of goods and services	(7,100)	(482,704)	(489,804)
Payments to employees for services	-	(319,643)	(319,643)
Receipt of utility customer deposits and other current liabilities	-	7,288	7,288
Refunds of utility customer deposits	-	(7,672)	(7,672)
Net cash provided by operating activities	223,292	450,757	674,049
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	15,203	(15,203)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on long-term debt	-	(92,000)	(92,000)
Interest paid on long-term debt	-	(5,891)	(5,891)
Acquisition of capital assets	(238,495)	(314,883)	(553,378)
Net cash used in capital and related financing activities	(238,495)	(412,774)	(651,269)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on note receivable	-	1,479	1,479
Note receivable repayments	-	1,931	1,931
Net cash provided by investing activities	-	3,410	3,410
INCREASE IN CASH AND CASH EQUIVALENTS	-	26,190	26,190
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (including \$536,943 of revenue bond reserves reported in restricted cash)	-	1,484,314	1,484,314
CASH AND CASH EQUIVALENTS AT END OF YEAR (including \$594,248 of revenue bond reserves reported in restricted cash)	\$ -	\$ 1,510,504	\$ 1,510,504

See accompanying notes.

CITY OF EUREKA, ILLINOIS
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
ENTERPRISE FUNDS
YEAR ENDED APRIL 30, 2016

	STORMWATER FUND	WATERWORKS AND SEWERAGE FUND	TOTAL
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 218,656	\$ 15,857	\$ 234,513
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	4,636	435,284	439,920
Decrease in utility customer deposits and other current liabilities	-	(384)	(384)
Net cash provided by operating activities	\$ 223,292	\$ 450,757	\$ 674,049

SUPPLEMENTAL DATA

Noncash capital and related financing activities			
Transfer of capital assets to the General Fund	\$ -	\$ 12,618	\$ 12,618

See accompanying notes.

CITY OF EUREKA, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
MODIFIED CASH BASIS – FIDUCIARY FUNDS
APRIL 30, 2016

	POLICE PENSION TRUST	AGENCY (ECONOMIC DEVELOPMENT GRANT PROGRAM)
ASSETS		
Cash and cash equivalents	\$ 82,689	\$ 80,460
Investments	401,851	-
Notes receivable	-	75,387
	\$ 484,540	\$ 155,847
LIABILITIES		
Due to State	\$ -	\$ 155,847
NET POSITION HELD IN TRUST FOR PENSION BENEFITS		
	\$ 484,540	\$ -

See accompanying notes.

CITY OF EUREKA, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
MODIFIED CASH BASIS – POLICE PENSION TRUST FUND
YEAR ENDED APRIL 30, 2016

Additions	
Investment income	
Interest income	\$ 2,041
Less investment expense	<u>-</u>
Net investment income	2,041
Members' contributions	26,217
Employer contributions	63,274
Other income	<u>10</u>
Total additions	<u>91,542</u>
Deductions	
Administrative expenses	3,956
Professional expenses	<u>14,876</u>
Total deductions	<u>18,832</u>
Net increase	72,710
Net position held in trust for pension benefits	
Beginning of year	<u>411,830</u>
End of year	<u><u>\$ 484,540</u></u>

See accompanying notes.

CITY OF EUREKA, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the use of a modified cash basis of accounting as described later, accounting policies of the City of Eureka, Illinois (City), conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the significant policies. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Financial Reporting Entity

Generally accepted accounting principles require the financial reporting entity to include the primary government and other organizations for which the primary government is financially accountable (component units). Financial accountability includes the primary government's ability to appoint a voting majority of the organization's governing body and the ability to impose will on an organization if an organization is fiscally dependent on the primary government.

The City is not a component unit of any other entity. However, based on these criteria, management has determined the Police Pension Fund is a blended component unit of the City. A blended component unit, although a legally separate entity, is in substance part of the City's operations; therefore, data from this unit is combined with data of the primary government. The Police Pension Fund was established to provide retirement, death, and disability payments to the police of the City or their beneficiaries and is a single-employer defined benefit pension plan. Contribution levels are mandated by Illinois Statutes and may be amended only by the Illinois legislature. The fiscal year-end for the Police Pension Fund is April 30, and it is reflected as a fiduciary fund in the financial statements.

Complete financial statements for this component unit may be obtained at the following address:

City of Eureka Police Pension Fund
Lynn Hinnen, Treasurer
128 N. Main Street
Eureka, IL 61530

B. Basis of Presentation

Management Discussion & Analysis - Provides introductory information on basic financial statements and an analytical overview of the City's financial activities.

Government-Wide Financial Statements - The Statement of Net Position and Statement of Activities display information about the reporting government 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.

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 constitutes its assets, liabilities, fund balance/net position, 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 category. A fund is considered major if it is the primary operating fund of the City or if it meets the following criteria:

- Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Other Information - Budgetary comparison schedules are presented. The original and final budget for revenues and expenditures is presented in comparison with the actual final budgetary revenues and expenditures.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources and expenditures not required by law or contractual agreement to be accounted for in another fund.

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

Motor Fuel Tax Fund - Accounts for the operations of the City's Street Department in connection with highway construction and maintenance projects authorized by the Illinois Department of Transportation. Financing is provided by the City's share of the State Motor Fuel Tax.

Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or increase in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains the following enterprise funds:

Waterworks and Sewerage Fund - Accounts for the water and wastewater operations. Revenue is provided through user charges that are designed to pay operating expenses (including depreciation of the Fund's capital assets) and provide for an increase in net position to finance the continued operations of the system.

Stormwater Fund – During the year ended April 30, 2016, the City established the Stormwater Fund to account for the stormwater operations. Revenue is provided through user charges that are designed to pay operating expenses (including depreciation of the Fund’s capital assets) and provide for an increase in net position to finance the continued operations of the system.

Fiduciary Funds

Agency Funds - Agency funds are used to account for assets held by the City in a custodial capacity (i.e., assets equal liabilities). Agency funds do not involve the measurement of results of operations. The City includes the following agency fund:

Economic Development Grant Program Fund - Accounts for community development assistance program funds awarded by the Illinois Department of Commerce and Community Affairs (DCCA); the City is acting as custodial agent for the State of Illinois.

Police Pension Trust Fund - Accounts for the activities of the City of Eureka Police Pension Fund, which accumulates resources for retirement, death, and disability benefits to the police of the City or their beneficiaries.

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* transactions are recorded, regardless of the measurement focus applied.

Measurement Focus

The government-wide financial statements and fiduciary fund financial statements are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in Item 2 below. The agency fund does not have a measurement focus, as it is custodial in nature.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is used as appropriate:

- (1) Governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- (2) Proprietary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide financial statements and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund balance, revenues, and expenditures/expenses when they result from cash transactions with provisions for depreciation and amortization in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Fiduciary fund financial statements are accounted for using the modified cash basis.

D. Budgets and Budgetary Accounting

The budget for all governmental fund types is prepared on the modified cash basis of accounting, which is the same basis that is used in financial reporting. This allows for comparability between budget and actual amounts. The original and final budget was passed through an appropriations ordinance on April 6, 2015. For each fund, total fund expenditures may not legally exceed the budgeted expenditures. The budget lapses at the end of each fiscal year. Encumbrances accounting is not employed.

The City adopts its annual budget in accordance with Chapter 65, Paragraph 5/8-2-9.4 of the Illinois Compiled Statutes, as follows:

- (1) The budget officer submits to the City Council a proposed operating budget for the fiscal year commencing May 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) A public hearing is conducted to obtain taxpayer comments.
- (3) Prior to May 1, the budget is legally adopted through passage of an ordinance.
- (4) Budgeted amounts may be transferred between object classes within a fund at any time. The annual budget may be revised by a vote of two-thirds of the City Council by deleting, adding to, or changing budgeted items.
- (5) No revision of the budget can be made increasing the budget in the event funds are not available.

The City also adopts an informal operating budget for proprietary funds containing estimated revenues and expenses, which is used as a management control device.

E. Cash and Cash Equivalents

For the purpose of financial reporting, cash and cash equivalents include all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

F. Investments

Investments classified in the financial statements consist of certificates of deposit whose original maturity exceeds three months and pension reserve money market funds. Investments are carried at cost, which approximates fair value. The City is allowed to invest in securities as authorized by Chapter 30, Paragraph 235/2 of the Illinois Compiled Statutes. Generally, allowable investments consist of interest-bearing deposits in financial institutions; the Illinois Funds Money Market Fund; notes and bonds guaranteed by the United States of America; and, subject to certain restrictions, short-term corporate obligations and repurchase agreements with financial institutions.

G. Real Estate Taxes

Real estate taxes are a lien on individual properties from January 1 in the year in which the taxes are levied. The levy must be filed with the County Clerk by the last Tuesday in December each year. The tax levy for amounts received in the fiscal year ended April 30, 2016, was passed December 15, 2014. Due dates, by statute, are June 1 and September 1 of the following year. Generally, collections of tax monies are made within 30 to 60 days of the due dates.

The following are the tax rate limits permitted by state law and local referendum and the actual rates levied for 2014 per \$100 of assessed valuation:

City valuation	<u>\$ 68,336,706</u>		
Type of Tax	Limit	Rate	Extension
Corporate	.3330	.1059	\$ 72,368
Police protection	.1500	.0747	51,048
Park	.1000	.0194	13,257
Civil defense	.0500	.0015	1,025
Police pension	As Needed	.0926	63,280
IMRF/Social Security	As Needed	.2123	145,079
Audit	As Needed	.0235	16,059
Liability insurance	As Needed	.1493	102,027
		<u>.6792</u>	<u>\$ 464,143</u>

The City is limited under state law to aggregate indebtedness of 2.875 percent of assessed valuation. This limitation does not apply to indebtedness used to finance water and wastewater treatment facilities. The available legal debt margin approximates \$2.0 million at April 30, 2016.

H. Compensated Absences

As a result of using the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the government-wide or fund financial statements. Expenditures/Expenses related to compensated absences are recorded when paid. The City's policy is to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid to employees upon separation.

The estimated liability for unused vacation and sick leave of the City at April 30, 2016, is approximately \$93,000 (not reflected in the financial statements).

I. Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

J. Capital Assets

The City's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost, if actual is unavailable. Prior to May 1, 2004, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since May 1, 2004, are capitalized at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives and capitalization threshold by type of asset is as follows:

	Useful Life	Capitalization Threshold
Buildings and utility plant	20-50 years	\$ 25,000
Land improvements	15-40 years	10,000
Water, sewer, and stormwater extensions	30-40 years	25,000
Equipment	5-30 years	1,000
Infrastructure	20 years	25,000

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

K. Long-Term Debt

All long-term debt arising from cash transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt arising from cash transactions for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payment of principal and interest is reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

L. Equity Classification

Government-Wide Statements

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

- (1) Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- (2) Restricted net position - Net position with constraints placed on its use by external groups or by law through constitutional provisions or enabling legislation.
- (3) Unrestricted net position - All other net position that does not meet the definition of restricted or net investment in capital assets.

Restricted net position for the business-type activities and governmental activities is described in Notes 3 and 6, respectively.

Fund Financial Statements

Proprietary fund equity is classified the same as in the government-wide statements. Governmental fund equity is classified as fund balance. Fund balance is classified in five categories, as applicable:

- (1) Non-spendable fund balance - Amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- (2) Restricted fund balance - Amounts with constraints placed on their use by external groups or by law through constitutional provisions or enabling legislation.
- (3) Committed fund balance - Amounts that can only be used for specific purposes as determined by formal action (an ordinance) of the City's highest level of decision-making authority (the City Council). The committed amounts cannot be used for any other purpose unless the City Council takes the same formal action to remove or change the imposed constraints.

- (4) Assigned fund balance - Amounts intended for a specific purpose that does not meet the criteria to be classified as restricted or committed. The City Council, through ordinance establishing the City's fund balance policy, has delegated to the City Administrator the authority to assign amounts to specific purposes. Pursuant to the City's fund balance policy, any fund balance assigned by the City Administrator must be reported to the City Council at its next regular meeting. The City Council has the authority to remove or change the assigned fund balance with a simple majority vote.
- (5) Unassigned fund balance - Amounts in the general fund that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes in the general fund. In other governmental funds, the unassigned fund balance classification is only used, as applicable, to report a deficit balance in that fund.

As of April 30, 2016, the City's fund balances are classified as restricted, assigned, and unassigned (see Note 6).

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balance is available, the City considers restricted amounts to have been spent first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, the City considers committed amounts to have been spent first, followed by assigned amounts and then unassigned amounts.

The City's formally adopted minimum fund balance policy is to maintain a minimum unassigned fund balance in its general fund equal to seven months of the subsequent year's budgeted expenditures and outgoing transfers.

M. Program Revenues

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General Government - Licenses and permits and specific donations

Public Safety - Fine revenue and grants from the U.S Department of Justice and State of Illinois

Streets - Reimbursements and grants received from the Illinois Department of Transportation

Park - Rental income, recreation fees, concession sales, and specific donations

All other governmental revenues are reported as general. All taxes are classified as general revenue, even if restricted for a specific purpose.

N. Operating Revenue and Expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

O. Interfund Balances and Activities

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements.

NOTE 2. CASH AND INVESTMENTS

It is the City's policy to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds.

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned or the City will be unable to recover collateral securities in possession of an outside party. The City's investment policy is that funds on deposit exceeding FDIC limits must be secured by collateral and held at an independent, third-party institution in the name of the municipality. Unless matched to a specific cash flow, the City will not directly invest in securities maturing beyond one year from the purchase date.

Deposits of the City (primary government) are insured or collateralized with securities held by the pledging financial institution's trust department or agent in the name of the City. At April 30, 2016, the City (primary government) has approximately \$4,420,000 in deposits collateralized by pledged securities. At April 30, 2016, the Police Pension Fund's deposits are fully insured by the FDIC.

The City's cash and cash equivalents at April 30, 2016, consist of deposits with financial institutions. The City's (primary government) investments consist of two certificates of deposit and a money market account at two different financial institutions. The Police Pension Fund's investments consist of three certificates of deposit at one financial institution. The investments have not been rated by an independent rating agency. However, as of April 30, 2016, the investments are insured or collateralized with securities held by the pledging financial institution's trust department. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The certificates of deposit have original maturities of two to five years.

The investments are reflected on the financial statements at April 30, 2016, as follows:

Type of Investment	Fair Value/ Carrying Amount	Weighted Average Years to Maturity
Government-wide statement of net position:		
Certificates of deposit	\$ 1,399,720	4.68
Money market	97,454	N/A
Statement of fiduciary net position:		
Certificates of deposit	<u>401,851</u>	3.88
	<u>\$ 1,899,025</u>	

The deposits are reflected on the financial statements at April 30, 2016, as follows:

Government-wide statement of net position:	
Cash and cash equivalents	\$ 3,030,562
Investments	1,497,174
Restricted cash	594,248
Statement of fiduciary net position:	
Cash and cash equivalents	163,149
Investments	401,851
	<u>401,851</u>
	<u>\$ 5,686,984</u>

NOTE 3. RESTRICTED CASH

Ordinance 05-05 provided for the issuance of general obligation bonds. As outlined in the ordinance, certain assets are required to be restricted and used only for specific purposes. Restricted cash at April 30, 2016, is as follows:

Bond and interest reserve	\$ 129,941
Depreciation, improvements, and equipment reserve	<u>464,307</u>
	<u>\$ 594,248</u>

NOTE 4. CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended April 30, 2016, is as follows:

	Balance May 1, 2015	Additions	Deletions	Balance April 30, 2016
<i>Governmental activities:</i>				
Capital assets not being depreciated				
Land	\$ 1,413,656	\$ -	\$ -	\$ 1,413,656
Other capital assets				
Land improvements	680,555	3,134	-	683,689
Buildings	458,541	-	-	458,541
Equipment and vehicles	1,590,422	273,448	99,657	1,764,213
Infrastructure	2,466,097	192,440	-	2,658,537
Utility plant	2,000	-	-	2,000
Total other capital assets	<u>5,197,615</u>	<u>469,022</u>	<u>99,657</u>	<u>5,566,980</u>

	Balance May 1, 2015	Additions	Deletions	Balance April 30, 2016
Less accumulated depreciation for:				
Land improvements	\$ 354,325	\$ 21,882	\$ -	\$ 376,207
Buildings	279,072	12,285	-	291,357
Equipment and vehicles	1,047,935	127,274	95,205	1,080,004
Infrastructure	506,742	118,870	-	625,612
Utility plant	372	67	-	439
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	2,188,446	280,378	95,205	2,373,619
	<hr/>	<hr/>	<hr/>	<hr/>
Other capital assets, net	3,009,169	188,644	4,452	3,193,361
	<hr/>	<hr/>	<hr/>	<hr/>
Governmental activities, net	<u>\$ 4,422,825</u>	<u>\$ 188,644</u>	<u>\$ 4,452</u>	<u>\$ 4,607,017</u>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Business-type activities:</i>				
Capital assets not being depreciated				
Land	\$ 106,473	\$ -	\$ -	\$ 106,473
Construction in process	22,967	-	22,967	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets not being depreciated	129,440	-	22,967	106,473
	<hr/>	<hr/>	<hr/>	<hr/>
Other capital assets				
Land improvements	7,736	-	-	7,736
Buildings	100,000	-	-	100,000
Utility plant	9,509,085	66,958	-	9,576,043
Water main extensions	2,040,226	112,790	-	2,153,016
Equipment and vehicles	1,604,159	77,343	57,526	1,623,976
Sewer extensions	1,530,452	80,759	-	1,611,211
Stormwater extensions	-	238,495	-	238,495
	<hr/>	<hr/>	<hr/>	<hr/>
Total other capital assets	14,791,658	576,345	57,526	15,310,477
	<hr/>	<hr/>	<hr/>	<hr/>

	Balance May 1, 2015	Additions	Deletions	Balance April 30, 2016
Less accumulated depreciation for:				
Land improvements	\$ 7,736	\$ -	\$ -	\$ 7,736
Buildings	91,669	3,331	-	95,000
Utility plant	6,436,199	245,726	-	6,681,925
Water main extensions	708,860	67,778	-	776,638
Equipment and vehicles	848,690	66,563	44,908	870,345
Sewer extensions	763,283	51,886	-	815,169
Stormwater extensions	-	4,636	-	4,636
	<hr/>			
Total accumulated depreciation	8,856,437	439,920	44,908	9,251,449
	<hr/>			
Other capital assets, net	5,935,221	136,425	12,618	6,059,028
	<hr/>			
Business-type activities, net	<u>\$ 6,064,661</u>	<u>\$ 136,425</u>	<u>\$ 35,585</u>	<u>\$ 6,165,501</u>

Depreciation expense is charged as follows in the Statement of Activities:

Governmental activities:

General government	\$ 5,117
Public safety	43,746
Streets	198,816
Park	30,982
Emergency services	1,240
Economic development	477
	<hr/>

Total depreciation expense for governmental activities \$ 280,378

Business-type activities:

Waterworks and sewerage	\$ 435,284
Stormwater	4,636
	<hr/>

Total depreciation expense for business-type activities \$ 439,920

NOTE 5. LONG-TERM DEBT

The City's long-term debt arising from cash transactions is segregated between amounts to be paid from governmental activities and amounts repaid from business-type activities.

The changes in the City's long-term debt for the year ended April 30, 2016, are as follows:

	Balance May 1, 2015	Additions	Reductions	Balance April 30, 2016	Amount Due Within One Year
Business-type activities:					
Bonds payable	\$ 582,000	\$ -	\$ 92,000	\$ 490,000	\$ 96,000
Refunded bond discount	(5,635)	-	(1,127)	(4,508)	(1,127)
Total business-type activities	<u>\$ 576,365</u>	<u>\$ -</u>	<u>\$ 90,873</u>	<u>\$ 485,492</u>	<u>\$ 94,873</u>

During fiscal year 2006, the City issued \$1,400,000 in general obligation bonds. These bonds were issued for the purpose of defraying the cost of improving the waterworks and sewerage system. The issue date on the bonds was June 13, 2005, with interest rates ranging from 3.125 to 4.150 percent. On May 15, 2013, the City refunded these obligation bonds, paying down an additional \$300,000 of principal as part of the transaction. The refinanced amount of general obligation refunding bonds was \$686,000, with interest rates ranging from 1.25 to 2.40 percent and maturities through December 15, 2020.

The schedule of principal and interest requirements of the general obligation bonds are as follows:

Fiscal Year	Interest	Principal	Total
2017	\$ 10,264	\$ 96,000	\$ 106,264
2018	8,680	95,000	103,680
2019	6,780	99,000	105,780
2020	4,800	103,000	107,800
2021	2,328	97,000	99,328
	<u>\$ 32,852</u>	<u>\$ 490,000</u>	<u>\$ 522,852</u>

The bonds were refunded at a discount of \$7,889. This discount is being amortized using the straight-line method over the term of the bonds. Amortization expense is \$1,127 for the year ended April 30, 2016.

NOTE 6. GOVERNMENTAL FUND BALANCES

The following is a summary of fund balance classifications as presented in the Balance Sheet for the Governmental Funds.

Restricted fund balances as of April 30, 2016:

Restricted for:	
Street repair and improvements	\$ 287,563
Law enforcement	23,626
Parks and recreation	2,475
Other purposes	<u>691</u>
	<u>\$ 314,355</u>

Assigned fund balances as of April 30, 2016:

Assigned to:	
Pension	\$ 493,454
Law enforcement	143,575
Parks and recreation	<u>90</u>
	<u>\$ 637,119</u>

NOTE 7. INTERFUND TRANSFERS

	Transfer In	Transfer Out
General Fund	\$ 12,618	\$ -
Waterworks and Sewerage Fund	-	27,821
Stormwater Fund	<u>15,203</u>	<u>-</u>
	<u>\$ 27,821</u>	<u>\$ 27,821</u>

The interfund transfer from the Waterworks and Sewerage Fund to the General Fund represents the transfer of capital assets. The transfer from the Waterworks and Sewerage Fund to the Stormwater Fund represents the transfer of funds to cover expenses for the year ended April 30, 2016.

NOTE 8. RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS

A. Illinois Municipal Retirement Fund

Plan description. The City's defined benefit pension plan for regular employees (Regular Plan) and defined benefit plan for sheriffs, deputy sheriffs, and selected police chiefs (Sheriff's Law Enforcement Personnel Plan) provides retirement and disability benefits, post-retirement increases, and death benefits to Plan members and beneficiaries. These Plans are affiliated with the Illinois Municipal Retirement Fund

(IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained online at www.imrf.org.

Benefits provided. The IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3 percent of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with 10 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of 3 percent of the original pension amount or 50 percent of the increase in the Consumer Price Index of the original pension amount.

Employees covered by benefit terms. As of April 30, 2016, the following employees are covered by the benefit terms of the Regular Plan:

Retirees and beneficiaries currently receiving benefits	23
Inactive plan members entitled to but not yet receiving benefits	8
Active plan members	<u>10</u>
Total	<u><u>41</u></u>

As of April 30, 2016, the following employees are covered by the benefit terms of the Sheriff's Law Enforcement Personnel Plan (SLEP):

Retirees and beneficiaries currently receiving benefits	-
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>-</u>
Total	<u><u>1</u></u>

Contributions. As set by statute, the City's Regular Plan members are required to contribute 4.5 percent of their annual covered salary, and the City's SLEP Plan members are required to contribute 7.5 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of their own employees. The City's Regular Plan annual contribution rate for calendar year 2015 was 12.64 percent. There was no required

contribution for the City's SLEP Plan for calendar year 2015. For the fiscal year ended April 30, 2016, the City contributed \$69,217 and \$1,689 to the Regular Plan and the SLEP Plan, respectively. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

Actuarial assumptions. The City's net pension liability for each IMRF plan was measured as of December 31, 2015. The respective total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations performed as of that date using the following assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	Service based with increases ranging from 14.50% to 3.75%
Investment rate of return	
Regular Plan	7.49% per year compounded annually, net of investment-related expenses
SLEP Plan	7.32% per year compounded annually, net of investment-related expenses

Mortality rates were based on the RP-2014 Blue Collar Health Annuitant Mortality Table and the RP-2014 Disabled Retiree Mortality Table, with adjustments to match current IMRF experience.

The long-term expected rate of return on pension plan investments was determined using a building-block 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 weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic equity	38%	7.39%
International equity	17%	7.59%
Fixed income	27%	3.00%
Real estate	8%	6.00%
Alternative investments	9%	2.75-8.15%
Cash equivalents	1%	2.25%
Total	<u>100%</u>	

Discount rate. A single discount rate of 7.49 percent and 7.32 percent was used to measure the total pension liability of the Regular Plan and the SLEP Plan, respectively. The projection of cash flow used to determine this single discount rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference

between actuarially determined contribution rates and the member rate. The single discount rate reflects the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50 percent, the municipal bond rate is 3.57 percent, and the resulting single discount rate for the Regular Plan and the SLEP Plan is 7.49 percent and 7.32 percent, respectively.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Regular Plan’s and the SLEP Plan’s net pension liability, calculated using a single discount rate of 7.49 percent and 7.32 percent, respectively, as well as what the plan’s net pension liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher.

Regular Plan

	1% Decrease	Current Discount Rate	1% Increase
	6.49%	7.49%	8.49%
Net pension liability (asset)	\$ 959,517	\$ 327,516	\$ (196,083)

SLEP Plan

	1% Decrease	Current Discount Rate	1% Increase
	6.32%	7.32%	8.32%
Net pension liability	\$ 33,650	\$ 21,993	\$ 13,241

The Schedule of Changes in the Fund’s Net Pension Liability and Related Ratios and the Schedule of Fund Contributions for each IMRF plan, presented as “Other Information” following the notes to the financial statements, present multiyear trend information about the current net pension liability and contribution deficiency or excess of each IMRF plan.

B. Police Pension Fund

Plan description. The Police Pension Fund’s defined benefit pension plan provides retirement, death, and disability benefits to the City’s police officers or their beneficiaries. The Plan was established by municipal ordinance on July 16, 2012. Although this is a single-employer pension plan, the defined benefits as well as the employee and employer contribution levels are mandated by Illinois Compiled Statutes (Chapter 40, Article 3) and may be amended only by the Illinois legislature. Further information about the pension fund is provided in Note 1 and as follows.

Benefits provided. Employees attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive a pension benefit of one-half of the salary attached to the rank held by the officer on the last day of service or one year prior to the last day, whichever is greater. The monthly pension shall be increased by 2.5 percent of such salary for each additional year over 20 years of service through 30 years of service, to a maximum of 75 percent of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit. The Police Pension also provides for annual pension increases for beneficiaries as described in the Illinois Compiled Statutes, which are generally 3 percent of the original pension granted or 3 percent of the pension amount, depending on the individual’s date of retirement.

Survivor benefits vary based on the timing of the participant's death. For duty-related deaths, the benefit allowed for survivors is 100 percent of the salary earned at the time of death. For retirement and disability deaths, the benefit allowed for survivors is 100 percent of the benefit being received at the time of death. For survivors of participants who die in service, but not in the line of duty, the benefit is based on the participant's years of service.

Retirement benefits for officers hired on or after January 1, 2011, include the following. The normal retirement age for this tier of officers is 55, with an early retirement age of 50. Officers who enter into early retirement receive a 6-percent reduction for each year they retire prior to age 55. The salary used for retirement will be computed using an average salary representing the 8 highest earning, consecutive years during the last 10 years of service. The salary amount is also limited to a ceiling of \$106,800, with annual increases based on the consumer price index-u. Annual cost of living adjustments will be equal to the lesser of 3 percent or one-half of the annual unadjusted percentage increase of the consumer price index-u. Survivor benefits will be limited to two-thirds of the deceased's benefits at his or her date of death.

Employees covered by benefit terms. As of April 30, 2016, the following employees are covered by the benefit terms of the Police Pension Fund:

Retirees and beneficiaries currently receiving benefits	-
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>6</u>
Total	<u><u>6</u></u>

Contributions. As set by statute, the Police Pension Fund members are required to contribute 9.91 percent of their salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without interest. The City of Eureka is required to contribute the remaining amounts necessary to finance the Plan as actuarially determined by an enrolled actuary; the current rate is 27.58 percent of annual covered payroll.

Net Pension Liability

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of May 1, 2015, updated to April 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Service-based with increases ranging from 11% to 4%
Investment rate of return	5% per year compounded annually, net of investment-related expenses

Mortality rates were based on the RP-2000 Combined Healthy Annuitant Mortality Table, projected to the valuation date using scale BB, and the RP-2000 Disabled Retiree Annuitant Mortality Table, projected to the valuation date using scale BB.

The date of the most recent experience study for which significant assumptions are based upon is not available.

The long-term expected rate of return on Pension Plan investments was determined using a building-block 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of April 30, 2016, are summarized in the following table:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Equity	5%	
Fixed income	75%	1.00%
Mutual funds	10%	
Cash Equivalents	10%	
Total	<u>100%</u>	

The Fund has not yet invested in equity or mutual fund investments as allowed per the investment policy. As a result, the long-term expected real rate of return has not been determined for these asset classes. The long-term expected real rate of return for fixed income investments has been estimated using the average interest rate on the fixed income investments, net of inflation.

Discount rate. The discount rate used to measure the total pension liability was 5 percent. The discount rate was based on the expected rate of return of 5 percent and the municipal bond rate of 3.32 percent, based on the weekly rate closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. 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 Fund contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected 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 liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Fund, calculated using the discount rate of 5 percent, as well as what the Fund's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher.

	1% Decrease 4.00%	Current Discount Rate 5.00%	1% Increase 6.00%
Net pension liability (asset)	\$ 143,493	\$ 21,082	\$ (75,035)

The Schedule of Changes in the Fund's Net Pension Liability and Related Ratios and the Schedule of Fund Contributions, presented as "Other Information" following the notes to the financial statements, present multiyear trend information about the Plan's current net pension liability and contribution deficiency or excess.

C. Social Security

All City employees are covered under Social Security. The City paid Social Security taxes of \$73,217 for the year ended April 30, 2016.

D. Postemployment Health Insurance

All non-union City employees who retire with 20 or more years of continuous service are eligible for extended healthcare coverage. The City subsidizes the cost of premiums for the retired employee in accordance with the following formula:

- 1) 2.5 percent of monthly premium for each year of continuous service with the City, not to exceed 30 years (75 percent).
- 2) Effective upon the employee reaching 59.5 years of age and terminating upon the employee's eligibility for Medicare coverage.

As a result of using the modified cash basis of accounting, estimated liabilities related to postemployment health insurance are not recorded in the government-wide or fund financial statements. Expenditures/Expenses related to the Plan are recorded when paid. Expenditures of approximately \$11,500 were made during the year for postemployment health insurance. One retired employee was eligible to receive benefits during the year ended April 30, 2016.

NOTE 9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; workers' compensation; and natural disasters. The City purchases commercial insurance for those risks of loss, with the exception of workers' compensation. For risk of loss related to workers' compensation, the City has joined the Illinois Public Risk Fund (IPRF), a public entity risk pool currently operating as a common risk management and workers' compensation insurance program for public entities and governmental agencies throughout Illinois. The City pays annual premiums for its insurance coverage, except for employees' health and accident insurance. The City carries insurance through United Healthcare for employees' health and accident risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

OTHER INFORMATION

CITY OF EUREKA, ILLINOIS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – MODIFIED CASH BASIS
 BUDGET AND ACTUAL – GENERAL AND MOTOR FUEL TAX FUND (UNAUDITED)
 YEAR ENDED APRIL 30, 2016

	GENERAL FUND					MOTOR FUEL TAX FUND			
	Original and Final Budget	Actual	Over (Under) Budget	Original and Final Budget	Actual	Over (Under) Budget	Original and Final Budget	Actual	Over (Under) Budget
Revenues									
Property taxes	\$ 463,802	\$ 464,261	\$ 459	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other local taxes	55,000	56,305	1,305	-	-	-	-	-	-
Replacement taxes	28,500	30,274	1,774	-	-	-	-	-	-
Sales taxes	715,000	680,784	(34,216)	-	-	-	-	-	-
State income taxes	622,000	687,741	65,741	-	-	-	-	-	-
Motor fuel taxes	-	-	-	149,950	140,096	(9,854)	-	-	-
Federal and state grants	8,800	1,313	(7,487)	-	-	-	-	-	-
Interest	5,000	10,057	5,057	50	332	282	-	-	-
Licenses, fees, and fines	215,650	261,438	45,788	-	-	-	-	-	-
Contributions	-	18,001	18,001	-	-	-	-	-	-
Other	9,850	6,407	(3,443)	-	-	-	-	-	-
	<u>2,123,602</u>	<u>2,216,581</u>	<u>92,979</u>	<u>150,000</u>	<u>140,428</u>	<u>(9,572)</u>			
Expenditures									
Current									
General government	356,200	319,642	(36,558)	-	-	-	-	-	-
Public safety	587,664	550,533	(37,131)	-	-	-	-	-	-
Streets	642,700	386,863	(255,837)	-	-	-	-	-	-
Park	108,850	95,461	(13,389)	-	-	-	-	-	-
Emergency services	4,000	3,402	(598)	-	-	-	-	-	-
Economic development	67,000	13,349	(53,651)	-	-	-	-	-	-
Employee retirement	157,500	136,257	(21,243)	-	-	-	-	-	-
Capital outlay	197,950	364,948	166,998	149,000	91,456	(57,544)	-	-	-
	<u>2,121,864</u>	<u>1,870,455</u>	<u>(251,409)</u>	<u>149,000</u>	<u>91,456</u>	<u>(57,544)</u>			
Excess of revenues over expenditures	\$ 1,738	\$ 346,126	\$ 344,388	\$ 1,000	\$ 48,972	\$ 47,972			

CITY OF EUREKA, ILLINOIS
SCHEDULE OF CHANGES IN THE FUND'S NET PENSION LIABILITY
AND RELATED RATIOS – IMRF REGULAR (UNAUDITED)
APRIL 30, 2016

Calendar year ended December 31,	2015
Total pension liability	
Service cost	\$ 56,762
Interest	409,133
Change of benefit terms	-
Difference between expected and actual experience	127,457
Changes in assumptions	5,865
Benefit payments, including refunds of Plan member contributions	<u>(319,354)</u>
Net change in total pension liability	279,863
Total pension liability - beginning	<u>5,586,404</u>
Total pension liability - ending	<u><u>\$ 5,866,267</u></u>
Plan fiduciary net position	
Member contributions	\$ 24,642
Employer contributions	69,217
Net investment income	27,646
Benefit payments, including refunds of Plan member contributions	(319,354)
Other	<u>94,699</u>
Net change in Plan fiduciary net position	(103,150)
Plan fiduciary net position - beginning	<u>5,641,901</u>
Plan fiduciary net position - ending	<u><u>\$ 5,538,751</u></u>
Fund's net pension liability	<u><u>\$ 327,516</u></u>
Plan fiduciary net position as a percentage of total pension liability	94.42%
Covered-employee payroll	\$ 547,609
Fund's net pension liability as a percentage of covered-employee payroll	59.81%

IMRF REGULAR
SCHEDULE OF CHANGES IN THE FUND'S NET PENSION LIABILITY
AND RELATED RATIOS – IMRF REGULAR (UNAUDITED)
APRIL 30, 2016

Notes to schedule:

Changes in assumptions:

For the year ended December 31, 2015, amounts reported as changes of assumptions were the result of updating assumptions to adhere to those required under GASB Statement 68.

CITY OF EUREKA, ILLINOIS
 SCHEDULE OF THE FUND'S NET PENSION LIABILITY – IMRF REGULAR (UNAUDITED)
 APRIL 30, 2016

Calendar Year Ending Dec 31,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a Percentage of Total Pension Liability	Covered-Employee Payroll	Net Pension Liability as a Percentage of Covered-Employee Payroll
2015	\$ 5,866,267	\$ 5,538,751	\$ 327,516	94.42%	\$ 547,609	59.81%

CITY OF EUREKA, ILLINOIS
SCHEDULE OF FUND CONTRIBUTIONS – IMRF REGULAR (UNAUDITED)
APRIL 30, 2016

Calendar Year Ending Dec 31,	Actuarially Determined Contribution	Recognized Employer Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015	\$ 69,218	\$ 69,217	\$ 1	\$ 547,609	12.64%

Notes to Schedule:

Valuation date: Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	28 years (as of December 31, 2015)
Asset valuation method	5-year smoothed market
Wage growth	4.00%
Inflation	3.00%
Salary increases	4.40% to 16.00% including inflation
Investment rate of return	7.50%
Retirement age	Experience-based table of rates specific to the type of eligibility
Mortality	Assumed life expectancies are determined using the RP-2000 Combined Healthy Annuitant Mortality Table, adjusted for mortality improvements to 2020. 120% of the table rates were used for men; 92% of the table rates were used for women. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

CITY OF EUREKA, ILLINOIS
SCHEDULE OF CHANGES IN THE FUND'S NET PENSION LIABILITY
AND RELATED RATIOS – IMRF SLEP (UNAUDITED)
APRIL 30, 2016

Calendar year ended December 31,	2015
Total pension liability	
Service cost	\$ -
Interest	2,604
Change of benefit terms	-
Difference between expected and actual experience	1,026
Changes in assumptions	198
Benefit payments, including refunds of Plan member contributions	-
Net change in total pension liability	<u>3,828</u>
Total pension liability - beginning	<u>35,480</u>
Total pension liability - ending	<u><u>\$ 39,308</u></u>
Plan fiduciary net position	
Member contributions	\$ -
Employer contributions	1,689
Net investment income	87
Benefit payments, including refunds of Plan member contributions	-
Other	(931)
Net change in Plan fiduciary net position	845
Plan fiduciary net position - beginning	<u>16,470</u>
Plan fiduciary net position - ending	<u><u>\$ 17,315</u></u>
Fund's net pension liability	<u><u>\$ 21,993</u></u>
Plan fiduciary net position as a percentage of total pension liability	44.05%
Covered-employee payroll	\$ -
Fund's net pension liability as a percentage of covered-employee payroll	0.00%

CITY OF EUREKA, ILLINOIS
SCHEDULE OF CHANGES IN THE FUND'S NET PENSION LIABILITY
AND RELATED RATIOS – IMRF SLEP (UNAUDITED)
APRIL 30, 2016

Notes to schedule:

Changes in assumptions:

For the year ended December 31, 2015, amounts reported as changes of assumptions were the result of updating assumptions to adhere to those required under GASB Statement 68.

CITY OF EUREKA, ILLINOIS
 SCHEDULE OF THE FUND'S NET PENSION LIABILITY – IMRF SLEP (UNAUDITED)
 APRIL 30, 2016

Calendar Year Ending Dec 31,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position		Net Pension Liability as a Percentage of Covered-Employee Payroll
				as a Percentage of Total Pension Liability	Covered-Employee Payroll	
2015	\$ 39,308	\$ 17,315	\$ 21,993	44.05%	\$ -	0.00%

CITY OF EUREKA, ILLINOIS
 SCHEDULE OF FUND CONTRIBUTIONS – IMRF SLEP (UNAUDITED)
 APRIL 30, 2016

Calendar Year Ending Dec 31,	Actuarially Determined Contribution	Recognized Employer Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015	\$ -	\$ 1,689	\$ (1,689)	\$ -	0.00%

Notes to Schedule:

Valuation date: Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	28 years (as of December 31, 2015)
Asset valuation method	5-year smoothed market
Wage growth	4.00%
Inflation	3.00%
Salary increases	4.40% to 16.00% including inflation
Investment rate of return	7.50%
Retirement age	Experience-based table of rates specific to the type of eligibility
Mortality	Assumed life expectancies are determined using the RP-2000 Combined Healthy Annuitant Mortality Table, adjusted for mortality improvements to 2020. 120% of the table rates were used for men; 92% of the table rates were used for women. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

CITY OF EUREKA, ILLINOIS
SCHEDULE OF CHANGES IN THE FUND'S NET PENSION LIABILITY
AND RELATED RATIOS – POLICE PENSION FUND (UNAUDITED)
APRIL 30, 2016

	2016	2015
Total pension liability		
Service cost	\$ 79,215	\$ 68,603
Interest	21,827	17,320
Change of benefit terms	-	-
Difference between expected and actual experience	30,645	-
Changes in assumptions	16,604	-
Benefit payments, including refunds of Plan member contributions	-	(12,797)
Net change in total pension liability	148,291	73,126
Total pension liability - beginning	357,331	284,205
Total pension liability - ending	<u>\$ 505,622</u>	<u>\$ 357,331</u>
Plan fiduciary net position		
Member contributions	\$ 26,217	\$ 24,444
Employer contributions	63,274	30,000
Net investment income	2,041	276
Benefit payments, including refunds of Plan member contributions	-	(12,797)
Administrative expenses	(3,956)	(1,760)
Other	(14,866)	(10,659)
Net change in Plan fiduciary net position	72,710	29,504
Plan fiduciary net position - beginning	411,830	382,326
Plan fiduciary net position - ending	<u>\$ 484,540</u>	<u>\$ 411,830</u>
Fund's net pension liability (asset)	<u>\$ 21,082</u>	<u>\$ (54,499)</u>
Plan fiduciary net position as a percentage of total pension liability	95.83%	115.25%
Covered-employee payroll	\$ 264,551	\$ 220,229
Fund's net pension liability (asset) as a percentage of covered-employee payroll	7.97%	-24.75%

CITY OF EUREKA, ILLINOIS
SCHEDULE OF CHANGES IN THE FUND'S NET PENSION LIABILITY
AND RELATED RATIOS – POLICE PENSION FUND (UNAUDITED)
APRIL 30, 2016

Notes to schedule:

Changes in assumptions:

For the 2016 fiscal year, amounts reported as changes of assumptions were the result of updating the mortality table to better reflect anticipated mortality experience in the future. The Healthy Lives Mortality assumption was updated from the RP-2000 Combined Healthy Annuitant Mortality Table to the RP-2000 Combined Healthy Annuitant Mortality Table, projected to the valuation date using Scale BB. Similarly, the Disabled Lives Mortality assumption was updated from the RP-2000 Disabled Retiree Annuitant Mortality Table to the RP-2000 Disabled Retiree Annuitant Mortality Table, projected to the valuation date using Scale BB.

CITY OF EUREKA, ILLINOIS
 SCHEDULE OF THE FUND'S NET PENSION LIABILITY – POLICE PENSION FUND (UNAUDITED)
 APRIL 30, 2016

Fiscal Year	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)	Plan Net Position as a Percentage of Total Pension Liability		Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	
				Plan Net Position	Net Pension Liability (Asset)	Covered-Employee Payroll	Covered-Employee Payroll
2016	\$ 505,622	\$ 484,540	\$ 21,082	95.83%	\$ 264,551	7.97%	
2015	357,331	411,830	(54,499)	115.25%	220,229	-24.75%	

CITY OF EUREKA, ILLINOIS
 SCHEDULE OF FUND CONTRIBUTIONS – POLICE PENSION FUND (UNAUDITED)
 APRIL 30, 2016

Fiscal Year	Actuarially Determined Contribution	Recognized Employer Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2016	\$ 72,953	\$ 63,274	\$ 9,679	\$ 264,551	23.92%
2015	63,274	30,000	33,274	220,229	13.62%
2014	66,598	30,000	36,598	191,410	15.67%
2013	-	300,000	(300,000)	143,297	209.36%

The actuarially determined contribution and recognized employer contribution are presented in accordance with GASB Statement No. 25 for fiscal years 2014 and prior.

The actuarially determined contribution and recognized employer contribution are presented in accordance with GASB Statement No. 67 for fiscal year 2015 and after.

The employer contribution in fiscal year 2013 reflects the initial funding of the Plan.

CITY OF EUREKA, ILLINOIS
 SCHEDULE OF FUND CONTRIBUTIONS – POLICE PENSION FUND (UNAUDITED)
 APRIL 30, 2016

Notes to Schedule:

Valuation date: Actuarially determined contribution rates are calculated as of May 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining	
amortization period	25 years (as of May 1, 2015)
Asset valuation method	5-year smoothed market
Inflation	2.5%
Salary increases	Service-related table with rates grading from 11% to 4%
Investment rate of return	5%, net of Pension Plan investment expense
Retirement age	Assumed age 50 for Tier 1; age 55 for Tier 2
Mortality	Assumed life expectancies are determined using the RP-2000 Combined Healthy Annuitant Mortality Table, with no projection, and the RP-2000 Disabled Retiree Annuitant Mortality Table, with no projection.

CITY OF EUREKA, ILLINOIS
SCHEDULE OF GENERAL FUND EXPENDITURES
MODIFIED CASH BASIS – BUDGET AND ACTUAL
YEAR ENDED APRIL 30, 2016

	Original and Final Budget	Actual
EXPENDITURES		
General government		
Personnel services	\$ 158,000	\$ 133,661
Contractual services	190,600	173,479
Commodities	3,600	5,753
Other expense	4,000	6,749
	<hr/> 356,200	<hr/> 319,642
Public safety		
Personnel services	412,000	390,794
Police pension	63,274	63,274
Contractual services	61,540	63,910
Commodities	29,850	28,654
Other expense	21,000	3,901
	<hr/> 587,664	<hr/> 550,533
Streets		
Personnel services	303,000	247,043
Contractual services	292,200	115,603
Commodities	47,500	24,217
	<hr/> 642,700	<hr/> 386,863
Park		
Personnel services	35,000	45,264
Contractual services	41,050	22,477
Commodities	12,800	8,345
Other expense	20,000	19,375
	<hr/> 108,850	<hr/> 95,461
Emergency services		
Contractual services	3,700	1,699
Commodities	300	1,703
	<hr/> 4,000	<hr/> 3,402
Economic development		
Contractual services	63,500	9,343
Commodities	3,500	4,006
	<hr/> 67,000	<hr/> 13,349
Employee retirement	157,500	136,257
Capital outlay		
General government	1,500	-
Public safety	12,000	25,342
Streets	169,250	259,595
Park	13,000	70,596
Emergency services	200	-
Economic development	2,000	9,415
	<hr/> 197,950	<hr/> 364,948
Total General Fund Expenditures	<hr/> \$ 2,121,864	<hr/> \$ 1,870,455

CITY OF EUREKA, ILLINOIS
 INFORMATION REQUIRED BY GENERAL OBLIGATION BOND ORDINANCE
 ENTERPRISE FUNDS (UNAUDITED)
 APRIL 30, 2016

The following information is required to be included in the report by Section 17 of General Obligation Bond Ordinance 05-05.

1. Statement in detail of the income and expenditures of the system for the fiscal year. See the Statement of Revenues, Expenses and Changes in Fund Net Position – Modified Cash Basis – Enterprise Funds.
2. A balance sheet as of the end of the fiscal year, including a statement of the amount held in each of the accounts of the system fund. See the Statement of Net Position – Modified Cash Basis – Enterprise Funds and Note 3 to the financial statements.
3. A list of the insurance policies in force at the end of the fiscal year. See the Schedule of Insurance Policies in Force.
4. A summary of rates in effect at the end of the fiscal year for services of the system and any changes in such rates during the fiscal year.

Water	\$6.12*
Sewer	4.12*
Stormwater	6.00**

* Rate per 1,000 gallons

** Rate per equivalent residential unit

5. The amounts and details of all outstanding bonds. See Note 5 to the financial statements.
6. Independent auditors' comments regarding the manner in which the municipality has carried out the requirements of the ordinance.

Ordinance requires the establishment of the following accounts:

- Operation and maintenance account
- Bond and interest account
- Depreciation, improvement, and extension account
- Surplus account

Restricted asset accounts have been established and transfers have been made to these accounts during the current year as required.

The restricted asset accounts are reported as restricted net position.

CITY OF EUREKA, ILLINOIS
 SCHEDULE OF INSURANCE POLICIES IN FORCE (UNAUDITED)
 APRIL 30, 2016

The City is insured with the Argonaut Insurance Company and the Hanover Insurance Group, Inc. for all risks of loss other than workers' compensation insurance, which is insured with the Illinois Public Risk Fund. Policy coverage, effective through December 31, 2016, is as follows:

	Per Occurrence
General liability	\$1,000,000
Auto liability	\$1,000,000
Auto physical damage	Included per schedule on file with company
Building and personal property	\$5,693,468
Workers' compensation	\$3,000,000
Public officials' liability	\$1,000,000
Earthquake	\$5,000,000
Flood	\$1,000,000
Liquor liability	Host liquor included
Crime liability - employee theft per loss	\$500,000
Valuable papers and records coverage	\$100,000
Fire legal liability - damage to premise rented by insured	\$100,000
Employers' liability	\$3,000,000
Auto medical	\$10,000
Uninsured/Underinsured motorist	\$100,000
Public Official Position Bond	Included on crime policy
Excess liability	\$7,000,000