

**CITY OF EUREKA, ILLINOIS**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED APRIL 30, 2020**

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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, 2020, 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.

### **Auditors' 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 auditors' 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 auditors consider 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.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eureka, Illinois, as of April 30, 2020, 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 62 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 Banwait, Ltd.*

July 22, 2020

July 22, 2020

CITY OF EUREKA  
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COUNCIL:

Scott Zimmer, Mayor  
Marilyn Walter, City Clerk  
Lynn Hinnen, City Treasurer  
Melissa Brown, Administrator  
Alex Collinge, Chief of Police  
Rick Joseph, City Attorney

Laurie Klaus, Ward I  
Milt Hinnen, Ward I  
Chuck Germann, Ward II  
Richard Teegarden, Ward II  
James Chambliss, Ward III  
Bob Prather, Ward III  
Tim Getz, Ward IV  
Tim Peterson, Ward IV

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, 2020. Please read it in conjunction with the City's financial statements which follow.

FINANCIAL HIGHLIGHTS

The City's total expenses exceeded total revenues for General Fund activity by \$831,232. The Enterprise Fund Departments revenues exceeded expenses by \$305,285 for the fiscal year ending April 30, 2020. The end result is a decrease in total cash and investments of 19% in the General Fund for a total of \$751,679 over the previous year and a 76% increase in Enterprise cash from the previous year for a total of \$504,036. It is important to note, that Enterprise has been experiencing a period of significant capital improvements which has required utilizing cash reserves.

Historically, 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 would appear that the City is now entering a period of time in which expenditures for capital improvements both in Enterprise and General Fund are becoming a necessity. Aging infrastructure and municipal buildings require assessment for maintenance and replacement. The City has prepared for this period for nearly thirteen years by building cash reserves to pay for needed improvements.

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

- The General Fund received \$48,314 from the Community Unit #140 School District (CUSD 140) for a cost share on the continuation of the School Resource Police Officer. The Agreement between the City and CUSD 140 was going to be discussed following the finalization of contract negotiations with the Fraternal Order of Police Union. Agreement review and renewal have been put on hold due to COVID-19 as the need for a School Resource Officer has not been needed at this time.
- The City reduced the property tax levy in Fiscal Year 2019-2020 to be collected in Fiscal Year 2020-2021. The property tax levy was reduced by \$4,792 to \$511,726. With the current City assessed valuation reduced by \$1,762,072 to \$73,030,641, the property tax rate will be .7007 for Fiscal Year 2020-2021. The property tax rate for Fiscal Year 2019-2020 was .6906, thus the rate increased by .0101.
- The City has one outstanding loan with a local business in the amount of \$35,840 to generate and retain business in the community. In addition, the Council has assigned a reserve of \$125,380 to use in the future for economic development as opportunities arise. Future loans will be considered by Council and issued through Ordinance specific to the individual request.
- The City personnel expenses for salaries in Fiscal Year 2019-2020 increased over the Fiscal Year 2018-2019 salaries by \$45,488. This increase is due to the 2.0 percent salary increase for hourly employees and management bonuses delivered to department heads. Due to conservative increases, careful hiring practices and human resource management, the City has continued to keep personnel expenses at a minimum. The City of Eureka, comparatively, pays below scale for every position and maintains a full-time head count that is significantly lower than other similarly sized, and even much smaller, communities.
- The City in 2005 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 health care cost for Fiscal Year 2019-2020 was \$11,473 lower than in Fiscal Year 2018-2019. The City has worked with insurance agents to find the most competitive rates. A new plan was selected with higher out-of-network deductibles and out-of-pocket costs to employees to keep premiums down. In spite of a reduction of overall coverage with higher out-of-pocket costs for employees, premiums continue to increase slightly.

## 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 13) and the Statement of Activities (page 14) 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: the water, sewer, and stormwater 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:** This 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 and Information Required by General Obligation Bond Ordinance 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, 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 modified cash basis of accounting, certain assets and their related revenues, such as accounts receivable, revenue for billed or provided services not yet collected, and certain liabilities and their related expenses, such as accounts payable, 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 them. 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 is divided into two kinds of activities:

**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, Expenditures, 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 Position 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 Waterworks and Sewerage 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 one fiduciary fund: Police Pension Trust Fund. Total net position of the fiduciary funds was \$865,608 as of April 30, 2020.

Financial Analysis

Total assets of the City increased by \$797,320 to \$18,621,693. This net increase is comprised of an increase in capital assets of \$931,026, a decrease in cash and investments of \$54,153, and decrease in notes receivable of \$79,553. See below and the Statement of Net Position – Modified Cash Basis for more detail.

Total liabilities of the City decreased by \$102,259 to \$120,503; 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. The City had an excess of revenue over expenses of \$899,579, increasing net position to \$18,501,190. This net position and increase in net position illustrates the financial strength of the City. The following condensed financial information was derived from the government-wide Statement of Net Position – Modified Cash Basis and reflects the City’s financial position at year-end.

	Fiscal Year 2019-2020	Fiscal Year 2018-2019	Percent change
<b>Assets</b>			
Non-capital assets	\$ 4,991,432	\$ 5,125,138	(3%)
Capital assets	13,630,261	12,699,235	7%
<b>Total Assets</b>	<b>\$ 18,621,693</b>	<b>\$ 17,824,373</b>	<b>4%</b>
<b>Liabilities</b>			
Current liabilities	\$ 120,503	\$ 125,762	(4%)
Long-term liabilities	-	97,000	(100%)
<b>Total Liabilities</b>	<b>120,503</b>	<b>222,762</b>	<b>(46%)</b>
<b>Net Position</b>			
Net investment in capital assets	13,533,261	12,500,362	8%
Restricted	633,011	544,803	16%
Unrestricted	4,334,918	4,556,446	(5%)
<b>Total Net Position</b>	<b>18,501,190</b>	<b>17,601,611</b>	<b>5%</b>
	<b>\$ 18,621,693</b>	<b>\$ 17,824,373</b>	

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 relationship to the prior fiscal year.

The revenues received in Fiscal Year 2019-2020 increased 8 percent over revenues received in Fiscal Year 2018-2019. The biggest variation over last fiscal year can be found in the Governmental Activities due to an increase in taxes levied. Expenses increased by 5 percent mainly due to increased expenses in the Business-Type Activities. Overall revenues were in excess of expenses by \$899,579.

Government Wide

	Fiscal Year 2019-2020	Fiscal Year 2018-2019	Percent change
Total Government Wide			
Revenue	\$ 4,472,793	\$ 4,126,181	8%
Expenses	3,573,214	3,411,248	5%
Excess revenue over expenses	<u>\$ 899,579</u>	<u>\$ 714,933</u>	26%

Governmental Activities

	Fiscal Year 2019-2020	Fiscal Year 2018-2019	Percent change
Revenues			
Taxes	\$ 2,090,239	\$ 1,959,126	7%
Charges for services	188,441	180,468	4%
Grants & contributions	218,905	164,981	33%
Gain on sale of capital assets	59,230	-	100%
Interest & other	88,334	62,344	42%
	<u>2,645,149</u>	<u>2,366,919</u>	12%
Expenses			
General government	427,524	388,160	10%
Public safety	733,396	687,500	7%
Streets	720,297	716,211	1%
Park	128,409	141,870	(9%)
Emergency services	9,728	5,336	82%
Economic development	31,501	30,058	5%
	<u>2,050,855</u>	<u>1,969,135</u>	4%
Excess revenues over expenses	<u>\$ 594,294</u>	<u>\$ 397,784</u>	49%

## Business-type Activities

	Fiscal Year 2019-2020	Fiscal Year 2018-2019	Percent change
<b>Revenues</b>			
Charges for services	\$ 1,802,311	\$ 1,755,952	
Grants	20,000	-	
Interest	5,333	3,310	
	<u>1,827,644</u>	<u>1,759,262</u>	4%
<b>Expenses</b>			
Personnel services	414,285	398,644	
Contractual services	257,466	292,969	
Commodities	297,114	217,800	
Depreciation	532,913	524,793	
Interest	5,927	7,907	
Loss on sale of capital assets	14,654	-	
	<u>1,522,359</u>	<u>1,442,113</u>	6%
<b>Change in net assets</b>	<u>\$ 305,285</u>	<u>\$ 317,149</u>	(4%)

City Revenues increased in Business-Type Activities due to the increase in utility fees which began on May 1, 2018. Expenses increased due to a mix of increased costs for commodities and personnel services. Interest decreased due to the final year of payment for water bond. The City's 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 will continue to be top priorities for the next several years. The City Council has approved a five-year plan for water and sewer rate increases with a 10 percent increase planned for Fiscal Years 2018 through 2022. These increases are necessary as the City executes its five-year capital plan.

### General Fund Budgetary Highlights

The largest expense in General Fund for Fiscal Year 2019-2020 was the building of the new Combined Services Building that houses the Police Department, Administrative Offices, and Board Room. Other large expenses were attributed to fleet vehicle and equipment replacements. Enterprise's capital projects for sewer lining and water main improvements accounted for the larger expenditures. Enterprise commodities have risen as the cost of lime and transportation of the commodity continues to rise incrementally each year. Clearitas, a chemical that combats biofilm as a part of the water department's overall quality improvement plan, is a significant cost addition. The General Fund was 10 percent under projected expenses for the year, and the Enterprise Fund was 10 percent below budget expenses.

The final total budget for General and the Enterprise Fund was higher than the prior year budget by \$41,937. For the year ended April 30, 2020, General Fund expenditures were \$340,166 below budgeted expenses, while actual resources available for budgeted purposes were \$278,224 above the fiscal budgeted amounts, resulting in a net budget surplus of \$618,390.

## Capital Assets

At the end of April 30, 2020, the City had \$13,630,261 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:

Combined Services Building	\$ 1,069,731
Sewer Lining Projects	95,456
2019 Ford F550 with Dump Body	83,070
Extreme Leaf Vacuum	65,448
Land Improvements for Combined Services Building	59,313
Kubota Skidsteer	52,237
2019 Chevy Silverado 1500	39,304
Eastview Circle Water Line	34,913
Park Trail Expansion Project	34,379
Board Room Audio Project	31,832
Tower St. Storm Sewer Project	29,891
Spray Patching Project	20,872

Additional details on capital assets are discussed in the Notes to Basic Financial Statements beginning on page 25.

## Long-Term Debt

At year end, the Business-Type Activities had \$97,000 in long-term debt, as compared to \$198,873 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, 2020, 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 FY 2020 by the Governmental Activities. At the close of FY 2020, the City has a remaining balance of \$99,328 in principal and interest.

Additional details on long-term debt are discussed in the Notes to Basic Financial Statements beginning on page 25.

## Economic Factors and Next Year's Budget and Rates

Significant economic factors affecting the year ending April 30, 2020:

- The utility rate was increased by 10 percent on May 1, 2019. 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.

Significant economic factors expected to affect the upcoming fiscal year ending April 30, 2021:

- Some of the significant capital asset items being budgeted in governmental funds for next year are a park walking path extension for \$40,000, curb replacements and spray patching for \$80,000, and sidewalk replacements for \$75,000.
- The City will would like to continue its contract with the school district to maintain a school resource officer in the schools and will share 50 percent of the total cost. The contract is a carry-over from the previous year as the City is waiting to see what District 140 might do in the Fall of 2020 School Year due to COVID-19.
- As of December 31, 2019, the most recent actuarial valuation date, the City's defined benefit pension plan affiliated with the Illinois Municipal Retirement Fund (IMRF) was 106.82-percent funded. The police officers 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 67.65-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 111 West Court St., Eureka, IL 61530, telephone number 309-467-2113.

CITY OF EUREKA, ILLINOIS  
STATEMENT OF NET POSITION – MODIFIED CASH BASIS  
APRIL 30, 2020

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,164,832	\$ 1,066,807	\$ 3,231,639
Investments	1,598,630	-	1,598,630
Restricted cash	-	99,867	99,867
Notes receivable	35,840	25,456	61,296
Capital assets not being depreciated	1,577,904	114,856	1,692,760
Capital assets, net of accumulated depreciation	4,877,735	7,059,766	11,937,501
	\$ 10,254,941	\$ 8,366,752	\$ 18,621,693
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Utility customer deposits	\$ -	\$ 21,495	\$ 21,495
Current maturities of long-term debt	-	97,000	97,000
Other	-	2,008	2,008
	-	120,503	120,503
<b>NET POSITION</b>			
Net investment in capital assets	6,455,639	7,077,622	13,533,261
Restricted for:			
Debt service	-	75,030	75,030
Other purposes	533,144	24,837	557,981
Unrestricted	3,266,158	1,068,760	4,334,918
	10,254,941	8,246,249	18,501,190
	\$ 10,254,941	\$ 8,366,752	\$ 18,621,693

See accompanying notes.



CITY OF EUREKA, ILLINOIS  
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS  
YEAR ENDED APRIL 30, 2020

FUNCTION/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities				
General government	\$ 427,524	\$ 96,462	\$ -	\$ -
Public safety	733,396	91,139	-	-
Streets	720,297	-	192,482	24,893
Park	128,409	840	1,530	-
Emergency services	9,728	-	-	-
Economic development	31,501	-	-	-
Total governmental activities	2,050,855	188,441	194,012	24,893
Business-type activities				
Stormwater	18,509	228,668	-	-
Waterworks and sewerage	1,503,850	1,573,643	-	20,000
Total business-type activities	1,522,359	1,802,311	-	20,000
<b>TOTAL</b>	<b>\$ 3,573,214</b>	<b>\$ 1,990,752</b>	<b>\$ 194,012</b>	<b>\$ 44,893</b>

See accompanying notes.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
	\$ (331,062)	\$ -	\$ (331,062)
	(642,257)	-	(642,257)
	(502,922)	-	(502,922)
	(126,039)	-	(126,039)
	(9,728)	-	(9,728)
	(31,501)	-	(31,501)
	<u>(1,643,509)</u>	<u>-</u>	<u>(1,643,509)</u>
	-	210,159	210,159
	-	89,793	89,793
	<u>-</u>	<u>299,952</u>	<u>299,952</u>
	<u>(1,643,509)</u>	<u>299,952</u>	<u>(1,343,557)</u>
General revenues			
Taxes			
Property	517,020	-	517,020
Other local	62,539	-	62,539
Replacement	35,221	-	35,221
Sales	713,800	-	713,800
State income	761,659	-	761,659
Interest	56,440	5,333	61,773
Other	91,124	-	91,124
Total general revenues	<u>2,237,803</u>	<u>5,333</u>	<u>2,243,136</u>
Change in net position	594,294	305,285	899,579
NET POSITION - BEGINNING	<u>9,660,647</u>	<u>7,940,964</u>	<u>17,601,611</u>
NET POSITION - ENDING	<u>\$ 10,254,941</u>	<u>\$ 8,246,249</u>	<u>\$ 18,501,190</u>

CITY OF EUREKA, ILLINOIS  
 BALANCE SHEET – MODIFIED CASH BASIS  
 GOVERNMENTAL FUNDS  
 APRIL 30, 2020

ASSETS	GENERAL	MOTOR FUEL TAX	TOTAL
Cash and cash equivalents	\$ 1,654,550	\$ 510,282	\$ 2,164,832
Investments	1,598,630	-	1,598,630
Notes receivable	35,840	-	35,840
	<u>\$ 3,289,020</u>	<u>\$ 510,282</u>	<u>\$ 3,799,302</u>

FUND BALANCES

Fund balances			
Restricted	\$ 22,862	\$ 510,282	\$ 533,144
Assigned	805,596	-	805,596
Unassigned	2,460,562	-	2,460,562
	<u>\$ 3,289,020</u>	<u>\$ 510,282</u>	<u>3,799,302</u>
Total fund balances	<u>\$ 3,289,020</u>	<u>\$ 510,282</u>	<u>3,799,302</u>

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.	<u>6,455,639</u>
Net position of governmental activities	<u><u>\$ 10,254,941</u></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, 2020

	GENERAL	MOTOR FUEL TAX	TOTAL
<b>Revenues</b>			
Property taxes	\$ 517,020	\$ -	\$ 517,020
Other local taxes	62,539	-	62,539
Replacement taxes	35,221	-	35,221
Sales taxes	713,800	-	713,800
State income taxes	761,659	-	761,659
Motor fuel taxes	-	192,482	192,482
Federal and state grants	24,893	-	24,893
Interest	55,432	1,008	56,440
Licenses, fees, and fines	188,441	-	188,441
Contributions	1,530	-	1,530
Other	31,894	-	31,894
	<u>2,392,429</u>	<u>193,490</u>	<u>2,585,919</u>
<b>Expenditures</b>			
<b>Current</b>			
General government	376,199	-	376,199
Public safety	648,081	-	648,081
Streets	420,902	-	420,902
Park	85,332	-	85,332
Emergency services	8,272	-	8,272
Economic development	30,396	-	30,396
Employee retirement	102,542	-	102,542
Capital outlay	1,551,937	-	1,551,937
	<u>3,223,661</u>	<u>-</u>	<u>3,223,661</u>
Excess (deficiency) of revenues over (under) expenditures	(831,232)	193,490	(637,742)
Fund balances, beginning of year	<u>4,120,252</u>	<u>316,792</u>	<u>4,437,044</u>
Fund balances, end of year	<u>\$ 3,289,020</u>	<u>\$ 510,282</u>	<u>\$ 3,799,302</u>

See accompanying notes.

CITY OF EUREKA, ILLINOIS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 MODIFIED CASH BASIS – GOVERNMENTAL FUNDS (CONTINUED)  
 YEAR ENDED APRIL 30, 2020

RECONCILIATION TO THE STATEMENT OF ACTIVITIES:

Net change in fund balances - governmental funds	\$ (637,742)
Governmental funds report capital outlays as expenditures; however, they are capitalized and depreciated in the Statement of Activities.	
Capital asset purchases capitalized	1,551,937
Gain on sale of capital assets	59,230
Depreciation expense	<u>(379,131)</u>
	<u>1,232,036</u>
Change in net position of governmental activities	<u><u>\$ 594,294</u></u>

See accompanying notes.

CITY OF EUREKA, ILLINOIS  
STATEMENT OF NET POSITION – MODIFIED CASH BASIS  
ENTERPRISE FUNDS  
APRIL 30, 2020

	STORMWATER FUND	WATERWORKS AND SEWERAGE FUND	TOTAL
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 637,451	\$ 429,356	\$ 1,066,807
<b>NONCURRENT ASSETS</b>			
Restricted cash	-	99,867	99,867
Notes receivable	-	25,456	25,456
Capital assets not being depreciated	-	114,856	114,856
Capital assets, net of accumulated depreciation	463,305	6,596,461	7,059,766
Total noncurrent assets	463,305	6,836,640	7,299,945
	\$ 1,100,756	\$ 7,265,996	\$ 8,366,752
 <b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Utility customer deposits	\$ -	\$ 21,495	\$ 21,495
Current maturities of long-term debt	-	97,000	97,000
Other	-	2,008	2,008
Total current liabilities	-	120,503	120,503
 <b>NET POSITION</b>			
Net investment in capital assets	463,305	6,614,317	7,077,622
Restricted for:			
Debt service	-	75,030	75,030
Other purposes	-	24,837	24,837
Unrestricted	637,451	431,309	1,068,760
Total net position	1,100,756	7,145,493	8,246,249
	\$ 1,100,756	\$ 7,265,996	\$ 8,366,752

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, 2020

	STORMWATER FUND	WATERWORKS AND SEWERAGE FUND	TOTAL
Operating revenues			
Charges for services and sales	\$ 228,668	\$ 1,540,410	\$ 1,769,078
Penalties and miscellaneous	-	33,233	33,233
	<u>228,668</u>	<u>1,573,643</u>	<u>1,802,311</u>
Operating expenses			
Personnel services	-	414,285	414,285
Contractual services	1,635	255,831	257,466
Commodities	-	297,114	297,114
Depreciation	16,874	516,039	532,913
	<u>18,509</u>	<u>1,483,269</u>	<u>1,501,778</u>
Operating income	210,159	90,374	300,533
Nonoperating (revenues) expenses			
Interest income	-	(5,333)	(5,333)
Interest and fiscal charges on long-term debt	-	5,927	5,927
Loss on sale of capital assets	-	14,654	14,654
	<u>-</u>	<u>15,248</u>	<u>15,248</u>
Capital grants and contributions			
Grant income	-	(20,000)	(20,000)
Change in net position	210,159	95,126	305,285
Total net position, beginning of year	<u>890,597</u>	<u>7,050,367</u>	<u>7,940,964</u>
Total net position, end of year	<u>\$ 1,100,756</u>	<u>\$ 7,145,493</u>	<u>\$ 8,246,249</u>

See accompanying notes.

CITY OF EUREKA, ILLINOIS  
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS  
ENTERPRISE FUNDS  
YEAR ENDED APRIL 30, 2020

	STORMWATER FUND	WATERWORKS AND SEWERAGE FUND	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 228,668	\$ 1,573,643	\$ 1,802,311
Payments to suppliers of goods and services	(1,635)	(552,945)	(554,580)
Payments to employees for services	-	(414,285)	(414,285)
Receipt of utility customer deposits and other current liabilities	-	5,973	5,973
Refunds of utility customer deposits	-	(6,359)	(6,359)
	<hr/>		
Net cash provided by operating activities	227,033	606,027	833,060
	<hr/>		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal payments on long-term debt	-	(103,000)	(103,000)
Interest paid on long-term debt	-	(4,800)	(4,800)
Receipts from capital grant	-	20,000	20,000
Acquisition of capital assets	(29,891)	(216,666)	(246,557)
	<hr/>		
Net cash used in capital and related financing activities	(29,891)	(304,466)	(334,357)
	<hr/>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received on note receivable	-	5,333	5,333
	<hr/>		
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	197,142	306,894	504,036
 <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
(including \$207,305 of revenue bond reserves reported in restricted cash)	440,309	222,329	662,638
	<hr/>		
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
(including \$99,867 of revenue bond reserves reported in restricted cash)	\$ 637,451	\$ 529,223	\$ 1,166,674
	<hr/> <hr/>		

See accompanying notes.



CITY OF EUREKA, ILLINOIS  
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS  
ENTERPRISE FUNDS (CONTINUED)  
YEAR ENDED APRIL 30, 2020

	STORMWATER FUND	WATERWORKS AND SEWERAGE FUND	TOTAL
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 210,159	\$ 90,374	\$ 300,533
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	16,874	516,039	532,913
Decrease in utility customer deposits and other current liabilities	-	(386)	(386)
Net cash provided by operating activities	\$ 227,033	\$ 606,027	\$ 833,060

See accompanying notes.

CITY OF EUREKA, ILLINOIS  
STATEMENT OF NET POSITION RESTRICTED FOR PENSIONS  
MODIFIED CASH BASIS – POLICE PENSION TRUST FUND  
APRIL 30, 2020

ASSETS

Cash and cash equivalents	\$ 144,889
Investments	<u>720,719</u>
	<u>\$ 865,608</u>

LIABILITIES

Accounts payable	<u>\$ -</u>
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NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 865,608</u>
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See accompanying notes.

CITY OF EUREKA, ILLINOIS  
STATEMENT OF CHANGES IN NET POSITION RESTRICTED FOR PENSIONS  
MODIFIED CASH BASIS – POLICE PENSION TRUST FUND  
YEAR ENDED APRIL 30, 2020

Additions

Investment income		\$ 11,299
Interest income		-
Less investment expense		-
Net investment income		11,299
Members' contributions		32,226
Employer contributions		81,727
Other income		130
Total additions		125,382

Deductions

Administrative expenses		3,384
Professional expenses		13,257
Total deductions		16,641

Net increase		108,741
Net position held in trust for pension benefits		
Beginning of year		756,867
End of year		\$ 865,608

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 fiduciary component unit of the City. A fiduciary 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.

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 five 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** - Accounts 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 Fund

**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 subsequently defined.

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 15, 2019. 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. 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. Sewer Reimbursement Agreements

The City has entered into a municipal agreement with certain residents for reimbursement of costs for a sewer main replacement. Payment is due upon annexation to the City's sewer. As a result of using the modified cash basis of accounting, receivables related to these agreements are not recorded in the government-wide or fund financial statements, but payments are recorded when received. Outstanding payments to be received totaled approximately \$84,000 at April 30, 2020.

## H. 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, 2020, was passed December 17, 2018. 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 2019 per \$100 of assessed valuation:

City valuation	<u>\$ 74,792,713</u>		
Type of Tax	Limit	Rate	Extension
Corporate	.3330	.0968	\$ 72,399
Police protection	.1500	.0682	51,009
Park	.1000	.0843	63,050
Civil defense	.0500	.0014	1,047
Police pension	As Needed	.1093	81,748
IMRF/Social Security	As Needed	.1886	141,059
Audit	As Needed	.0214	16,006
Liability insurance	As Needed	.1206	90,200
		<u>.6906</u>	<u>\$ 516,518</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 \$2.2 million at April 30, 2020.

## I. 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, 2020, is approximately \$120,000 (not reflected in the financial statements).

## J. 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.



## K. 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	10-40 years	10,000
Water, sewer, and stormwater extensions	20-40 years	25,000
Equipment	5-30 years	1,000
Infrastructure	20-30 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.

## L. 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.

## M. 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, 2020, 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.

#### N. 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.

#### O. Operating Revenues 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.

#### P. 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, 2020, the City (primary government) has approximately \$2,770,000 in deposits collateralized by pledged securities. At April 30, 2020, the Police Pension Fund's deposits are fully insured by the FDIC.

The City's cash and cash equivalents at April 30, 2020, consist of deposits with financial institutions. The City's (primary government) investments consist of two certificates of deposit at one financial institution. The Police Pension Fund's investments consist of five certificates of deposit at one financial institution. The investments have not been rated by an independent rating agency. However, as of April 30, 2020, the investments are over 99 percent 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 18 months to 5 years.

The investments are reflected on the financial statements at April 30, 2020, as follows:

Type of Investment	Fair Value/ Carrying Amount	Weighted Average Years to Maturity
Government-wide statement of net position:		
Certificates of deposit	\$ 1,598,630	0.67
Statement of fiduciary net position:		
Certificates of deposit	<u>720,719</u>	0.88
	<u>\$ 2,319,349</u>	

The deposits are reflected on the financial statements at April 30, 2020, as follows:

Government-wide statement of net position:	
Cash and cash equivalents	\$ 3,231,639
Investments	1,598,630
Restricted cash	99,867
Statement of fiduciary net position:	
Cash and cash equivalents	144,889
Investments	<u>720,719</u>
	<u>\$ 5,795,744</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, 2020, is as follows:

Bond and interest reserve	\$ 75,030
Depreciation, improvements, and equipment reserve	<u>24,837</u>
	<u>\$ 99,867</u>

NOTE 4. CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended April 30, 2020, is as follows:

	Balance May 1, 2019	Additions	Deletions	Balance April 30, 2020
<i>Governmental activities:</i>				
Capital assets not being depreciated				
Land	\$ 1,577,904	\$ -	\$ -	\$ 1,577,904
Other capital assets				
Land improvements	798,544	114,640	-	913,184
Buildings	555,315	1,081,886	-	1,637,201
Equipment and vehicles	2,127,232	332,144	161,597	2,297,779
Infrastructure	3,416,292	110,627	-	3,526,919
Utility plant	2,000	-	-	2,000
Total other capital assets	6,899,383	1,639,297	161,597	8,377,083
Less accumulated depreciation for:				
Land improvements	453,638	28,729	-	482,367
Buildings	334,303	17,524	-	351,827
Equipment and vehicles	1,411,424	168,586	133,467	1,446,543
Infrastructure	1,053,680	164,225	-	1,217,905
Utility plant	639	67	-	706
Total accumulated depreciation	3,253,684	379,131	133,467	3,499,348
Other capital assets, net	3,645,699	1,260,166	28,130	4,877,735
Governmental activities, net	\$ 5,223,603	\$ 1,260,166	\$ 28,130	\$ 6,455,639

	Balance May 1, 2019	Additions	Deletions	Balance April 30, 2020
<i>Business-type activities:</i>				
Capital assets not being depreciated				
Land	\$ 106,473	\$ -	\$ -	\$ 106,473
Construction in process	8,983	-	600	8,383
	<hr/>			
Total capital assets not being depreciated	115,456	-	600	114,856
	<hr/>			
Other capital assets				
Land improvements	7,736	-	-	7,736
Buildings	100,000	-	-	100,000
Utility plant	10,497,454	6,510	-	10,503,964
Water main extensions	2,758,355	54,512	-	2,812,867
Equipment and vehicles	1,759,710	60,789	27,767	1,792,732
Sewer extensions	2,446,919	95,456	-	2,542,375
Stormwater extensions	493,782	29,891	-	523,673
	<hr/>			
Total other capital assets	18,063,956	247,158	27,767	18,283,347
	<hr/>			
Less accumulated depreciation for:				
Land improvements	7,736	-	-	7,736
Buildings	100,000	-	-	100,000
Utility plant	7,499,610	282,265	-	7,781,875
Water main extensions	1,004,595	92,088	-	1,096,683
Equipment and vehicles	1,042,190	72,748	13,112	1,101,826
Sewer extensions	1,006,154	68,938	-	1,075,092
Stormwater extensions	43,495	16,874	-	60,369
	<hr/>			
Total accumulated depreciation	10,703,780	532,913	13,112	11,223,581
	<hr/>			
Other capital assets, net	7,360,176	(285,755)	14,655	7,059,766
	<hr/>			
Business-type activities, net	\$ 7,475,632	\$ (285,755)	\$ 15,255	\$ 7,174,622
	<hr/>			

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

*Governmental activities:*

General government	\$ 5,635
Public safety	51,837
Streets	278,372
Park	40,726
Emergency services	1,456
Economic development	<u>1,105</u>
Total depreciation expense for governmental activities	<u>\$ 379,131</u>

*Business-type activities:*

Waterworks and sewerage	\$ 516,039
Stormwater	<u>16,874</u>
Total depreciation expense for business-type activities	<u>\$ 532,913</u>

The City constructed a combined services building for administration and public safety operations during the year ended April 30, 2020. Administrative and public safety employees moved into the new combined services building on April 25, 2020, and the City closed on the sale of its old City Hall building on May 4, 2020 for \$100,000.

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, 2020, are as follows:

	Balance May 1, 2019	Additions	Reductions	Balance April 30, 2020	Amount Due Within One Year
<i>Business-type activities:</i>					
Bonds payable	\$ 200,000	\$ -	\$ 103,000	\$ 97,000	\$ 97,000
Refunded bond discount	(1,127)	-	(1,127)	-	-
Total business-type activities	<u>\$ 198,873</u>	<u>\$ -</u>	<u>\$ 101,873</u>	<u>\$ 97,000</u>	<u>\$ 97,000</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 remaining balance at April 30, 2020 and \$2,328 of interest will be paid during the year ended April 30, 2021.

The bonds were refunded at a discount of \$7,889. This discount was amortized using the straight-line method over the term of the bonds. Amortization expense is \$1,127 for the year ended April 30, 2020. The discount was fully amortized at April 30, 2020.

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/net position as of April 30, 2020:

Restricted for:	
Street repair and improvements	\$ 510,282
Law enforcement	17,050
Parks and recreation	5,082
Other purposes	<u>730</u>
	<u>\$ 533,144</u>

Assigned fund balances as of April 30, 2020:

Assigned to:	
Pension	\$ 533,260
Law enforcement	146,866
Parks and recreation	90
Economic development	<u>125,380</u>
	<u>\$ 805,596</u>



NOTE 7. 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](http://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, 2020, the following employees are covered by the benefit terms of the Regular Plan:

Retirees and beneficiaries currently receiving benefits	22
Inactive plan members entitled to but not yet receiving benefits	8
Active plan members	<u>9</u>
Total	<u><u>39</u></u>

As of April 30, 2020, 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 4.50 percent of their annual covered salary, and the City’s SLEP Plan members are required to contribute 7.50 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 2019 was 1.58 percent. There was no required contribution for the City’s SLEP Plan for calendar year 2019. For the fiscal year ended April 30, 2020, the City contributed \$9,817 and \$1,469 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, 2019. 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	2.50%
Salary increases	Service-based with increases ranging from 3.35% to 14.25%
Investment rate of return	7.25% per year compounded annually, net of investment-related expenses

Mortality rates were based on the fully generational projection scale MP-2017 developed from the RP-2014 Blue Collar Health Annuitant Mortality Table and the RP-2014 Disabled Retirees 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	37%	5.75%
International equity	18%	6.50%
Fixed income	28%	3.25%
Real estate	9%	5.20%
Alternative investments	7%	3.60-7.60%
Cash equivalents	1%	1.85%
Total	<u>100%</u>	

*Discount rate.* A single discount rate of 7.25 percent was used to measure the total pension liability of the Regular Plan and the SLEP Plan. 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 7.25 percent, the municipal bond rate is 2.75 percent, and the resulting single discount rate for the Regular Plan and the SLEP Plan is 7.25 percent.

*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 7.25 percent, as well as what each 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 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net pension liability (asset)	\$ 264,549	\$ (408,767)	\$ (964,131)

SLEP Plan

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net pension liability	\$ 38,472	\$ 24,488	\$ 13,581

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 City of Eureka 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.

*Board of Trustees.* The Police Pension Fund's Board of Trustees consists of two members appointed by the City of Eureka and three active members of the Police Department elected by the membership.

*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, 2020, 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 25.13 percent of annual covered payroll.

#### Net Pension Liability

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of May 1, 2019, updated to April 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Service-based with increases ranging from 3.5% to 11%
Investment rate of return	5% per year compounded annually, net of investment-related expenses

Mortality rates were based on PubS-2010 Employee, Healthy Retiree, Survivor and Disabled mortality tables, projected 5 years past the valuation date using Scale MP-2018.

The significant assumptions for the valuation dated May 1, 2019, are based upon the results of an actuarial experience study performed by the State of Illinois Department of Insurance in 2017.

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, 2020, are summarized in the following table:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Equity	0 - 10%	N/A
Fixed income	55 - 75%	2.00%
Mutual funds	5 - 10%	N/A
Cash	0 - 25%	0.00%

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 2.85 percent, based on the weekly rate closest to but not later than the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index. 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 five 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	\$ 727,437	\$ 413,944	\$ 171,404

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 \$84,213 for the year ended April 30, 2020.

#### D. Postemployment Health Insurance

Certain 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. There were no expenditures or retired employees eligible to receive benefits during the year ended April 30, 2020.

#### E. Public Safety Employees Benefit Act

The benefits, benefit levels, employee contributions, and employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts, except for the Public Safety Employees Benefit Act (PSEBA) enacted by the state which provides lifetime benefits for public safety employees injured in the line of duty.

### NOTE 8. 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 Municipal League Risk Management Association (IMLRMA), a member entity risk pool currently operating as a common risk management and workers' compensation insurance program for Illinois municipalities. 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.

NOTE 9. UNCERTAINTY

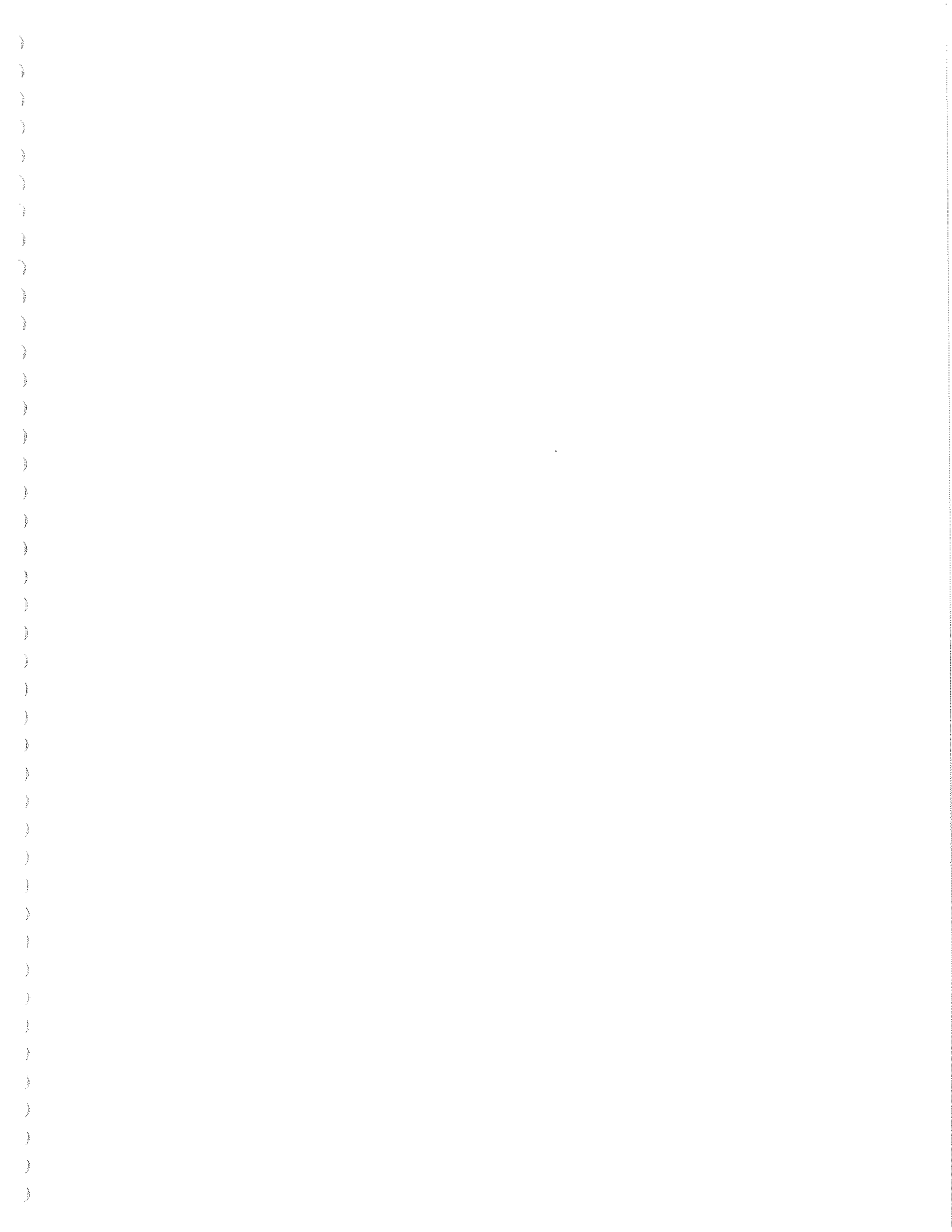
Subsequent to December 31, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the City as of July 22, 2020, management believes that a material impact on future tax revenues and the City's net position is reasonably possible.

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, 2020

	GENERAL FUND			MOTOR FUEL TAX FUND		
	Original and Final Budget	Actual	Over (Under) Budget	Original and Final Budget	Actual	Over (Under) Budget
Revenues	\$ 516,255	\$ 517,020	\$ 765	\$ -	\$ -	\$ -
Property taxes	60,000	62,539	2,539	-	-	-
Other local taxes	24,500	35,221	10,721	-	-	-
Replacement taxes	695,000	713,800	18,800	-	-	-
Sales taxes	655,200	761,659	106,459	-	-	-
State income taxes	-	-	-	136,000	192,482	56,482
Motor fuel taxes	1,500	24,893	23,393	-	-	-
Federal and state grants	5,000	55,432	50,432	-	1,008	1,008
Interest	154,750	188,441	33,691	-	-	-
Licenses, fees, and fines	-	1,530	1,530	-	-	-
Contributions	2,000	31,894	29,894	-	-	-
Other						
	<u>2,114,205</u>	<u>2,392,429</u>	<u>278,224</u>	<u>136,000</u>	<u>193,490</u>	<u>57,490</u>
Expenditures						
Current						
General government	421,700	376,199	(45,501)	-	-	-
Public safety	647,877	648,081	204	-	-	-
Streets	650,250	420,902	(229,348)	-	-	-
Park	182,250	85,332	(96,918)	-	-	-
Emergency services	9,200	8,272	(928)	-	-	-
Economic development	83,300	30,396	(52,904)	-	-	-
Employee retirement	108,000	102,542	(5,458)	-	-	-
Capital outlay	1,461,250	1,551,937	90,687	30,000	-	(30,000)
	<u>3,563,827</u>	<u>3,223,661</u>	<u>(340,166)</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Excess of revenues over expenditures (expenditures over revenues)	\$ (1,449,622)	\$ (831,232)	\$ 618,390	\$ 106,000	\$ 193,490	\$ 87,490



	2016		2015
\$	54,068	\$	56,762
	419,463		409,133
	-		-
	(263,798)		127,457
	(5,916)		5,865
	(585,996)		(319,354)
	(382,179)		279,863
	5,866,267		5,586,404
\$	<u>5,484,088</u>	\$	<u>5,866,267</u>
\$	24,516	\$	24,642
	53,609		69,217
	370,997		27,646
	(585,996)		(319,354)
	44,379		94,699
	(92,495)		(103,150)
	5,538,751		5,641,901
\$	<u>5,446,256</u>	\$	<u>5,538,751</u>
\$	<u>37,832</u>	\$	<u>327,516</u>
	99.31%		94.42%
\$	544,796	\$	547,609
	6.94%		59.81%

IMRF REGULAR  
SCHEDULE OF CHANGES IN THE FUND'S NET PENSION (ASSET) LIABILITY  
AND RELATED RATIOS – IMRF REGULAR (UNAUDITED) (CONTINUED)  
APRIL 30, 2020

Notes to schedule:

Changes in assumptions:

2019 - No changes in assumptions.

2018 - Changes in assumptions was the result of the investment rate of return decreasing to 7.25% from 7.50%.

2017 - Changes in assumptions were the result of the inflation rate decreasing to 2.50% from 2.75% and salary increases range changing to 3.39% to 14.25% from previously 3.75% to 14.50%.

2016 - 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-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match the current IMRF experience. Similarly, the Disabled Mortality assumption was updated to the RP-2014 Disabled Retirees Mortality Table with adjustments to match the current IMRF. The Disabled Lives Mortality assumption was previously based on the rates applicable to non-disabled lives set forward 10 years.

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 FUND CONTRIBUTIONS – IMRF REGULAR (UNAUDITED)  
 APRIL 30, 2020.

Calendar Year Ending Dec 31,	Actuarially Determined Contribution	Recognized Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 9,817	\$ 9,817	\$ -	\$ 621,305	1.58%
2018	41,874	41,874	-	647,208	6.47%
2017	56,072	56,072	-	575,688	9.74%
2016	53,608	53,609	(1)	544,796	9.84%
2015	69,218	69,217	1	547,609	12.64%

The City implemented GASB Statement 68 in the Fiscal Year 2016.



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2016                      2015

\$	-	\$	-
	2,877		2,604
	-		-
	1,129		1,026
	(1,891)		198
	-		-
	<u>2,115</u>		<u>3,828</u>
	<u>39,308</u>		<u>35,480</u>
\$	<u>41,423</u>	\$	<u>39,308</u>

\$	-	\$	-
	2,000		1,689
	1,230		87
	-		-
	<u>39</u>		<u>(931)</u>

	3,269		845
	<u>17,315</u>		<u>16,470</u>
\$	<u>20,584</u>	\$	<u>17,315</u>
\$	<u>20,839</u>	\$	<u>21,993</u>

49.69%                      44.05%

\$ -                      \$ -

0.00%                      0.00%



CITY OF EUREKA, ILLINOIS  
SCHEDULE OF CHANGES IN THE FUND'S NET PENSION LIABILITY  
AND RELATED RATIOS – IMRF SLEP (UNAUDITED) (CONTINUED)  
APRIL 30, 2020

Notes to schedule:

Changes in assumptions:

2019 - No changes in assumptions.

2018 - Changes in assumptions was the result of the investment rate of return decreasing to 7.25% from 7.50%.

2017 - Changes in assumptions were the result of the inflation rate decreasing to 2.50% from 2.75% and salary increases range changing to 3.39% to 14.25% from previously 3.75% to 14.50%.

2016 - 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-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match the current IMRF experience. Similarly, the Disabled Mortality assumption was updated to the RP-2014 Disabled Retirees Mortality Table with adjustments to match the current IMRF. The Disabled Lives Mortality assumption was previously based on the rates applicable to non-disabled lives set forward 10 years.

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 CONTRIBUTIONS – IMRF SLEP (UNAUDITED)  
 APRIL 30, 2020

Calendar Year Ending Dec 31,	Actuarially Determined Contribution	Recognized Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ -	\$ 1,469	\$ (1,469)	\$ -	0.00%
2018	-	1,502	(1,502)	-	0.00%
2017	-	2,122	(2,122)	-	0.00%
2016	-	2,000	(2,000)	-	0.00%
2015	-	1,689	(1,689)	-	0.00%

The City implemented GASB Statement 68 in the Fiscal Year 2016.



CITY OF EUREKA, ILLINOIS  
SCHEDULE OF CHANGES IN THE FUND'S NET PENSION (ASSET) LIABILITY  
AND RELATED RATIOS – POLICE PENSION FUND (UNAUDITED)  
APRIL 30, 2020

	2020	2019	2018
<b>Total pension liability</b>			
Service cost	\$ 84,173	\$ 80,164	\$ 84,698
Interest	42,066	37,679	33,502
Change of benefit terms	439,309	-	-
Difference between expected and actual experience	(43,147)	(50,703)	(24,612)
Changes in assumptions	-	18,066	5,687
Benefit payments, including refunds of Plan member contributions	-	(2,935)	(19,468)
	<hr/>	<hr/>	<hr/>
Net change in total pension liability	522,401	82,271	79,807
Total pension liability - beginning	757,151	674,880	595,073
	<hr/>	<hr/>	<hr/>
Total pension liability - ending	\$ 1,279,552	\$ 757,151	\$ 674,880
<b>Plan fiduciary net position</b>			
Member contributions	\$ 32,226	\$ 29,552	\$ 27,970
Employer contributions	81,727	87,201	83,554
Net investment income	11,429	10,317	8,337
Benefit payments, including refunds of Plan member contributions	-	(2,935)	(19,468)
Administrative expenses	(3,384)	(4,398)	(6,450)
Other	(13,257)	(13,225)	(14,080)
	<hr/>	<hr/>	<hr/>
Net change in Plan fiduciary net position	108,741	106,512	79,863
Plan fiduciary net position - beginning	756,867	650,355	570,492
	<hr/>	<hr/>	<hr/>
Plan fiduciary net position - ending	\$ 865,608	\$ 756,867	\$ 650,355
	<hr/>	<hr/>	<hr/>
Fund's net pension (asset) liability	\$ 413,944	\$ 284	\$ 24,525
	<hr/>	<hr/>	<hr/>
Plan fiduciary net position as a percentage of total pension (asset) liability	67.65%	99.96%	96.37%
Covered payroll	\$ 325,187	\$ 298,204	\$ 282,240
Fund's net pension (asset) liability as a percentage of covered payroll	127.29%	0.10%	8.69%

	2017	2016	2015
\$	83,290	\$ 79,215	\$ 68,603
	29,446	21,827	17,320
	-	-	-
	(23,285)	30,645	-
	-	16,604	-
	-	-	(12,797)
	89,451	148,291	73,126
	505,622	357,331	284,205
\$	595,073	\$ 505,622	\$ 357,331
\$	26,953	\$ 26,217	\$ 24,444
	72,953	63,274	30,000
	7,536	2,041	276
	-	-	(12,797)
	(4,518)	(3,956)	(1,760)
	(16,972)	(14,866)	(10,659)
	85,952	72,710	29,504
	484,540	411,830	382,326
\$	570,492	\$ 484,540	\$ 411,830
\$	24,581	\$ 21,082	\$ (54,499)
	95.87%	95.83%	115.25%
\$	271,978	\$ 264,551	\$ 220,229
	9.04%	7.97%	-24.75%

CITY OF EUREKA, ILLINOIS  
SCHEDULE OF CHANGES IN THE FUND'S NET PENSION (ASSET) LIABILITY  
AND RELATED RATIOS – POLICE PENSION FUND (UNAUDITED) (CONTINUED)  
APRIL 30, 2020

Notes to schedule:

Change of benefit terms:

2020 - The following changes were made to Tier 2 benefits: the surviving spouse benefit for non-line of duty death was updated to mirror Tier 1 benefits, whereby Tier 2 surviving spouses will now receive 54% of final average salary, even prior to achieving vesting at 10 years of service; the pensionable salary cap increased retroactive to 2011 to alleviate safe harbor concerns, updating the annual adjustment to be CPI-U instead of 50% of CPI-U; the 3% annual growth cap remains in place. The final average salary was increased from averaging the highest consecutive 96 of the last 120 months of salary to averaging the highest consecutive 48 of the last 60 months of salary. Additionally, as a result of Public Act 101-0627, a police officer who previously participated in the Illinois Municipal Retirement Fund (IMRF) for service as a member of the police department of a municipality and was transferred to that municipality's police pension fund upon its creation shall, for the purposes of determining the applicable tier of benefits, be deemed to have become a police officer and member of that municipality's police pension fund on the date that he or she first participated in IMRF as a member of the police department of that municipality, notwithstanding whether that start date was before January 1, 2011.

2019 - No changes of benefit terms.

2018 - No changes of benefit terms.

2017 - No changes of benefit terms.

2016 - No changes of benefit terms.

2015 - No changes of benefit terms.

CITY OF EUREKA, ILLINOIS  
SCHEDULE OF CHANGES IN THE FUND'S NET PENSION (ASSET) LIABILITY  
AND RELATED RATIOS – POLICE PENSION FUND (UNAUDITED) (CONTINUED)  
APRIL 30, 2020

Changes in assumptions:

2020 - No changes in assumptions.

2019 - Amounts reported as changes in assumptions were the result of updating the mortality tables to better reflect anticipated mortality experience in the future. Mortality rates were updated based on PubS-2010 Employee, Healthy Retiree, Survivor and Disabled Mortality Tables, projected five years past the valuation date using scale MP-2018. In addition, the salary increases range was updated from 4-11% to 3.5-11%.

2018 - Amounts reported as changes of assumptions were based on the results of the 2017 Department of Insurance experience study. Assumption changes made were updating retirement, termination and disability rate tables, assumed salary increase rate, percentage of disabilities assumed to be in the line of duty changed from 70% to 60%, and percentage of deaths assumed to be in the line of duty changed from 5% to 10%.

2017 - No changes in assumptions.

2016 - 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.

2015 - No changes in assumptions.

CITY OF EUREKA, ILLINOIS  
 SCHEDULE OF FUND CONTRIBUTIONS – POLICE PENSION FUND (UNAUDITED)  
 APRIL 30, 2020

Fiscal Year	Actuarially Determined Contribution	Recognized Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 81,727	\$ 81,727	\$ -	\$ 325,187	25.13%
2019	87,201	87,201	-	298,204	29.24%
2018	83,554	83,554	-	282,240	29.60%
2017	72,953	72,953	-	271,978	26.82%
2016	63,274	63,274	-	264,551	23.92%
2015	-	30,000	(30,000)	220,029	13.62%

The City implemented GASB Statement 68 in Fiscal Year 2016.



CITY OF EUREKA, ILLINOIS  
SCHEDULE OF FUND CONTRIBUTIONS –  
POLICE PENSION FUND (UNAUDITED) (CONTINUED)  
APRIL 30, 2020

Notes to Schedule:

Valuation date: Actuarially determined contribution rates are calculated as of May 1, two years 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	21 years (as of May 1, 2019)
Asset valuation method	5-year smoothed market
Inflation	2.5%
Salary increases	Service-related table with rates grading from 3.5% to 11%
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 Mortality Table, projected to the valuation date using Scale BB, and the RP-2000 Disabled Retiree Mortality Table, projected to the valuation date using Scale BB.

CITY OF EUREKA, ILLINOIS  
 SCHEDULE OF GENERAL FUND EXPENDITURES  
 MODIFIED CASH BASIS – BUDGET AND ACTUAL  
 YEAR ENDED APRIL 30, 2020

	Original and Final Budget	Actual
<b>EXPENDITURES</b>		
General government		
Personnel services	\$ 176,000	\$ 156,600
Contractual services	229,900	188,597
Commodities	6,800	25,907
Other expense	9,000	5,095
	<u>421,700</u>	<u>376,199</u>
Public safety		
Personnel services	440,000	433,552
Police pension	81,727	81,727
Contractual services	96,150	99,259
Commodities	30,000	33,543
	<u>647,877</u>	<u>648,081</u>
Streets		
Personnel services	330,000	296,485
Contractual services	276,750	86,648
Commodities	43,500	37,769
	<u>650,250</u>	<u>420,902</u>
Park		
Personnel services	51,000	25,309
Contractual services	91,050	22,350
Commodities	10,500	9,673
Other expense	29,700	28,000
	<u>182,250</u>	<u>85,332</u>
Emergency services		
Personnel services	4,000	4,000
Contractual services	4,900	1,780
Commodities	300	2,492
	<u>9,200</u>	<u>8,272</u>
Economic development		
Contractual services	75,300	25,296
Commodities	8,000	5,100
	<u>83,300</u>	<u>30,396</u>
Employee retirement	<u>108,000</u>	<u>102,542</u>
Capital outlay		
General government	625,500	604,249
Public safety	662,000	629,536
Streets	134,000	230,477
Park	39,500	64,427
Emergency services	250	2,300
Economic development	-	20,948
	<u>1,461,250</u>	<u>1,551,937</u>
Total general fund expenditures	<u>\$ 3,563,827</u>	<u>\$ 3,223,661</u>

CITY OF EUREKA, ILLINOIS  
 INFORMATION REQUIRED BY GENERAL OBLIGATION BOND ORDINANCE  
 ENTERPRISE FUNDS (UNAUDITED)  
 APRIL 30, 2020

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 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	\$8.14*
Sewer	5.48*
Stormwater	6.00**

\* Rate per 1,000 gallons

\*\* Rate per equivalent residential unit

4. The amounts and details of all outstanding bonds. See Note 5 to the financial statements.
5. 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.