

**CITY OF GALENA
GALENA, ILLINOIS**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

APRIL 30, 2016

**CITY OF GALENA
GALENA, ILLINOIS**

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GALENA, ILLINOIS**

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Galena
Galena, Illinois

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, each major fund, the fiduciary funds, the discretely presented component unit, and the aggregate remaining fund information of the City of Galena, as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1C. 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

Auditor's Responsibility (continued)

an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

We believe that the 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, business-type activities, each major fund, the fiduciary funds, the discretely presented component unit, and aggregate remaining fund information of the City of Galena as of April 30, 2016 and the respective changes in modified cash basis financial position and, when applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1C.

Basis of Accounting

We draw attention to Note 1C of the financial statements that 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.

Emphasis of a Matter

As described in Note 15 to the financial statements, the City of Galena adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.

Other Matters

Report on Supplementary Information

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

The supplementary information presented 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1C.

Other Matters (continued)

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Galena's basic financial statements. The accompanying Other Information (Part 1 and 2), as listed in the table of contents and is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2016 on our consideration of the City of Galena's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Galena's internal control over financial reporting and compliance.



O'CONNOR, BROOKS & CO., P.C.

Galena, Illinois

October 5, 2016

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

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To the Mayor and City Council
City of Galena
Galena, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, the fiduciary funds, the discretely presented component unit, and the aggregate remaining fund information of the City of Galena, as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Galena's basic financial statements and have issued our report thereon dated October 5, 2016. Our report expressed an unmodified opinion on the basic financial statements which were prepared in conformity with another comprehensive basis of accounting. Our report included a disclaimer of opinion on the other information.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the following deficiencies (Items A through D) in the City of Galena's internal control to be material weaknesses. Items A through D were also noted in the prior year's audit.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

Internal Control Over Financial Reporting (continued)

A. Segregation of Duties

An important aspect of any good system of internal accounting control includes adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. We realize that the administration of the City of Galena is not large enough to permit an adequate segregation of duties in all respects for an effective system of internal accounting control; however, we think it is important that you be aware of this condition.

The existence of this material weakness has the potential for misstatement of financial statement amounts and those amounts may be material. The potential also exists for the misappropriation of assets.

This situation dictates that the city administrator remain involved in the financial affairs of the City by providing oversight and independent review functions.

Response: The city administrator and staff take this issue seriously and attempt to build in as many checks and balances as possible. We will continue to look for opportunities to improve internal controls across all aspects of the City operation to reduce the risk of fraud and inaccurate financial records.

The city administrator has assumed oversight functions in an attempt to address this issue. Additional oversight functions of the city administrator include reviewing payroll runs on a random basis, reviewing leave time reports on a random basis, and reviewing all health insurance enrollments and premium payments. The city administrator continues to review in detail the financial report on a monthly basis and present the finance director with related questions. Finally, the city administrator remains involved in managing the City's investments across all funds. These oversight functions will continue.

Conclusion: Response accepted.

B. Financial Statement Preparation and Disclosure

Reporting the City's financial data reliably in accordance with the modified cash basis requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. The City's management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small governmental entities.

As a result, financial statement misstatements or disclosure omissions may exist and would not be detected and corrected by management in a timely manner.

Obtaining additional modified cash basis knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in their ability to prepare and take responsibility for reliable modified cash basis financial statements.

Response: The finance director does not possess a degree in accounting, but has many years of actual experience with accounting and the preparation of financial statements. The finance director will continue to participate in continuing education to improve her knowledge of GAAP. The finance director has attended advanced training on auditing and GAAP with the Illinois Government Finance Officers Association and has become active in the Illinois Municipal Treasures Association. The city administrator will also continue to explore opportunities for relevant continuing education on municipal finance as part of an ongoing commitment to at least 40 hours of continuing education each year.

Conclusion: Response accepted.

Internal Control Over Financial Reporting (continued)

C. Bank Reconciliations

Reconciling of amounts outstanding to the recorded amounts is an integral part of any sound accounting system. The monthly reconciled amounts, in some cases, do not agree with the amounts recorded in the general ledger.

The existence of this material weakness has the potential for misstatement of financial statement amounts and those amounts may be material.

We recommend the bank reconciliation report generated each month be vouched directly to the corresponding general ledger account for agreement.

Response: The finance director will continue to vouch the bank reconciliation report generated each month directly to the corresponding general ledger account for agreement. The finance director will confirm the reconciliation process each month with the city administrator and note and resolve any irregularities.

Conclusion: Response accepted.

D. Financial Reporting and Accounting Procedures - Oversight

The performance of the necessary procedures involved with financial reporting and accounting issues are an important component of the entity's reporting structure. The City's performance of these procedures appears to be lacking oversight procedures that, if performed, would mitigate the likelihood of material misstatements occurring within the financial reporting environment.

As a result of audit procedures performed by our firm, certain suggested adjusting journal entries were proposed to the City for your approval. We suggested a total of 16 adjustments to 12 various City funds.

A listing of significant suggested entries per fund is as follows:

General Fund - 13 entries

- Adjust accounts payable - payroll related.
- Reclassify revenues and expenses to correct amounts.
- Adjust capital outlay expenditures.
- Adjust combined cash to other funds.

Economic Development Revolving Loan Fund - 2 entries

- Reallocate principal received.

Insurance Fund - 1 entry

- Adjust insurance expense.
- Adjust combined cash.

IMRF Fund - 2 entries

- Adjust combined cash.
- Adjust accounts payable.

Parks Fund - 1 entry

- Adjust expenses.

Capital Projects Fund - 1 entry

- Adjust cash balance.

Internal Control Over Financial Reporting (continued)

Financial Reporting and Accounting Procedures - Oversight (continued)

Debt Service Fund - 1 entry

- Reclassify principal and interest paid.

Turner Hall Fund - 3 entries

- Reclassify asset purchases.
- Record depreciation expense.

Water Fund - 5 entries

- Adjust revenues and receivables.
- Capitalize assets acquired.
- Record depreciation expense.
- Adjust loan balance.
- Reclassify expenditures to proper account.
- Record pension expense, asset and liability.

Sewer Fund - 9 entries

- Adjust combined cash.
- Record depreciation expense.
- Adjust loan balance.
- Capitalize assets purchased.
- Record amortization expense.
- Record pension expense, asset and liability.

Garbage and Refuse Fund - 3 entries

- Adjust receipts and receivables.
- Record depreciation expense.
- Record pension expense, asset and liability.

Swimming Pool Fund - 7 entries

- Adjust deferred revenue.
- Adjust loan balances.
- Capitalize assets purchased.
- Record depreciation and amortization expenses.
- Record pension expense, asset and liability.

Remaining suggested adjusting journal entries, numbering approximately two, were not considered significant and, therefore, not listed above.

The existence of this material weakness has the potential for misstatement of financial statement amounts and those amounts may be material.

This situation dictates that the city council and city administrator remain involved in the financial affairs of the City of Galena by providing oversight and independent review of financial reporting and accounting procedures.

Response: Our small number of staff and limited resources contribute to this issue. As previously noted, the finance director is pursuing continuing education and training to help avoid material misstatements in the future. We have experienced marked improvement in this area as the finance director's expertise with financial software systems and our accounting system has advanced through actual experience. The city administrator has taken a more active role in monitoring the most common areas of misstatement.

Conclusion: Response accepted.

Compliance and Other Matters

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

We also noted certain additional matters that we reported to management in a separate letter dated October 5, 2016.

City of Galena's Responses to Findings

The City of Galena's responses to the findings identified in our audit are described above. The City of Galena's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



O'CONNOR, BROOKS & CO., P.C.

Galena, Illinois

October 5, 2016

CITY OF GALENA
GALENA, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2016

The management of the City of Galena provides the following information as an introduction, overview and analysis of the City's financial statements for the year ended April 30, 2016.

Please read this analysis in conjunction with the City's financial statements, which begin on page 18. The first two financial statements are government-wide statements that account for all activities of the City. The fund financial statements that follow report activities of the City's major funds in more detail.

Government-wide statements

These statements report on the City as a whole. They are prepared on the modified cash basis method of accounting.

- *The Statement of Net Position.* This statement (pages 18 and 19) reports all assets and liabilities of the City as of April 30, 2016. The difference between total assets and total liabilities is reported as "net position." Increases in net position generally indicate an improvement in financial position while decreases may indicate a deterioration of financial position.
- *The Statement of Activities.* This statement (page 20) serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the City for the year ended April 30, 2016. Changes in net position are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expense of the City's various programs net of related revenues, as well as a separate presentation of revenues available for general purposes.

Fund financial statements

These statements provide financial position and results of the City's major funds. A fund is an accounting entity created to account for a specific activity or purpose. The major funds of the City of Galena are the General Fund, Fire Protection Fund, Public Works Fund, Debt Service Fund, and the Water, Sewer and Garbage Funds. The creation of these funds is either mandated by law or created by management to demonstrate financial compliance with budgetary or legal requirements. Funds are classified into three broad categories: governmental funds, proprietary funds, and fiduciary funds.

- *Governmental funds.* Governmental funds are used to account for "governmental-type" activities. Unlike the government-wide financial statements, governmental fund statements use a "flow of financial resources" measurement focus. That is to say, the operating statement of a governmental fund attempts to answer the question, "Are there more or less resources that can be spent in the near future as a result of events and transactions of the period?" Increases in spendable resources are reported in the operating statement as "revenues" or "other financing sources." Decreases in spendable resources are reported as "expenditures" or "other financing uses." We describe the differences between governmental funds and governmental activities (reported in the Statement of Net Position and the Statement of Activities) in reconciliations presented with the governmental fund financial statements on pages 21-23.

**CITY OF GALENA
GALENA, ILLINOIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2016**

Fund financial statements (continued)

Governmental funds. (continued)

The governmental fund financial statements on pages 21-23 separately display the governmental funds considered to be major funds. All other governmental funds, which are referred to as "nonmajor" funds, are combined into a single column. Detailed financial data for each major governmental fund and nonmajor governmental fund is provided in the Supplementary Information section of this report.

- *Proprietary funds.* Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, but provide more detail and additional information such as cash flows.

These funds are used to account for operations that are financed and operated in a manner similar to private business enterprise for which (1) the intent is that the costs (expenses, including depreciation) be recovered primarily through user charges, or (2) determination of net income is appropriate for management control, accountability or other purposes.

The City of Galena's Water, Sewer and Garbage Funds are considered to be the major funds of the proprietary funds which are displayed separately in the proprietary fund statements on pages 24-29. The activities of the City's other proprietary funds are combined into one column for nonmajor funds.

- *Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the City government. 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 accounting used for fiduciary funds is much like that used for proprietary funds.

Fiduciary fund statements are on pages 30 and 31.

- *Notes to the basic financial statements.* The notes provide additional and explanatory data. They are an integral part of the basic financial statements. This data is on pages 32-68 of this report.
- *Supplementary information.* These schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This data is on pages 69-99 of this report.
- *Other information.* These statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This data is on pages 102-105 of this report.

Government-wide summary and analysis

The following tables present condensed information in net position and changes in net position for the years ended April 30, 2015 and 2016.

**CITY OF GALENA
GALENA, ILLINOIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2016**

Government-wide summary and analysis (continued)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u> <u>2015-2016</u>
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	
<u>ASSETS:</u>							
Current Assets	\$ 978,864	\$ 521,051	\$ 2,997,944	\$ 3,324,129	\$ 3,976,808	\$ 3,845,180	-3.31%
Noncurrent Assets	2,766,009	3,837,899	1,742,380	1,802,982	4,508,389	5,640,881	25.12%
Capital Assets, Net of Depreciation	17,845,704	17,227,164	11,664,389	10,905,532	29,510,093	28,132,696	-4.67%
TOTAL ASSETS	\$21,590,577	\$21,586,114	\$16,404,713	\$16,032,643	\$37,995,290	\$37,618,757	-0.99%
<u>DEFERRED OUTFLOW OF RESOURCES:</u>							
Pension Related Deferred Outflow	\$ -	\$ 467,227	\$ -	\$ 50,763	\$ -	\$ 517,990	100.00%
<u>LIABILITIES:</u>							
Current Liabilities	\$ 82,567	\$ 230,237	\$ 2,158,959	\$ 2,423,341	\$ 2,241,526	\$ 2,653,578	18.38%
Noncurrent Liabilities	3,620,671	3,685,597	9,462,899	9,113,555	13,083,570	12,799,152	-2.17%
TOTAL LIABILITIES	\$ 3,703,238	\$ 3,915,834	\$11,621,858	\$11,536,896	\$15,325,096	\$15,452,730	0.83%
<u>NET POSITION:</u>							
Investment in Capital Assets, Net of Related Debt	\$14,314,451	\$14,226,869	\$ 2,201,490	\$ 1,866,433	\$16,515,941	\$16,093,302	-2.56%
Restricted	2,095,789	2,324,896	60,000	60,000	2,155,789	2,384,896	10.63%
Unrestricted	1,477,099	1,585,742	2,521,365	2,620,077	3,998,464	4,205,815	5.19%
TOTAL NET POSITION, RESTATED	\$17,887,339	\$18,137,507	\$ 4,782,855	\$ 4,546,510	\$22,670,194	\$22,684,013	0.06%

The amount by which the City's assets exceed its liabilities is called net position. At year-end, the City's net position was \$22,684,017. Of that amount, approximately \$16,093,302 was invested in capital assets, net of debt, and depreciation related to those assets. There was \$2,384,896 of net position restricted for purposes specified by special tax levies, other state statutes, and a loan agreement. The remaining \$4,205,815 was unrestricted and available for future use as directed by the City Council. Overall, the net position increased 0.50 percent from the prior year.

The governmental activities have total net position of \$18,137,507 for the year ended April 30, 2016, which is an increase of \$250,168 from the year ended April 30, 2015. This increase is attributable to an increase in cash balances reported as current and noncurrent assets.

The total net position of the business-type activities totaled \$4,546,510 for the year ended April 30, 2016, which is a decrease of \$236,345 from the year ended April 30, 2015. This decrease from the prior year is mostly attributable to the increase in liabilities.

**CITY OF GALENA
GALENA, ILLINOIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2016**

Government-wide summary and analysis (continued)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percen- tage Change</u>
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	
<u>PROGRAM REVENUES:</u>							
Charges for Services	\$ 250,311	\$ 330,957	\$ 1,878,202	\$ 1,646,843	\$ 2,128,513	\$ 1,977,800	-7.08%
Capital Grant and Contributions	33,586	-	-	309,122	33,586	309,122	820.39%
Operating Grant & Contributions	104,351	113,782	-	-	104,351	113,782	9.04%
<u>GENERAL REVENUES:</u>							
Property Taxes & Local Taxes	2,566,856	3,064,931	60	257	2,566,916	3,065,188	19.41%
Other Taxes	2,159,059	1,860,265	397,712	410,325	2,556,771	2,270,590	-11.19%
Gain (Loss) on Disposal of Asset	4,453	-	2,500	-	6,953	-	-100.00%
Bond Premium	11,472	5,307	768	768	12,240	6,075	-50.37%
Interest Earnings	30,062	45,037	12,110	13,930	42,172	58,967	39.83%
Miscellaneous	191,387	175,000	-	211,152	191,387	386,152	101.77%
Total Revenues Before Transfers	\$ 5,351,537	\$ 5,595,279	\$ 2,291,352	\$ 2,592,397	\$ 7,642,889	\$ 8,187,676	7.13%
Transfers	10,510	(80,291)	(10,510)	80,291	-	-	100.00%
TOTAL REVENUES AND TRANSFERS	\$ 5,362,047	\$ 5,514,988	\$ 2,280,842	\$ 2,672,688	\$ 7,642,889	\$ 8,187,676	7.13%
<u>EXTRAORDINARY ITEM:</u>							
Compromise Settlement - Net	\$ -	\$ 19,608	\$ -	\$ -	\$ -	\$ 19,608	100.00%
TOTAL REVENUES AND EXTRAORDINARY ITEM	\$ 5,362,047	\$ 5,534,596	\$ 2,280,842	\$ 2,672,688	\$ 7,642,889	\$ 8,207,284	7.38%

**CITY OF GALENA
GALENA, ILLINOIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2016**

Government-wide summary and analysis (continued)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015-2016</u>
<u>PROGRAM EXPENDITURES:</u>							
General Government	\$ 2,120,224	\$ 2,224,064	\$ -	\$ -	\$ 2,120,224	\$ 2,224,064	4.90%
Public Safety	1,000,047	1,136,383	-	-	1,000,047	1,136,383	13.63%
Public Works/Transportation	1,592,883	1,592,955	-	-	1,592,883	1,592,955	0.00%
Culture & Recreation	213,552	229,457	-	-	213,552	229,457	7.45%
Community Development	1,743	1,743	-	-	1,743	1,743	0.00%
Interest on Long-Term Debt	137,324	108,689	-	-	137,324	108,689	-20.85%
Garbage Collection & Disposal	-	-	236,796	249,510	236,796	249,510	5.37%
Water	-	-	691,815	813,868	691,815	813,868	17.64%
Sewer	-	-	1,594,714	1,575,059	1,594,714	1,575,059	-1.23%
Shuttle Services	-	-	4,029	2,831	4,029	2,831	-29.73%
Turner Hall	-	-	51,466	60,842	51,466	60,842	18.22%
Swimming Pool	-	-	205,444	197,858	205,444	197,858	-3.69%
TOTAL PROGRAM EXPENDITURES	\$ 5,065,773	\$ 5,293,291	\$ 2,784,264	\$ 2,899,968	\$ 7,850,037	\$ 8,193,259	4.37%
Increase (Decrease) in Net Position	\$ 296,274	\$ 241,305	\$ (503,422)	\$ (227,280)	\$ (207,148)	\$ 14,025	-106.77%
NET POSITION - BEGINNING, AS RESTATED (NOTE 15)	<u>17,599,928</u>	<u>17,896,202</u>	<u>5,277,392</u>	<u>4,773,790</u>	<u>22,877,140</u>	<u>22,669,992</u>	-0.91%
NET POSITION - ENDING	<u>\$ 17,896,202</u>	<u>\$ 18,137,507</u>	<u>\$ 4,773,970</u>	<u>\$ 4,546,510</u>	<u>\$ 22,669,992</u>	<u>\$ 22,684,017</u>	0.06%

Total revenues for governmental and business-type activities increased by \$564,395 for the year. The increase is due to larger sales tax and hotel tax receipts, and grants received.

Total expenses for governmental and business-type activities decreased \$343,221 for the year. The increase is due mainly to increased expenditures for capital outlay items.

Individual funds summary and analysis

Governmental Funds

Governmental funds, as stated earlier, focus on spendable resources and near-term inflows of those resources. As such, fund balance is generally a good indication of net resources available for spending at the end of the fiscal year, subject to any stated restrictions in its use.

The fund balance of the General Fund at April 30, 2016 was \$1,993,574. This represented an increase of \$195,147 during the year. This increase is due mainly to lower capital outlay expenditures.

The fund balance of the Fire Protection Fund at April 30, 2016 was \$1,151,021. This represented an increase of \$128,326 during the year. This increase is due mainly to lower capital outlay expenditures.

**CITY OF GALENA
GALENA, ILLINOIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2016**

Individual funds summary and analysis (continued)

Governmental Funds (continued)

The fund balance of the Public Works Fund at April 30, 2016 was \$268,844. This represented an increase of \$14,310. This increase is due to increased non home rule sales taxes.

The fund balance of the Debt Service Fund at April 30, 2016 was \$152,257. This represented an increase of \$30,198 during the year. Annually, property tax monies are transferred from the Capital Projects Fund and other nonmajor funds to the Debt Service Fund to meet the principal and interest requirements of the general obligation bonds and capital leases. These transfers can result in cash balances in the fund at year-end.

Proprietary Funds

As stated earlier, the City's proprietary fund statement provides the same type of information found in the government-wide financial statements, but in more detail.

The net position balance of the Water Fund at April 30, 2016 was \$2,252,336. This represented a decrease of \$113,471 from the prior year. This decrease is due mainly to expenditures exceeding revenues.

The net position balance of the Sewer Fund at April 30, 2016 was \$1,491,634. This represented a decrease of \$255,411 from the prior year. This decrease is due mainly to depreciation expense.

The net position balance of the Garbage and Refuse Fund at April 30, 2016 was \$206,549. This represented an increase of \$10,445. The increase is due mainly to revenues exceeding expenditures.

Analysis of significant budget variations

During the course of the year, the City Council amended the amount of the original budget/appropriation. The final General Fund actual expenditures totaled \$3,135,225 or 1.83 percent higher than the final budgeted expenditures of \$3,078,770. The City budgeted extra for community development, general maintenance of capital assets, and contingency (unexpected expenses for other budget items). There was an increase from the original budget of \$156,350 to the final budget. The variance between original and final budget results are not expected to have a significant effect on future services or liquidity of the City of Galena.

Analysis of capital assets

A summary of capital investments during the year is as follows:

\$ 16,530	Mower
\$ 63,425	Park Improvements and Equipment
\$121,881	City Hall Renovation
\$134,788	Fire Training Center
\$ 45,932	Public Safety Equipment
\$ 4,558	Public Works Equipment
\$205,610	Public Works Infrastructure
\$ 38,313	Water Equipment
\$249,306	Sewer Distribution and Collection
\$ 8,636	Sewer Equipment
\$ 10,957	Pay and Display Equipment

**CITY OF GALENA
GALENA, ILLINOIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2016**

Additional information on the City's capital assets can be found in Note 4 of this report.

Analysis of long-term debt

Governmental Activities:

During the year, the City paid principal and interest of:

\$ 23,388 and \$ 431 respectively, relating to Winery Lot
 \$ 29,483 and \$ 544 respectively, relating to Phaze 7 Construction
 \$147,434 and \$ 35,868 respectively, relating to 2012A Go Bonds (Alt. Rev.) - TIF Projects
 \$ 39,267 and \$ 9,551 respectively, relating to 2012A GO Bonds (Alt. Rev.) - Garage
 \$ 34,208 and \$ 8,321 respectively, relating to 2012A GO Bonds (Alt. Rev.) - Rec Park
 \$ 9,154 and \$ 2,230 respectively, relating to 2012A GO Bonds (Alt. Rev.) - Bike Trail
 \$ 30,000 and \$ 5,596 respectively, relating to Meeker Street Bridge
 \$ 27,349 and \$ 2,347 respectively, relating to 2012B GO Bonds (Alt. Rev.) - Flood Control
 \$ 53,267 and \$ 10,631 respectively, relating to 2008 Sales Tax Capital Projects
 \$ 74,182 and \$ 15,689 respectively, relating to 2009 Sales Tax Capital Projects
 \$ 63,889 and \$ 17,481 respectively, relating to 2010 Sales Tax Capital Projects

At year-end, the City had \$3,000,295 in outstanding long-term debt relating to the Governmental Activities. They are as follows:

<u>Governmental Activities</u>	<u>Amount</u>	<u>Principal Due Next Year</u>
Revenue Bond, Series 2012A and 2012B	\$ 2,237,295	\$ 286,000
2008 Sales Tax Loan	148,638	57,881
2009 Sales Tax Loan	287,658	77,272
2010 Sales Tax Loan	326,704	68,255
TOTAL	\$ 3,000,295	\$ 489,408

Business-Type Activities:

During the year, the City paid principal and interest of:

\$ 14,945 and \$ 3,337 respectively, relating to 2012A GO Bond (Alt. Rev.)
 \$ 29,750 and \$ 5,528 respectively, relating to 2012B GO Bond (Alt. Rev.)
 \$255,000 and \$309,633 respectively, relating to 2010 GO Bond (Alt. Rev.)
 \$124,105 and \$ 37,992 respectively, relating to Illinois EPA Water Loan

<u>Business-Type Activities</u>	<u>Amount</u>	<u>Principal Due Next Year</u>
General Obligation Bond (Alternative Revenue Source) Series 2010	\$ 7,255,000	\$ 265,000
2004 IEPA Loan - Water Utility	1,426,394	125,656
General Obligation Bond (Alternative Revenue Sources) Series 2012A and 2012B	357,705	90,000
TOTAL	\$ 9,039,099	\$ 480,656

**CITY OF GALENA
GALENA, ILLINOIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2016**

Analysis of long-term debt (continued)

As of April 30, 2016, the City's general obligation debt limitation was \$8,347,729. This was a decrease of \$14,885 from the prior year. The general obligation debt limitation is based on the assessed taxable valuation of the most recent property tax levy.

The City's bond rating issued by Standard & Poor remained AA-during the year. Additional information on the City's debt can be found in Notes 5 and 11 of this report.

Conditions that could have an effect on the financial position of the City

Subsequent to the year ended April 30, 2016, the City approved the following expenditures:

Expenditures:

• Maintenance at the Depot, including exterior stairs	\$ 10,000
• New police vehicle	\$ 32,960
• Downtown sidewalk and crosswalk replacement	\$ 110,700
• End loader replacement (lease)	\$ 10,500
• New public works truck	\$ 30,000
• Engineering for replacement of a section of Meeker St. pedestrian bridge	\$ 15,000
• Install solar array at City Hall	\$ 85,000
• Phase 3 of the Galena River Trail	\$1,380,000
• Riding mower purchase	\$ 10,000
• Gateway Park restroom construction	\$ 65,000
• Canoe/kayak launch construction	\$ 115,000
• End loader replacement (lease)	\$ 10,500
• Replace bunker gear at fire department	\$ 70,000
• Fire training center storage building and design fees	\$ 95,000
• Replace driveway at fire department	\$ 50,000
• Street resurfacing	\$ 307,000
• Miscellaneous street repairs	\$ 10,000
• Spring Street project engineering	\$ 20,000
• Well #6 pump refurbishment	\$ 25,000
• Water meter replacement	\$ 20,000
• Purchase used truck and vehicle (shared cost with sewer)	\$ 15,000
• Pressure storm sewer study	\$ 20,000
• Inflow and infiltration study	\$ 10,000
• Purchase used truck and vehicle (shared cost with water)	\$ 15,000
• City-funded 5-year plan project at Turner Hall	\$ 40,000
• Galena Foundation-funded 5-year plan project at Turner Hall	\$ 92,000
• New boiler and large slide resurfacing at pool	\$ 37,500
• Resurfacing and new slide in kiddy pool	\$ 45,000
TOTAL CAPITAL EXPENSES	<u>\$2,746,160</u>

The City does not expect any new debt in 2016-2017.

**CITY OF GALENA
GALENA, ILLINOIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2016**

Requests for information

This financial report is designed to provide a general overview of the City of Galena's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Council, 312 ½ Main Street, Galena, Illinois 61036.

**OVERVIEW OF COMPONENT UNIT
APRIL 30, 2016**

Discretely Presented Component Unit
Greater Galena Marketing Initiative, Inc.

Activity Performed
Marketing and Advertising

CITY OF GALENA
GALENA, ILLINOIS

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
APRIL 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
<u>ASSETS:</u>				
<u>Current Assets:</u>				
Cash, Deposits and Investments	\$ 521,051	\$ 3,134,069	\$ 3,655,120	\$ 70,582
Accounts Receivable	-	190,060	190,060	-
Total Current Assets	<u>\$ 521,051</u>	<u>\$ 3,324,129</u>	<u>\$ 3,845,180</u>	<u>\$ 70,582</u>
<u>Noncurrent Assets:</u>				
Cash, Deposits and Investments	\$ 1,472,941	\$ 1,705,288	\$ 3,178,229	\$ -
Restricted Cash, Deposits and Investments	2,324,896	60,000	2,384,896	-
Bond Discount	58,472	45,162	103,634	-
Less: Amortization	(18,410)	(7,468)	(25,878)	-
<u>Capital Assets:</u>				
Land and Improvements	1,735,293	136,830	1,872,123	-
Historical Treasures	30,705	-	30,705	-
Buildings and Equipment, Net of Accumulated Depreciation	5,203,916	1,274,356	6,478,272	12,165
Infrastructure, Net of Accumulated Depreciation	10,257,250	9,494,346	19,751,596	-
Net Capital Assets	<u>\$ 17,227,164</u>	<u>\$ 10,905,532</u>	<u>\$ 28,132,696</u>	<u>\$ 12,165</u>
Total Noncurrent Assets	<u>\$ 21,065,063</u>	<u>\$ 12,708,514</u>	<u>\$ 33,773,577</u>	<u>\$ 12,165</u>
TOTAL ASSETS	<u>\$ 21,586,114</u>	<u>\$ 16,032,643</u>	<u>\$ 37,618,757</u>	<u>\$ 82,747</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>				
Pension Related Deferred Outflow	<u>\$ 467,227</u>	<u>\$ 50,763</u>	<u>\$ 517,990</u>	<u>\$ -</u>
<u>LIABILITIES:</u>				
<u>Current Liabilities:</u>				
Cash Overdraft	\$ 158,935	\$ 2,418,559	\$ 2,577,494	\$ -
Bond Premium	114,680	5,550	120,230	-
Less: Amortization	(43,796)	(768)	(44,564)	-
Payroll Related	418	-	418	5,252
Total Current Liabilities	<u>\$ 230,237</u>	<u>\$ 2,423,341</u>	<u>\$ 2,653,578</u>	<u>\$ 5,252</u>

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

CITY OF GALENA
GALENA, ILLINOIS

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
APRIL 30, 2016

	Governmental Activities	Business-Type Activities	Total	Component Unit
LIABILITIES: (continued)				
<u>Noncurrent Liabilities:</u>				
Due Within One Year	\$ 489,408	\$ 439,656	\$ 929,064	\$ -
Due Within More Than One Year	2,510,887	8,599,443	11,110,330	-
Net Pension Liability	685,302	74,456	759,758	-
Total Noncurrent Liabilities	<u>\$ 3,685,597</u>	<u>\$ 9,113,555</u>	<u>\$ 12,799,152</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>\$ 3,915,834</u>	<u>\$ 11,536,896</u>	<u>\$ 15,452,730</u>	<u>\$ 5,252</u>
 NET POSITION:				
Invested in Capital Assets, Net of Related Debt	\$ 14,226,869	\$ 1,866,433	\$ 16,093,302	\$ 12,165
<u>Restricted for:</u>				
Debt Service	152,257	60,000	212,257	-
Other Purposes	2,172,639	-	2,172,639	-
Unrestricted	1,585,742	2,620,077	4,205,819	65,330
TOTAL NET POSITION	<u>\$ 18,137,507</u>	<u>\$ 4,546,510</u>	<u>\$ 22,684,017</u>	<u>\$ 77,495</u>

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

CITY OF GALENA
GALENA, ILLINOIS

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

Functions/Programs:	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
Governmental Activities:								
General Government	\$ 2,224,064	\$ 330,957	\$ -	\$ -	\$ (1,893,107)	\$ -	\$ (1,893,107)	\$ -
Public Safety	1,136,383	-	-	-	(1,136,383)	-	(1,136,383)	-
Public Works	1,592,955	-	39,882	-	(1,553,073)	-	(1,553,073)	-
Culture/Recreation	229,457	-	73,900	-	(155,557)	-	(155,557)	-
Community Development	1,743	-	-	-	(1,743)	-	(1,743)	-
Interest on Long-Term Debt	108,689	-	-	-	(108,689)	-	(108,689)	-
Total Governmental Activities	\$ 5,293,291	\$ 330,957	\$ 113,782	\$ -	\$ (4,848,552)	\$ -	\$ (4,848,552)	\$ -
Business-Type Activities:								
Garbage and Refuse Collection	\$ 249,510	\$ 252,642	\$ -	\$ -	\$ -	\$ 3,132	\$ 3,132	\$ -
Water	813,868	591,295	-	-	-	(222,573)	(222,573)	-
Sewer	1,575,059	692,953	-	184,343	-	(697,763)	(697,763)	-
Shuttle Service	2,831	44,681	-	-	-	41,850	41,850	-
Turner Hall	60,842	-	-	124,779	-	63,937	63,937	-
Swimming Pool	197,858	65,272	-	-	-	(132,586)	(132,586)	-
Total Business-Type Activities	\$ 2,899,968	\$ 1,646,843	\$ -	\$ 309,122	\$ -	\$ (944,003)	\$ (944,003)	\$ -
Total Primary Government	\$ 8,193,259	\$ 1,977,800	\$ 113,782	\$ 309,122	\$ (4,848,552)	\$ (944,003)	\$ (5,792,555)	\$ -
Component Unit:								
General Government	\$ 647,557	\$ 588,788	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (58,769)
Total Component Unit	\$ 647,557	\$ 588,788	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (58,769)
GENERAL REVENUES:								
Taxes:								
Property Taxes					\$ 1,421,170	\$ 257	\$ 1,421,427	\$ -
Other Local Taxes					1,643,761	-	1,643,761	-
Intergovernmental Taxes					1,860,265	410,325	2,270,590	-
Bond Premium					5,307	768	6,075	-
Investment Earnings					45,037	13,930	58,967	32
Miscellaneous					175,000	211,152	386,152	-
Total General Revenues					\$ 5,150,540	\$ 636,432	\$ 5,786,972	\$ 32
Transfers					(80,291)	80,291	-	-
Total General Revenues & Transfers Before Extraordinary Item					\$ 5,070,249	\$ 716,723	\$ 5,786,972	\$ 32
EXTRAORDINARY ITEM:								
Compromise Settlement - Net (Note 14)					19,608	-	19,608	-
TOTAL REVENUES, TRANSFERS, AND EXTRAORDINARY ITEM					\$ 5,089,857	\$ 716,723	\$ 5,806,580	\$ 32
Change in Net Position					\$ 241,305	\$ (227,280)	\$ 14,025	\$ (58,737)
NET POSITION - BEGINNING, AS RESTATED (Note 15)					17,896,202	4,773,790	22,669,992	136,232
NET POSITION - ENDING					\$ 18,137,507	\$ 4,546,510	\$ 22,684,017	\$ 77,495

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

CITY OF GALENA
GALENA, ILLINOIS

STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
APRIL 30, 2016

	General Fund	Fire Protection Fund	Public Works Fund	Debt Service Fund	Nonmajor Govern- mental Funds	Total Govern- mental Funds
ASSETS:						
Cash, Deposits and Investments	\$ 1,993,992	\$ 1,151,021	\$ 268,844	\$ 152,257	\$ 752,774	\$ 4,318,888
TOTAL ASSETS	<u>\$ 1,993,992</u>	<u>\$ 1,151,021</u>	<u>\$ 268,844</u>	<u>\$ 152,257</u>	<u>\$ 752,774</u>	<u>\$ 4,318,888</u>
LIABILITIES AND FUND BALANCES:						
<u>Current Liabilities:</u>						
Cash Overdraft	\$ -	\$ -	\$ -	\$ -	\$ 158,935	\$ 158,935
Payroll Related	418	-	-	-	-	418
Total Current Liabilities	<u>\$ 418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,935</u>	<u>\$ 159,353</u>
<u>Fund Balances:</u>						
Restricted	\$ -	\$ 1,151,021	\$ 268,844	\$ 152,257	\$ 752,774	\$ 2,324,896
Unassigned	1,993,574	-	-	-	(158,935)	1,834,639
Total Fund Balances	<u>\$ 1,993,574</u>	<u>\$ 1,151,021</u>	<u>\$ 268,844</u>	<u>\$ 152,257</u>	<u>\$ 593,839</u>	<u>\$ 4,159,535</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,993,992</u>	<u>\$ 1,151,021</u>	<u>\$ 268,844</u>	<u>\$ 152,257</u>	<u>\$ 752,774</u>	

Amounts reported for governmental activities in the statement of net position (Statement 1) are different because:

Amounts received from bond premium of \$114,680, net of amortization of \$43,796, are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. (70,884)

Amounts paid for bond issuance costs of \$58,472, net of amortization of \$18,410, are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 40,062

Capital assets of \$43,695,902 net of depreciation of \$26,468,738, are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 17,227,164

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. (3,685,597)

Deferred Outflows of Resources are not current financial resources and, therefore, are not reported in the governmental funds. 467,227

Net Position of Governmental Activities \$ 18,137,507

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

CITY OF GALENA
GALENA, ILLINOIS

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR END APRIL 30, 2016

	General Fund	Fire Protection Fund	Public Works Fund	Debt Service Fund	Nonmajor Govern- mental Funds	Total Govern- mental Funds
REVENUES:						
Local Taxes	\$1,744,968	\$ 341,780	\$ 410,326	\$ -	\$ 567,857	\$3,064,931
Licenses and Permits	257,976	-	-	-	-	257,976
Intergovernmental	1,700,012	-	-	-	160,253	1,860,265
Fines and Forfeitures	58,273	-	-	-	-	58,273
Charges for Services	14,708	-	-	-	-	14,708
Investment Earnings	35,653	6,199	968	-	2,217	45,037
Grants	-	-	39,882	-	73,900	113,782
Miscellaneous	109,583	1,811	-	-	63,606	175,000
TOTAL REVENUES	\$3,921,173	\$ 349,790	\$ 451,176	\$ -	\$ 867,833	\$5,589,972
EXPENDITURES:						
<u>Current:</u>						
General Government	\$1,468,553	\$ -	\$ -	\$ -	\$ 558,605	\$2,027,158
Public Safety	813,294	66,520	-	-	58,224	938,038
Public Works	648,521	-	-	-	98,214	746,735
Culture/Recreation	-	-	-	-	123,898	123,898
<u>Debt Service:</u>						
Principal	-	-	-	531,621	-	531,621
Interest & Other Charges	-	-	-	108,689	-	108,689
Capital Outlay	204,857	160,278	144,637	-	82,956	592,728
TOTAL EXPENDITURES	\$3,135,225	\$ 226,798	\$ 144,637	\$ 640,310	\$ 921,897	\$5,068,867
Excess (Deficiency) of Revenues Over Expenditures	\$ 785,948	\$ 122,992	\$ 306,539	\$(640,310)	\$ (54,064)	\$ 521,105
OTHER FINANCING SOURCES (USES):						
Transfers In	\$ -	\$ -	\$ -	\$ 670,508	\$ 200,430	\$ 870,938
Transfers Out	(602,975)	(2,100)	(292,229)	-	(53,925)	(951,229)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (602,975)	\$ (2,100)	\$ (292,229)	\$ 670,508	\$ 146,505	\$ (80,291)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses) Before Extraordinary Item	\$ 182,973	\$ 120,892	\$ 14,310	\$ 30,198	\$ 92,441	\$ 440,814

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

CITY OF GALENA
GALENA, ILLINOIS

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR END APRIL 30, 2016**

	<u>General Fund</u>	<u>Fire Protection Funds</u>	<u>Public Works Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Govern- mental Funds</u>	<u>Total Govern- mental Funds</u>
EXTRAORDINARY ITEM:						
Compromise Settlement - Net (Note 14)	12,174	7,434	-	-	-	19,608
Net Change in Fund Balance	\$ 195,147	\$ 128,326	\$ 14,310	\$ 30,198	\$ 92,441	\$ 460,422
FUND BALANCE - BEGINNING	1,798,427	1,022,695	254,534	122,059	501,398	3,699,113
FUND BALANCE - ENDING	<u>\$1,993,574</u>	<u>\$1,151,021</u>	<u>\$ 268,844</u>	<u>\$ 152,257</u>	<u>\$ 593,839</u>	<u>\$4,159,535</u>
Net Change in Fund Balances - Total Governmental Funds						\$ 460,422
Amounts reported for governmental activities in the statement of activities are different because:						
Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets are capitalized. The assets are depreciated over their estimated useful lives and depreciation expense is reported in the statement of activities.						
Value of assets acquired						592,725
Depreciation reported in the government-wide statements.						(1,211,265)
Principal payments reported as expenditures in the fund statements.						531,621
Governmental funds report bond discounts as expenditures and bond premiums as revenues. However, in the statement of net position, the cost and receipts are capitalized. The assets and liabilities are amortized in the statement of activities.						
Amortized Bond Premium reported in government-wide statements						(11,472)
Amortized Bond Discount reported in government-wide statements						5,307
Net Change in pension liability is not a current activity and, therefore, is not reported in the fund financial statements.						(126,033)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES						<u>\$ 241,305</u>

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

CITY OF GALENA
GALENA, ILLINOIS

STATEMENT OF FUND NET POSITION - MODIFIED CASH BASIS -
PROPRIETARY FUNDS
APRIL 30, 2016

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	Sewer Fund	Garbage and Refuse Fund	Nonmajor Enterprise Funds	
ASSETS:					
<u>Current Assets:</u>					
Cash, Deposits, and Investments	\$ 341,723	\$ 2,785,008	\$ 4,468	\$ 2,870	\$ 3,134,069
Accounts Receivable	89,862	70,053	30,145	-	190,060
Total Current Assets	<u>\$ 431,585</u>	<u>\$ 2,855,061</u>	<u>\$ 34,613</u>	<u>\$ 2,870</u>	<u>\$ 3,324,129</u>
<u>Noncurrent Assets:</u>					
Cash, Deposit, and Investments	\$ 729,204	\$ 755,543	\$ 167,984	\$ 52,557	\$ 1,705,288
Restricted Cash, Deposits, and Investments	60,000	-	-	-	60,000
Bond Discount Fees	-	42,222	-	2,940	45,162
Less: Amortization	-	(6,488)	-	(980)	(7,468)
<u>Capital Assets:</u>					
Land and Improvements	41,830	95,000	-	-	136,830
Distribution & Collection Systems	7,662,295	19,473,277	-	-	27,135,572
Buildings & Equipment	1,165,987	1,181,800	6,049	2,472,668	4,826,504
Less: Accumulated Depreciation	(6,404,831)	(13,073,658)	(1,109)	(1,713,776)	(21,193,374)
Net Capital Assets	<u>\$ 2,465,281</u>	<u>\$ 7,676,419</u>	<u>\$ 4,940</u>	<u>\$ 758,892</u>	<u>\$ 10,905,532</u>
Total Noncurrent Assets	<u>\$ 3,254,485</u>	<u>\$ 8,467,696</u>	<u>\$ 172,924</u>	<u>\$ 813,409</u>	<u>\$ 12,708,514</u>
TOTAL ASSETS	<u>\$ 3,686,070</u>	<u>\$ 11,322,757</u>	<u>\$ 207,537</u>	<u>\$ 816,279</u>	<u>\$ 16,032,643</u>
DEFERRED OUTFLOW OF RESOURCES	<u>\$ 15,726</u>	<u>\$ 14,483</u>	<u>\$ 2,117</u>	<u>\$ 18,437</u>	<u>\$ 50,763</u>

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

CITY OF GALENA
GALENA, ILLINOIS

STATEMENT OF FUND NET POSITION - MODIFIED CASH BASIS -
PROPRIETARY FUNDS
APRIL 30, 2016

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	Sewer Fund	Garbage and Refuse Fund	Nonmajor Enterprise Funds	
LIABILITIES:					
<u>Current Liabilities:</u>					
Cash Overdraft	\$ -	\$ 2,327,864	\$ -	\$ 90,695	\$ 2,418,559
Bond Premium	-	-	-	5,550	5,550
Less: Amortization	-	-	-	(768)	(768)
Current Portion of Bonds & Notes Payable	125,656	296,500	-	17,500	439,656
Total Current Liabilities	<u>\$ 125,656</u>	<u>\$ 2,624,364</u>	<u>\$ -</u>	<u>\$ 112,977</u>	<u>\$ 2,862,997</u>
<u>Noncurrent Liabilities:</u>					
Bonds & Notes Payable	\$ 1,300,738	\$ 7,200,000	\$ -	\$ 98,705	\$ 8,599,443
Net Pension Liability	23,066	21,242	3,105	27,043	74,456
Total Noncurrent Liabilities	<u>\$ 1,323,804</u>	<u>\$ 7,221,242</u>	<u>\$ 3,105</u>	<u>\$ 125,748</u>	<u>\$ 8,673,899</u>
TOTAL LIABILITIES	<u>\$ 1,449,460</u>	<u>\$ 9,845,606</u>	<u>\$ 3,105</u>	<u>\$ 238,725</u>	<u>\$ 11,536,896</u>
NET POSITION:					
Invested in Capital Assets, Net of Related Debt Restricted for Debt Service	\$ 1,038,887 60,000	\$ 179,919 -	\$ 4,940 -	\$ 642,687 -	\$ 1,866,433 60,000
Unrestricted	1,153,449	1,311,715	201,609	(46,696)	2,620,077
TOTAL NET POSITION	<u>\$ 2,252,336</u>	<u>\$ 1,491,634</u>	<u>\$ 206,549</u>	<u>\$ 595,991</u>	<u>\$ 4,546,510</u>

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

CITY OF GALENA
GALENA, ILLINOIS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
MODIFIED CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2016**

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Garbage and Refuse Fund</u>	<u>Nonmajor Enterprise Funds</u>	
<u>OPERATING REVENUES:</u>					
Charges for Services	\$ 591,295	\$ 692,953	\$ 252,642	\$ 109,953	\$ 1,646,843
Penalties	11,816	12,383	4,812	-	29,011
Concessions	-	-	-	26,158	26,158
Rent	73,346	-	-	23,162	96,508
Other - Miscellaneous	31,656	18,105	1,133	1,194	52,088
TOTAL OPERATING REVENUES	\$ 708,113	\$ 723,441	\$ 258,587	\$ 160,467	\$ 1,850,608
<u>OPERATING EXPENSES:</u>					
Personnel	\$ 69,036	\$ 63,577	\$ 9,297	\$ 80,945	\$ 222,855
Pension Expense	4,625	4,259	321	5,423	14,628
Maintenance Services	388,144	284,788	218,087	59,764	950,783
Professional Services	30,680	5,765	-	-	36,445
Communications	2,575	2,995	4,425	1,498	11,493
Services and Charges	7,200	18,003	840	26,932	52,975
General Supplies	1,991	186	1,730	31,777	35,684
Other Expenditures	11,112	2,000	4,571	6,128	23,811
Bad Debt	5,429	10,920	9,634	-	25,983
Depreciation and Amortization	255,084	867,181	605	45,441	1,168,311
TOTAL OPERATING EXPENSES	\$ 775,876	\$ 1,259,674	\$ 249,510	\$ 257,908	\$ 2,542,968
Operating Income (Loss)	\$ (67,763)	\$ (536,233)	\$ 9,077	\$ (97,441)	\$ (692,360)
<u>NONOPERATING REVENUES (EXPENSES):</u>					
Bond Premium Amortization	\$ -	\$ -	\$ -	\$ 768	\$ 768
Interest Earnings	4,440	6,508	1,349	1,633	13,930
Interest Expense	(37,992)	(315,385)	-	(3,623)	(357,000)
Property Taxes Revenue	219	19	19	-	257
Sales Taxes Revenue	-	410,325	-	-	410,325
Grants	-	184,343	-	124,779	309,122
Solar Electric Sales	-	7,387	-	-	7,387
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ (33,333)	\$ 293,197	\$ 1,368	\$ 123,557	\$ 384,789

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

CITY OF GALENA
GALENA, ILLINOIS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
MODIFIED CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2016**

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Garbage and Refuse Fund</u>	<u>Nonmajor Enterprise Funds</u>	
Income (Loss) Before Transfers	\$ (101,096)	\$ (243,036)	\$ 10,445	\$ 26,116	\$ (307,571)
Transfers In	-	-	-	130,075	130,075
Transfers Out	(12,375)	(12,375)	-	(25,034)	(49,784)
Change in Net Position	\$ (113,471)	\$ (255,411)	\$ 10,445	\$ 131,157	\$ (227,280)
TOTAL NET POSITION - BEGINNING, AS RESTATED (NOTE 15)	<u>2,365,807</u>	<u>1,747,045</u>	<u>196,104</u>	<u>464,834</u>	<u>4,773,790</u>
TOTAL NET POSITION - ENDING	<u><u>\$2,252,336</u></u>	<u><u>\$1,491,634</u></u>	<u><u>\$ 206,549</u></u>	<u><u>\$ 595,991</u></u>	<u><u>\$ 4,546,510</u></u>

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

CITY OF GALENA
GALENA, ILLINOIS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2016

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	Sewer Fund	Garbage and Refuse Fund	Nonmajor Enterprise Funds	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>					
Receipts from Customers	\$ 688,266	\$ 729,400	\$ 242,442	\$ 159,273	\$ 1,819,381
Payments to Suppliers for Goods and Services	(441,702)	(324,657)	(229,653)	(126,099)	(1,122,111)
Payments to Employees for Services	(69,036)	(63,577)	(9,297)	(80,945)	(222,855)
Other Receipts/(Payments)	31,656	18,105	1,133	1,194	52,088
Net Cash Provided (Used) by Operating Activities	<u>\$ 209,184</u>	<u>\$ 359,271</u>	<u>\$ 4,625</u>	<u>\$ (46,577)</u>	<u>\$ 526,503</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>					
Transfers In/(Out)	\$ (12,375)	\$ (12,375)	\$ -	\$ 105,041	\$ 80,291
Property Taxes Received	219	19	19	-	257
Sales Taxes Received	-	410,325	-	-	410,325
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ (12,156)</u>	<u>\$ 397,969</u>	<u>\$ 19</u>	<u>\$ 105,041</u>	<u>\$ 490,873</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>					
Purchases of Capital Assets	\$ (38,314)	\$ (258,002)	\$ -	\$ (112,206)	\$ (408,522)
Principal Paid on Capital Debt	(124,105)	(284,750)	-	(14,945)	(423,800)
Interest Paid on Capital Debt	(37,992)	(315,385)	-	(3,623)	(357,000)
Grants	-	184,343	-	124,779	309,122
Net Cash (Used) in Capital and Related Financing Activities	<u>\$ (200,411)</u>	<u>\$ (673,794)</u>	<u>\$ -</u>	<u>\$ (5,995)</u>	<u>\$ (880,200)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>					
Interest Earned on Deposits	\$ 4,440	\$ 6,508	\$ 1,349	\$ 1,533	\$ 13,830
Solar Electric Sales	-	7,389	-	-	7,389
Net Cash Provided by Investing Activities	<u>\$ 4,440</u>	<u>\$ 13,897</u>	<u>\$ 1,349</u>	<u>\$ 1,533</u>	<u>\$ 21,219</u>

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

CITY OF GALENA
GALENA, ILLINOIS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2016

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	Sewer Fund	Garbage and Refuse Fund	Nonmajor Enterprise Funds	
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 1,057	\$ 97,343	\$ 5,993	\$ 54,002	\$ 158,395
BALANCE - BEGINNING OF YEAR	1,129,870	1,115,344	166,459	(89,270)	2,322,403
BALANCE - END OF YEAR	<u>\$ 1,130,927</u>	<u>\$ 1,212,687</u>	<u>\$ 172,452</u>	<u>\$ (35,268)</u>	<u>\$ 2,480,798</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>					
Operating Income (Loss)	\$ (67,763)	\$ (536,233)	\$ 9,077	\$ (97,441)	\$ (692,360)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</u>					
Amortization of Cost	-	639	-	294	933
Bad Debt	5,429	10,920	9,634	-	25,983
Depreciation Expense	255,084	866,542	605	45,147	1,167,378
Pension Expense	4,625	4,259	321	5,423	14,628
<u>Changes in Assets and Liabilities:</u>					
Accounts Receivable	11,809	13,144	(15,012)	-	9,941
Net Cash Provided (Used) by Operating Activities	<u>\$ 209,184</u>	<u>\$ 359,271</u>	<u>\$ 4,625</u>	<u>\$ (46,577)</u>	<u>\$ 526,503</u>
<u>RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:</u>					
<u>Current Assets:</u>					
Cash, Deposits, and Investments	\$ 341,723	\$ 2,785,008	\$ 4,468	\$ 2,870	\$ 3,134,069
<u>Noncurrent Assets:</u>					
Cash, Deposits, and Investments	789,204	755,543	167,984	52,557	1,765,288
<u>Current Liabilities:</u>					
Cash Overdraft	-	(2,327,864)	-	(90,695)	(2,418,559)
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF YEAR	<u>\$ 1,130,927</u>	<u>\$ 1,212,687</u>	<u>\$ 172,452</u>	<u>\$ (35,268)</u>	<u>\$ 2,480,798</u>

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

CITY OF GALENA
GALENA, ILLINOIS

STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
APRIL 30, 2016

	<u>Employee Benefit Trust Fund</u>	<u>Private - Purpose Trusts</u>	<u>Agency Fund</u>
<u>ASSETS:</u>			
Cash, Deposits, and Investments	\$ 91,383	\$ 359,553	\$ 7,341
TOTAL ASSETS	<u>\$ 91,383</u>	<u>\$ 359,553</u>	<u>\$ 7,341</u>
<u>LIABILITIES:</u>			
Cash Overdraft	\$ 6,714	\$ -	\$ 2,244
Due to Cable Franchise Grantee	-	-	5,011
TOTAL LIABILITIES	<u>\$ 6,714</u>	<u>\$ -</u>	<u>\$ 7,255</u>
<u>NET POSITION:</u>			
Held in Trust for Employee Benefits and Revolving Loans	<u>\$ 84,669</u>	<u>\$ 359,553</u>	<u>\$ 86</u>

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

CITY OF GALENA
GALENA, ILLINOIS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2016

	<u>Employee Benefit Trust Fund</u>	<u>Private- Purpose Trusts</u>	<u>Agency Fund</u>
<u>ADDITIONS:</u>			
<u>Employer Contributions:</u>			
Received from General Fund	\$ 10,300	\$ -	\$ -
<u>Net Investment Income:</u>			
Interest Earned	173	673	14
Principal Received	-	11,941	-
TOTAL ADDITIONS	<u>\$ 10,473</u>	<u>\$ 12,614</u>	<u>\$ 14</u>
<u>DEDUCTIONS:</u>			
Benefits Paid to Employees	\$ 11,063	\$ -	\$ -
Administrative Expense	-	-	-
TOTAL DEDUCTIONS	<u>\$ 11,063</u>	<u>\$ -</u>	<u>\$ -</u>
Increase (Decrease) in Net Position	\$ (590)	\$ 12,614	\$ 14
NET POSITION - BEGINNING	<u>85,259</u>	<u>346,939</u>	<u>72</u>
NET POSITION - ENDING	<u><u>\$ 84,669</u></u>	<u><u>\$ 359,553</u></u>	<u><u>\$ 86</u></u>

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

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 1 - Summary of Significant Accounting Policies:

A. Reporting Entity

The City of Galena is an incorporated city with a population of approximately 3,400 residents (2010 census) located in Jo Daviess County, Illinois.

The City operates under a council form of government, which is governed by a six person board of alderpersons and a mayor. All seven of these positions are elected by the citizens of the City.

The accompanying financial statements present all of the funds of the City's primary government and discretely presented component unit over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships and the City (as distinct from legal relationships). Based upon the above criteria, the City of Galena has determined that there is one organization to be reported on as a component unit within the financial statements. The organization is Greater Galena Marketing Initiative, Inc. Greater Galena Marketing Initiative, Inc. performs marketing and advertising services for the City of Galena. The organization is a separate not-for-profit corporation organized under the laws of the State of Illinois. The fiscal year of the organization is May 1 through April 30. The City also has determined that the City is not a component unit of any other entity.

Financial statements for the component unit may be obtained directly from Greater Galena Marketing Initiative, Inc.

B. Basis of Presentation

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 nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Except for depreciation expense, the City does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 1 - Summary of Significant Accounting Policies: (continued)

Basis of Presentation (continued)

Fund Financial Statements:

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, which constitute its assets, liabilities, net position/fund equity, revenues, and expenditures/expenses. Government resources are allocated and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. These financial statements reflect eight generic fund types and three broad fund categories.

An emphasis is placed on major funds within the governmental and proprietary fund categories. Funds are organized as major funds or nonmajor funds within the governmental and proprietary fund statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns, and the nonmajor funds are aggregated and reported in a single column in the fund financial statements. The funds of the financial reporting entity are described below:

Governmental Funds

General Fund - The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those that are legally or administratively required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Projects Funds - This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. The fund includes the Public Works Fund.

Debt Service Fund - This fund accounts for the resources and expenditures relating to the long-term debt of the governmental funds.

Proprietary Funds

Enterprise Fund - The Enterprise Fund is used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Water, Sewer, Garbage and Refuse Collection, Shuttle Services, Turner Hall, and the Swimming Pool Funds.

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 1 - Summary of Significant Accounting Policies: (continued)

Basis of Presentation (continued)

Fiduciary Funds

They are used to account for assets held by the City in a trustee capacity or as an agent on behalf of others.

In addition, the City reports the following fiduciary fund types:

Private - Purpose Trust Funds - They are used to report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations or other governments. The Community Development and Economic Development Revolving Loan Funds are used to account for the revolving loan activities benefiting City businesses.

Pension (and other employee benefit) Trust Funds - They are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans.

The Employees Insurance Fund is used to account for the activities of the employees insurance savings plan, which is funded by contributions from the General Fund.

The Employees Accrued Benefits Fund is used to account for the activities of employee accrued vacation and sick time unused by the employee and is funded by contributions from the General Fund.

Agency Funds - They are used to report resources held in a purely custodial capacity for individuals or organizations outside the reporting entity. The Cable Fund is used to account for the monies as set forth in the cable franchise agreement between the City of Galena and the cable franchisee.

Major and Nonmajor Funds

The funds are further classified as major and nonmajor as follows:

Major Funds:

- General Fund
- Fire Protection - Special Revenue Fund
- Debt Service Fund
- Public Works Fund - Capital Projects Fund
- Garbage and Refuse Collection Fund - Enterprise Fund - Proprietary Fund
- Water - Enterprise Fund - Proprietary Fund
- Sewer - Enterprise Fund - Proprietary Fund

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 1 - Summary of Significant Accounting Policies: (continued)

Basis of Presentation (continued)

Major and Nonmajor Funds (continued)

Nonmajor Funds:

Annual Audit - Special Revenue Fund
Emergency Services Defense - Special Revenue Fund
Insurance - Special Revenue Fund
Motor Fuel Tax - Special Revenue Fund
Illinois Municipal Retirement - Special Revenue Fund
Parks and Recreation Fund - Special Revenue Fund
Medicare/Social Security - Special Revenue Fund
Flood Control - Special Revenue Fund
Shuttle Services - Enterprise Fund - Proprietary Fund
Turner Hall - Enterprise Fund - Proprietary Fund
Swimming Pool - Enterprise Fund - Proprietary Fund

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” 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

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus, as presented, are the determination of operating income, change in net position (cost recovery), and financial position.

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

- a. All 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.

CITY OF GALENA
GALENA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016

Note 1 - Summary of Significant Accounting Policies: (continued)

Measurement Focus and Basis of Accounting (continued)

Measurement Focus (continued)

- b. The proprietary fund utilizes 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 (payroll taxes) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

Government-wide and fund financial statements are maintained on the modified cash basis method of accounting, which is a comprehensive basis of accounting other than U.S. Generally Accepted Accounting Principles. Under a pure cash basis method of accounting, revenues are recognized when collected rather than when earned, and expenditures are recognized when paid rather than when incurred. These financial statements are modified from the cash basis method of accounting because of the recording of prepaid items, capital assets presented net of accumulated depreciation, deferred outflows of resources, payroll withholding, proprietary fund accounts receivable, capital assets and the related depreciation expense, long-term debt, and net pension liability.

D. Assets, Liabilities, and Net Position or Equity

1. **Cash, Deposits and Investments**

For the purpose of the Statement of Net Position, “cash, deposits and investments” includes all demand, savings accounts and certificates of deposits and money markets (external investment pools) of the City. For the purposes of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposits or short-term investments with an original maturity of three months or less.

2. **Certificates of Deposit**

Certificates of deposit approximate market value and consist of investments with original maturities from four months to twenty-two months with interest ranging from 0.30% to 1.10%. Certificates of deposit with maturity dates more than three months from the balance sheet date are classified as noncurrent assets.

3. **Receivables - Business-Type Activities**

In the government-wide financial statements, receivables consist of utility revenues earned at year-end and not yet received.

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 1 - Summary of Significant Accounting Policies: (continued)

Assets, Liabilities, and Net Position or Equity (continued)

Receivables - Business-Type Activities

All amounts are considered fully collectible and establishment of a reserve for uncollectible accounts is not considered necessary.

4. Restricted Cash, Deposits and Investments

Mandatory segregations of assets are presented as restricted assets. Such segregations are required for bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

5. Bond Discount

Bond discounts paid at issuance date are amortized over the life of the bond. Expenses are recognized annually and accumulated until fully expired.

6. Capital Assets

Government-Wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$20,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Prior to May 1, 2003, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB No. 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. The City has retroactively reported all infrastructure assets acquired by its governmental fund types.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. The cost of renewals and betterments relating

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 1 - Summary of Significant Accounting Policies: (continued)

Assets, Liabilities, and Net Position or Equity (continued)

Capital Assets (continued)

Government-Wide Statements (continued)

to retirement units is added to plan accounts. The cost of property replaced, retired, or otherwise disposed of, is deducted from plan accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets 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 by type of asset is as follows:

Buildings	20-40 years
Machinery and Equipment	3-10 years
Utility System	20-50 years
Infrastructure	20-50 years

7. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that is applied to future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to expense and contributions from the employer after the measurement date, but before the end of employees reporting period.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Illinois Municipal Retirement fund (IMRF) and additions to/deductions from IMRF fiduciary net position have been determined in the same basis reported by IMRF. For this purpose, benefit payments (including referrals of employee contribution) are recognized when due and payable in accordance with the benefit times. Investments are reported at fair value.

CITY OF GALENA
GALENA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016

Note 1 - Summary of Significant Accounting Policies: (continued)

Assets, Liabilities, and Net Position or Equity (continued)

9. **Bond Premium**

Bond premium earned at issuance date is amortized over the life of the bond. Revenue is recognized annually and accumulated until fully expired.

10. **Long-Term Obligations**

All long-term obligations (except compensated absences - Note 13) to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

11. **Equity Classifications**

Government-Wide Statements

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

Net Position:

- Invested in capital assets, net of related debt - Consists of capital assets including restricted 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 improvement of those assets less any unspent debt proceeds.
- Restricted net position - Consists of net position legally restricted by outside parties for a specific purpose.
- Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.



CITY OF GALENA
GALENA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016

Note 1 - Summary of Significant Accounting Policies: (continued)

F. Operating/Non-Operating Revenue and Expenses

The proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the proprietary funds are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

G. Proprietary (Enterprise) Funds

In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement numbers 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements.

H. Allocated Indirect Costs

On the Statement of Activities, the indirect costs of depreciation expense was allocated without using a separate column because these costs were included in the program expenses reported for individual functions and activities.

I. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward interfund transfers, restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure to interfund transfers, restricted fund balance, and then to other, less restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

J. Estimates

The preparation of financial statements in conformity with modified cash basis method of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 2 - Cash, Deposits and Investments:

The investment policy of the City includes all funds governed by the City Council. The policy of the City is to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands and conforming to all state and local statutes governing the investment of public funds. Investments may be made in any type allowed for in the Illinois Compiled Statutes (30 ILCS 235) Public Funds Investment Act regarding the investment of public funds.

A. Cash and Deposits

At April 30, 2016, the cash deposits and investments balance per bank was \$7,089,117. The carrying amount of the bank balance was \$7,090,070. The difference between the bank and carrying balance was outstanding checks and/or deposits that had not cleared the bank at year-end.

The cash and deposits are categorized in accordance with risk factors created by Governmental Reporting Standards. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit in excess of FDIC limits, must be secured by some form of collateral and held at an independent third party institution in the name of the City. As of April 30, 2016, the City's bank deposits of \$7,089,117 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. As of April 30, 2016, the City's bank balance of \$7,089,117 was exposed to custodial credit risk as follows:

1.	Uninsured and Uncollateralized	\$	-0-
2.	Collateralized with securities held by the pledging financial institution, or	\$	-0-
3.	Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name	\$	-0-

B. Investments

The investment policy of the City applies to the activities of all its funds. The policy establishes cash management and investment guidelines for the stewardship of public funds under the City's jurisdiction. The Illinois Compiled Statutes (30 ILCS 235) Public Funds Investment Act will take precedence except where the City's policy would be more restrictive.

The City invests a portion of its cash balance in the Illinois Funds, which is authorized by state statute (30 ILCS 235). The Illinois Funds Money Market Fund (formerly known as IPTIP) is a money market fund created in 1975 by the Illinois General Assembly. Its primary purpose is

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 2 - Cash, Deposits and Investments: (continued)

Investments (continued)

to provide the public treasurer and other custodians of public funds with the alternative investment vehicle, which enables them to earn a competitive rate of return on fully collateralized investments, while maintaining immediate access to invested funds.

The monies invested by the individual participants are pooled together and invested in U.S. Treasury bills and notes backed by full faith and credit of the U.S. Treasury. In addition, monies are invested in fully collateralized time deposits in Illinois financial institutions, in collateralized repurchase agreements, and in treasury mutual funds that invest in U.S. Treasury obligations and collateralized repurchase agreements.

The time deposits are collateralized 100% over FDIC of FSLIC \$250,000 insurance with U.S. Treasury obligations and marked to market on a weekly basis to maintain sufficiency. The repurchase agreements are collateralized at 100% with U.S. Treasury obligations and the collateral is checked daily to determine sufficiency.

The individual participants maintain separate investment accounts representing a proportionate share of the pool assets and its respective collateral; therefore, no collateral is identified with each individual participant's account.

Credit Risk: The Illinois Funds is a 2a7-like investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but operates under an investment policy that is consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The Illinois Funds were rated AAAM by Standard & Poor.

Cost (actual amounts) approximates fair value.

A summary of the external investment pool balance by fund is listed below:

<u>Money Market</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Fair Value Amounts</u>
Various Funds	-	0-1.02%	\$ 1,434,152
Motor Fuel Tax Fund	-	.084%	143,691
TOTAL			<u><u>\$ 1,577,843</u></u>

C. Restricted Cash, Deposits and Investments

The following long-term debt accounts represent the balances of the restricted cash and investments:

Reserve - To prevent or remedy a default in the payment of the interest on/or principal of said outstanding bonds.

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 2 - Cash, Deposits and Investments: (continued)

Following is a list of restricted cash and investments at April 30, 2016:

Restricted Cash, Deposits and Investments	
Reserve Account (Water Fund)	\$ 60,000
Total Restricted Cash, Deposits and Investments	\$ 60,000

A summary of Cash, Deposits and Investments by fund is as follows:

Fund	Type of Account	Maturity Date	Interest Rate	Carrying Amount
Primary Government				
General Fund	Petty Cash	-	-	\$ 325
Swimming Pool	Petty Cash	-	-	308
Various Funds	Checking	-	-	640,797
Motor Fuel Tax Fund	Checking	-	1.25%	17,203
Community Development Revolving Loan Fund	Savings	-	0.30%	3,354
Community Development Revolving Loan Fund	Certificate of Deposit	02/18/17	0.50%	83,631
Employee Benefit Trust Fund	Savings	-	0.20%	6,711
Cable Fund	Savings	-	0.20%	7,341
Economic Development Revolving Loan Fund	Certificate of Deposit	03/18/17	0.30%	122,592
Economic Development Revolving Loan Fund	Savings	-	-	149,974
Various Funds	Illinois Funds	-	-	1,434,152
Motor Fuel Tax Fund	Illinois Funds	-	-	143,691
General Fund	Certificate of Deposit	08/12/16	0.50%	57,813
General Fund	Certificate of Deposit	01/08/17	0.60%	141,705
General Fund	Certificate of Deposit	01/08/17	0.60%	142,450
General Fund	Certificate of Deposit	02/18/17	0.50%	402,474
General Fund	Certificate of Deposit	02/10/18	1.10%	81,058
General Fund	Certificate of Deposit	02/10/18	1.10%	69,478
General Fund	Certificate of Deposit	02/10/17	1.10%	578,983

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 2 - Cash, Deposits and Investments: (continued)

Restricted Cash, Deposits and Investments (continued)

A summary of Cash, Deposits and Investments by fund is as follows: (continued)

<u>Fund</u>		<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Carrying Amount</u>
<u>Primary Government</u>	<u>Type of Account</u>			
Motor Fuel Tax Fund	Certificate of Deposit	02/20/17	0.50%	52,048
Garbage Fund	Certificate of Deposit	01/08/17	0.60%	141,705
Garbage Fund	Certificate of Deposit	08/12/16	0.50%	26,279
Fire Protection Fund	Certificate of Deposit	02/10/18	1.10%	231,593
Fire Protection Fund	Certificate of Deposit	02/18/17	0.50%	235,212
Fire Protection Fund	Certificate of Deposit	02/18/17	0.50%	235,212
Fire Protection Fund	Certificate of Deposit	03/18/17	0.30%	229,860
Flood Control Fund	Certificate of Deposit	02/20/17	0.50%	26,024
Accrued Benefits Fund	Certificate of Deposit	02/20/17	0.50%	35,393
Capital Projects Fund	Certificate of Deposit	03/18/17	0.30%	255,400
Water Fund	Certificate of Deposit	10/10/17	1.10%	212,593
Water Fund	Certificate of Deposit	03/18/17	0.30%	204,320
Water Fund	Certificate of Deposit	02/20/17	0.50%	312,291
Sewer Fund	Certificate of Deposit	02/10/18	1.10%	231,593
Sewer Fund	Certificate of Deposit	08/10/16	0.40%	419,411
Sewer Fund	Certificate of Deposit	02/18/17	0.50%	104,539
Shuttle Fund	Certificate of Deposit	08/12/16	0.50%	52,557
TOTAL CASH, DEPOSITS AND INVESTMENTS AT APRIL 30, 2016				<u><u>\$ 7,090,070</u></u>

Reconciliation to the Financial Statements:

Statement of Net Position (Statement 1):

Current Assets:

Cash, Deposits and Investments \$ 3,655,120

Noncurrent Assets:

Cash, Deposits and Investments 3,178,229

Restricted Cash, Deposits and Investments 2,384,896

Current Liability:

Cash Overdraft (2,577,494)

\$ 6,640,751

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 2 - Cash, Deposits and Investments: (continued)

Reconciliation to the Financial Statements: (continued)

Statement of Fiduciary Net Position (Statement 8):

Cash, Deposits and Investments:

Employee Benefit Trust	\$ 91,383
Private-purpose Trust	359,553
Agency	7,341
Cash Overdraft	(8,958)
	\$ 449,319
TOTAL CASH, DEPOSITS AND INVESTMENTS	\$ 7,090,070

Fund	Type of	Maturity	Interest	Carrying
Component Unit	Cash Account	Date	Rate	Amount
Galena Marketing, Inc.	Checking	-	0.10%	\$ 15,520
	Money Market	-	0.60%	55,062
TOTAL CASH AND DEPOSITS AT APRIL 30, 2016				\$ 70,582

Note 3 - Capital Assets:

Capital asset activity for the year ended April 30, 2016 was as follows:

	Balance	Additions	Deletions	Balance
Governmental Activities	5/1/2015			4/30/2016
<u>Capital Assets not being</u>				
<u>Depreciated:</u>				
Land and Improvements	\$ 1,735,293	\$ -	\$ -	\$ 1,735,293
Historical Treasures	30,705	-	-	30,705
Construction-In-Progress	371,536	-	(371,536)	-
Total Capital Assets not being Depreciated	\$ 2,137,534	\$ -	\$ (371,536)	\$ 1,765,998
<u>Other Capital Assets:</u>				
Buildings	\$ 5,445,526	\$ 629,328	\$ -	\$ 6,074,854
Machinery and Equipment	6,787,186	74,172	-	6,861,358
Infrastructure	28,732,931	260,761	-	28,993,692
Total Capital Assets being Depreciated	\$ 40,965,643	\$ 964,261	\$ -	\$ 41,929,904
Total Capital Assets	\$ 43,103,177	\$ 964,261	\$ (371,536)	\$ 43,695,902

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 3 - Capital Assets: (continued)

Governmental Activities (continued)	Balance 5/1/2015	Additions	Deletions	Balance 4/30/2016
<u>Less: Accumulated Depreciation for:</u>				
Buildings	\$ 1,934,018	\$ 162,889	\$ -	\$ 2,096,907
Machinery and Equipment	5,367,270	268,119	-	5,635,389
Infrastructure	17,956,185	780,257	-	18,736,442
Total Accumulated Depreciation	<u>\$25,257,473</u>	<u>\$1,211,265</u>	<u>\$ -</u>	<u>\$26,468,738</u>
Governmental Capital Assets, Net	<u>\$ 7,845,704</u>	<u>\$(247,004)</u>	<u>\$(371,536)</u>	<u>\$17,227,164</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:

General Government	\$ 59,401
Public Safety	198,342
Public Works	846,220
Culture/Recreation	105,559
Community Development	1,743
Total Governmental Activities Depreciation Expense	<u>\$ 1,211,265</u>

Business-Type Activities	Balance 5/1/2015	Additions	Deletions	Balance 4/30/2016
<u>Water</u>				
<u>Capital Assets not being Depreciated:</u>				
Land and Land Rights	\$ 41,830	\$ -	\$ -	\$ 41,830
<u>Capital Assets being Depreciated:</u>				
Distribution and Collection	\$ 7,662,295	\$ -	\$ -	\$7,662,295
Buildings	168,046	-	-	168,046
Equipment	959,627	38,314	-	997,941
Total Capital Assets being Depreciated	<u>\$ 8,789,968</u>	<u>\$ 38,314</u>	<u>\$ -</u>	<u>\$8,828,282</u>
Total Capital Assets	\$ 8,831,798	\$ 38,314	\$ -	\$8,870,112
Less: Accumulated Depre- ciation	6,149,747	255,084	-	6,404,831
Net Water Utility Plant	<u>\$ 2,682,051</u>	<u>\$(216,770)</u>	<u>\$ -</u>	<u>\$2,465,281</u>

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 3 - Capital Assets: (continued)

Business-Type Activities (continued)	Balance 5/1/2015	Additions	Deletions	Balance 4/30/2016
<u>Sewer</u>				
<u>Capital Assets not being</u>				
<u>Depreciated:</u>				
Land and Land Rights	\$ 95,000	\$ -	\$ -	\$ 95,000
<u>Capital Assets being Depreciated:</u>				
Distribution and Collection	\$ 19,223,911	\$ 249,366	\$ -	\$19,473,277
Buildings	570,190	-	-	570,190
Equipment	602,974	8,636	-	611,610
Total Capital Assets being Depreciated	\$ 20,397,075	\$ 258,002	\$ -	\$20,655,077
Total Capital Assets	\$ 20,492,075	\$ 258,002	\$ -	\$20,750,077
Less: Accumulated Depreciation	12,207,116	866,542	-	13,073,658
Net Sewer Utility Plant	\$ 8,284,959	\$(608,540)	\$ -	\$ 7,676,419
<u>Garbage & Refuse</u>				
<u>Capital Assets being Depreciated:</u>				
Equipment	\$ 6,049	\$ -	\$ -	\$ 6,049
Less: Accumulated Depreciation	504	605	-	1,109
Net Garbage & Refuse Capital Asset	\$ 5,545	\$ (605)	\$ -	\$ 4,940
<u>Swimming Pool</u>				
<u>Capital Assets being Depreciated:</u>				
Buildings	\$ 1,335,431	\$ -	\$ -	\$ 1,335,431
Machinery and Equipment	77,583	389	-	77,972
Total Capital Assets	\$ 1,413,014	\$ 389	\$ -	1,413,403
Less: Accumulated Depreciation	1,245,771	20,464	-	1,266,235
Net Swimming Pool Capital Assets	\$ 167,243	\$ (20,075)	\$ -	\$ 147,168

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 3 - Capital Assets: (continued)

Business-Type Activities (continued)	Balance 5/1/2015	Additions	Deletions	Balance 4/30/2016
<u>Turner Hall</u>				
<u>Capital Assets being Depreciated:</u>				
Buildings	\$ 897,884	\$ 100,860	\$ -	\$ 998,744
Machinery and Equipment	12,361	-	-	12,361
	\$ 910,245	\$ 100,860	\$ -	1,011,105
Less: Accumulated Depreciation	392,507	21,852	-	414,359
Net Turner Hall Capital Assets	\$ 517,738	\$ 79,008	\$ -	\$ 596,746
<u>Shuttle Services</u>				
<u>Capital Assets being Depreciated:</u>				
Machinery and Equipment	\$ 37,202	\$ 10,957	-	\$ 48,159
Less: Accumulated Depreciation	30,350	2,831	-	33,181
Net Shuttle Services Capital Assets	\$ 6,852	\$ 8,126	\$ -	\$ 14,978
<u>Capital Assets not being Depreciated-Business Type Activities:</u>				
Land	\$ 136,830	\$ -	\$ -	\$ 136,830
<u>Capital Assets being Depreciated-Business Type Activities:</u>				
Buildings	\$ 2,971,551	\$ 100,860	\$ -	\$ 3,072,411
Equipment	1,695,797	58,296	-	1,754,093
Infrastructure	26,886,206	249,366	-	27,135,572
Total Capital Assets Being Depreciated	\$31,553,554	\$ 408,522	\$ -	\$31,962,076
Total Capital Assets	\$31,690,384	\$ 408,522	\$ -	\$32,098,906
Less: Accumulated Depreciation	20,025,995	1,167,379	-	21,193,374
Business-Type Capital Assets, Net	\$ 11,664,389	\$(758,857)	\$ -	\$10,905,532

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 3 - Capital Assets: (continued)

Summary of Business-Type Activities

Depreciation expenses were charged to functions as follows:

Business-Type Activities:

Water	\$ 255,084
Sewer	866,542
Garbage & Refuge	605
Swimming Pool	20,464
Turner Hall	21,852
Shuttle Service	2,832
Total Business-Type Activities Depreciation Expense	\$ 1,167,379

Note 4 - Long-Term Obligations:

Long-term obligations activity for the year ended April 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>GOVERNMENTAL</u>					
<u>ACTIVITIES:</u>					
<u>Bonds and Notes Payable:</u>					
General Obligation Debt	\$ 2,522,600	\$ -	\$ 285,305	\$ 2,237,295	\$ 286,000
Promissory Notes-Bank	1,009,316	-	246,316	763,000	203,408
Net Pension Liability	163,342	521,960	-	685,302	-
Total Governmental Activities Long-Term Liabilities	\$ 3,695,258	\$ 521,960	\$ 531,621	\$ 3,685,597	\$ 489,408
 <u>BUSINESS-TYPE</u>					
<u>ACTIVITIES:</u>					
<u>Bonds and Notes Payable:</u>					
General Obligation Debt	\$ 402,400	\$ -	\$ 44,695	\$ 357,705	\$ 90,000
Revenue Bonds	7,510,000	-	255,000	7,255,000	265,000
Revenue Note - IEPA	1,550,499	-	124,105	1,426,394	125,656
Net Pension Liability	17,747	56,709	-	74,456	-
Total Business-type Activities Long-Term Liabilities	\$ 9,480,646	\$ 56,709	\$ 423,800	\$ 9,113,555	\$ 439,656
Total Long-Term Liabilities	\$ 13,175,904	\$ 578,669	\$ 955,421	\$ 12,799,152	\$ 929,064

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 4 - Long-Term Obligations:

General Obligation Debt

General Obligation (Alternative Revenue Sources) Bonds, Series 2012A

On June 27, 2012, General Obligation (Alternative Revenue Sources) Bonds, Series 2012A was issued.

Date of Issue: June 27, 2012
Maturity Date: December 30, 2022
Interest Rate: 2.00% to 3.00%
Principal Amount: \$2,620,000
Principal payments due December 30
Interest payments due June 30 and December 30

The proceeds from the issuance of the General Obligation (Alternative Revenue Sources) Bonds, Series 2012A were used to retire the remaining balance due on the General Obligation Bonds, Series 2003. The principal amount of the bonds received was \$2,620,000 with an original issue premium of \$122,406, which provided the amount necessary to redeem all outstanding bonds of the Series 2003 as well as covering the issue cost of new bonds.

General Obligation (Alternative Revenue Sources) Bonds, Series 2012B

On June 27, 2012, General Obligation (Alternative Revenue Sources) Bonds, Series 2012B was issued.

Date of Issue: June 27, 2012
Maturity Date: December 30, 2022
Interest Rate: 1.20% to 2.60%
Principal Amount: \$945,000
Principal payments due December 30
Interest payments due June 30 and December 30

The proceeds from the issuance of the General Obligation (Alternative Revenue Sources) Bonds, Series 2012B were used to fund Capital Projects of Governmental Activities and Capital Outlay of Enterprise Fund-Sewer. The principal amount of the bonds received was \$945,000, which provided the amounts necessary to fund construction of the Meeker Street Bridge \$335,000, a new Flood System \$280,000 in the Governmental Activities, and the Solar Panel Project \$330,000 in the Enterprise Fund-Sewer, as well as covering the issue cost of new bonds.

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies, sales tax, and other unrestricted sources of revenue. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 4 - Long-Term Obligations: (continued)

General Obligation Debt (continued)

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 4/30/2016</u>
<u>Governmental Activities:</u>					
<u>General Obligation Debt:</u>					
2012A Bonds	6/27/12	12/30/22	2.00-3.00%	\$ 2,445,000	\$ 1,788,795
2012B Bonds	6/27/12	12/30/22	1.20-2.60%	\$ 615,000	448,500
Total Governmental Activities - General Obligation Debt					<u>\$ 2,237,295</u>
<u>Business-Type Activities:</u>					
<u>General Obligation Debt:</u>					
2012A Bonds	6/27/12	12/30/22	2.00-3.00%	\$ 175,000	\$ 116,205
2012B Bonds	6/27/12	12/30/22	1.20-2.60%	\$ 330,000	241,500
Total Business-Type Activities General Obligation Debt					<u>\$ 357,705</u>
Total General Obligation Debt - All Activities					<u><u>\$ 2,595,000</u></u>

Debt service requirements to maturity are as follows:

Governmental Activities:

<u>General Obligation (Alternative Revenue Sources) Bond, Series 2012A</u>				
<u>Fiscal Year Ending</u>	<u>Principal December 30</u>	<u>Interest June 30</u>	<u>Interest December 30</u>	<u>Total Payments</u>
2017	\$ 227,500	\$ 25,435	\$ 25,435	\$ 278,370
2018	241,800	23,157	23,157	288,114
2019	246,450	19,530	19,530	285,510
2020	251,100	15,833	15,833	282,766
2021	255,750	12,066	12,067	279,883
2022-2023	566,195	8,895	8,895	583,985
TOTAL	<u>\$ 1,788,795</u>	<u>\$ 104,916</u>	<u>\$ 104,917</u>	<u>\$ 1,998,628</u>

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 4 - **Long-Term Obligations:** (continued)

General Obligation Debt (continued)

General Obligation (Alternative Revenue Sources) Bond, Series 2012B				
Fiscal Year	Principal	Interest	Interest	Total
Ending	December 30	June 30	December 30	Payments
2017	\$ 58,500	\$ 4,802	\$ 4,802	\$ 68,104
2018	65,000	4,290	4,290	73,580
2019	65,000	3,233	3,233	71,466
2020	65,000	3,492	3,492	71,984
2021	65,000	2,425	2,425	69,850
2022-2023	130,000	2,535	2,535	135,070
TOTAL	\$ 448,500	\$ 20,777	\$ 20,777	\$ 490,054

Business-Type Activities:

General Obligation (Alternative Revenue Sources) Bond, Series 2012A				
Fiscal Year	Principal	Interest	Interest	Total
Ending	December 30	June 30	December 30	Payments
2017	\$ 17,500	\$ 1,915	\$ 1,915	\$ 21,330
2018	18,200	1,743	1,743	21,686
2019	18,550	1,470	1,470	21,490
2020	18,900	1,192	1,192	21,284
2021	19,250	908	908	21,066
2022-2023	23,805	934	934	25,673
TOTAL	\$ 116,205	\$ 8,162	\$ 8,162	\$ 132,529

General Obligation (Alternative Revenue Sources) Bond, Series 2012B				
Fiscal Year	Principal	Interest	Interest	Total
Ending	December 30	June 30	December 30	Payments
2017	\$ 31,500	\$ 2,585	\$ 2,586	\$ 36,671
2018	35,000	2,310	2,310	39,620
2019	35,000	1,617	1,617	38,234
2020	35,000	1,358	1,358	37,716
2021	35,000	1,300	1,300	37,600
2022-2023	70,000	1,365	1,365	72,730
TOTAL	\$ 241,500	\$ 10,535	\$ 10,536	\$ 262,571

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 4 - Long-Term Obligations: (continued)

Revenue Debt

Business-type activities revenue notes are payable only from revenues derived from the operation of the water and sewer utilities and a ½% sales tax passed by referendum.

Revenue debt payable at April 30, 2016 consists of the following:

Business-Type Activities Revenue Debt

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 4/30/16</u>
<u>Water Utility</u>					
2004 IEPA Loan	12/07/04	-	2.50%	\$ 2,487,404	\$ 1,426,394
<u>Sewer Utility</u>					
2010 Bonds (Callable 10/30/20)	1/26/10	10/30/30	2.00-4.35%	8,735,000	<u>7,255,000</u>
Total Business-Type Activities Revenue Debt					<u>\$ 8,681,394</u>

The 2004 IEPA Loan requires a reserve of \$60,000 be maintained. See Note 2 for more information.

Fiscal Year Ending	2004 IEPA Revenue Note - Water Utility				
	<u>Principal May 11</u>	<u>Interest May 11</u>	<u>Principal Nov 11</u>	<u>Interest Nov 11</u>	<u>Total Payments</u>
2017	\$ 60,905	\$ 20,143	\$ 61,667	\$ 19,381	\$ 162,096
2018	62,438	18,610	63,218	17,830	162,096
2019	64,009	17,039	64,809	16,239	162,096
2020	65,619	15,429	66,439	14,609	162,096
2021	67,270	13,779	68,110	12,938	162,097
2022-2026	362,599	42,643	367,131	38,109	810,482
2027	52,180	3,965	-	-	56,145
TOTAL	<u>\$ 735,020</u>	<u>\$ 131,608</u>	<u>\$ 691,374</u>	<u>\$ 119,106</u>	<u>\$1,677,108</u>

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 4 - Long-Term Obligations: (continued)

Debt service requirements to maturity are as follows:

Alternative Revenue Source Bond, Series 2010				
Sewer Utility				
Fiscal Year	Principal	Interest	Interest	Total
Ending	December 30	June 30	December 30	Payments
2017	\$ 265,000	\$ 150,991	\$ 150,991	\$ 566,982
2018	275,000	146,685	146,685	568,370
2019	280,000	141,872	141,872	563,744
2020	295,000	136,622	136,622	568,244
2021	305,000	130,722	130,722	566,444
2022-2026	1,710,000	557,412	557,412	2,824,824
2027-2031	2,095,000	366,830	366,830	2,828,660
2032-2036	2,030,000	116,662	116,662	2,263,324
TOTAL	\$ 7,255,000	\$ 1,747,796	\$ 1,747,796	\$ 10,750,592

Promissory Notes

These notes are payable out of the debt service fund and are related to City construction projects.

Promissory notes at April 30, 2016 consist of the following:

	<u>Date of</u>	<u>Final</u>	<u>Interest</u>	<u>Original</u>	<u>Balance</u>
	<u>Issue</u>	<u>Maturity</u>	<u>Rates</u>	<u>Indebtedness</u>	<u>4/30/2016</u>
<u>Governmental Activities:</u>					
<u>Promissory Notes:</u>					
2008 Sales Tax Loan	09/01/2008	09/01/2018	4.85%	\$ 500,000	\$ 148,638
2009 Sales Tax Loan	08/26/2009	09/01/2019	4.49%	715,000	287,658
2010 Sales Tax Loan	09/02/2010	09/02/2020	4.58%	645,000	326,704
Total Governmental Activities-Promissory Notes					<u>\$ 763,000</u>

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 4 - Long-Term Obligations: (continued)

Debt service requirements to maturity are as follows:

Fiscal Year	Governmental Activities		Total
	Promissory Notes		
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2017	\$ 203,408	\$ 34,997	\$ 238,405
2018	212,284	25,623	237,907
2019	190,227	15,811	206,038
2020	157,081	7,090	164,171
TOTAL	<u>\$ 763,000</u>	<u>\$ 83,521</u>	<u>\$ 846,521</u>

Other Debt Information

Estimated payments of compensated absences are not included in the debt service requirements schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The City believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations, except as described in the Revenue Debt section.

Note 5 - Lease Disclosures:

Lessor - Operating Leases

The City receives lease payments from a property rented to a local not-for-profit organization. The leased property includes buildings and land, including parking areas. The initial lease commenced on May 1, 2013. Annual lease payment is \$1.00. The lease may be extended upon agreement of both parties. The land under lease is valued at \$0 and the cost of buildings is \$109,012. At April 30, 2016, the building's accumulated depreciation was \$109,012. The lease terminated on June 1, 2016.

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 6 - Net Position Restricted:

A. Net position restricted for other purposes as shown on the Statement of Net Position is as follows:

Governmental Activities	Restricted By	Amount
Audit	Law	\$ 22,237
Emergency Services Defense	Law	4,347
Unemployment Insurance	Law	55,112
Liability Insurance	Law	97,845
Workers Compensation Insurance	Law	40,657
Motor Fuel Tax (Public Street Projects)	Law	289,200
Illinois Municipal Retirement (Pension)	Law	205,260
Medicare/Social Security (Payroll Taxes)	Law	3,466
Flood Control	Law	34,650
Fire Protection Services	Law	1,151,021
Public Works Fund	Law	268,844
Debt Service Fund	Law	152,257
Total Net Position Restricted for Other Purposes		\$ 2,324,896

B. Net position restricted for debt service as shown on the Statement of Net Position is as follows:

Business-Type Activities	Restricted By	Amount
Water - Debt Service	Note Agreement	\$ 60,000
Total Net Position Restricted for Debt Service		\$ 60,000

Note 7 - Deficit Fund Balance:

The following funds reflected a deficit fund balance at April 30, 2016:

<u>Fund</u>	<u>Deficit</u>
Parks & Recreation Fund	\$158,935
Swimming Pool Fund	\$ 2,532

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 8 - Budgetary Compliance and Accountability:

A. Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1C.

A budget has been adopted for the general fund, special revenue funds, debt service fund, and capital projects funds.

The budgeted amounts presented include any amendments made. The City may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action. Supplemental appropriations during the year for major and nonmajor funds were as follows:

Major Fund	Amount
General Fund	\$ 481,950
Nonmajor Fund	Amount
Parks & Recreation Fund	\$ 13,900

B. Excess Expenditures Over Appropriations

Total expenditures (including amendments) exceeded the budget for the following funds:

Fund	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Appropriations
* General Fund	\$ 3,078,770	\$ 3,135,225	\$ 56,455
Medicare/Social Security Fund	130,000	132,559	2,559
Motor Fuel Tax Fund	79,200	98,214	19,014

* See Notes to Supplementary Information – Note #2

Note 9 - Pension Plan:

IMRF Plan Description

The City of Galena's defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increase, and death benefits to plan members and beneficiaries. The City of Galena's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available

CITY OF GALENA
GALENA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016

Note 9 - **Pension Plan:** (continued)

IMRF Plan Description (continued)

from IMRF. 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 Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three 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% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% 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% 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 ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 2% 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% of the original pension amount, or
- ½ of the increase in the Consumer Price index of the original pension amount

Employees Covered by Benefit Terms

As of December 31, 2015, the following employees were covered by the benefit terms:

	<u>IMRF</u>
Retirees and Beneficiaries currently receiving benefits	34
Inactive Plan Members entitled to but not yet receiving benefits	9
Active Plan Members	<u>29</u>
TOTAL	<u><u>72</u></u>

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 9 - Pension Plan: (continued)

Contributions

As set by statute, the City of Galena's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member's contributions, to finance the retirement coverage of its own employees. The City of Galena's annual contribution rate for calendar year 2015 was 4.5%. For the fiscal year ended April 30, 2016, the City of Galena contributed \$166,320 to the plan. The City of Galena 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 IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The City of Galena's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2015:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 3%.
- **Salary Increases** were expected to be 4.40% to 16.00%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2011 valuation according to an experience study from years 2008 to 2010.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projects scale MP-2014 (base year 2020). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 9 - Pension Plan: (continued)

Actuarial Assumptions (continued)

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

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	7.39%
International Equity	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	5.38% Average
Cash Equivalents	1%	
TOTAL	100%	

Single Discount Rate

A Single Discount Rate of 7.50% was used to measure the total pension liability. 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 the City of Galena's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. 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
2. the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.58%, and the resulting single discount rate is 7.49%.

CITY OF GALENA
GALENA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016

Note 9 - **Pension Plan:** (continued)

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Position Liability (A) - (B)
Balances at December 31, 2014	\$ 7,625,784	\$ 7,444,695	\$ 181,089
Changes for the year:			
Service Cost	147,510	-	147,510
Interest on the Total Pension Liability	567,234	-	567,234
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	16,525	-	16,525
Changes of Assumptions	10,339	-	10,339
Contributions - Employer	-	152,463	(152,463)
Contributions - Employees	-	65,249	(65,249)
Net Investment Income	-	37,086	(37,086)
Benefit Payments, including Refunds of Employee Contributions	(272,848)	(272,848)	-
Other (Net Transfer)	-	(91,859)	91,859
Net Changes	<u>\$ 468,760</u>	<u>\$ (109,909)</u>	<u>\$ 578,669</u>
Balances at December 31, 2015	<u>\$ 8,094,544</u>	<u>\$ 7,334,786</u>	<u>\$ 759,758</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.49%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower (6.49%)	Current Discount (7.49%)	1% Higher (8.49%)
Total Pension Liability	\$ 9,211,783	\$ 8,094,544	\$ 7,175,502
Plan Fiduciary Net Position	7,334,786	7,334,786	7,334,786
Net Pension Liability (Asset)	<u>\$ 1,876,997</u>	<u>\$ 759,758</u>	<u>\$ (159,284)</u>

CITY OF GALENA
GALENA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016

Note 9 - **Pension Plan:** (continued)

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

For the year ended April 30, 2016, the City of Galena recognized pension expense of \$166,320. At April 30, 2016 the City of Galena's reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Amounts to be Recognized in Future Pension Expense		
Difference between expected and actual experience	\$ 12,645	\$ -
Changes of assumptions	7,911	-
Net difference between projected and actual earnings on pension plan investments	412,603	-
Total Deferred Amounts to be recognized in future pension expense	\$ 433,159	\$ -
Pension Contributions made subsequent to the Measurement Date	84,831	-
Total Deferred Amounts Related to Pensions	\$ 517,990	\$ -

The amount of \$84,831 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended April 30, 2017.

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

Year Ending December 31	Net Deferred Outflows of Resources	Net Deferred Inflows of Resources
2016	\$ 109,459	-
2017	109,459	-
2018	109,459	-
2019	104,782	-
2020	-	-
Thereafter	-	-
TOTAL	\$ 433,159	\$ -

CITY OF GALENA
GALENA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016

Note 10 - Interfund Receivables/Payables and Transfers:

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
Debt Service*	General*	\$ 299,320	Debt Payments
Insurance	General*	12,465	Provide Additional Funds
Swimming Pool	General*	111,075	Provide Additional Funds
Turner Hall	General*	19,000	Provide Additional Funds
Parks & Recreation	General*	161,115	Provide Additional Funds
Debt Service*	Shuttle	25,035	Debt Payments
Debt Service*	Capital Project*	292,229	Provide Funds for Debt Payment
Debt Service*	Parks & Recreation	53,925	Debt Payments
Insurance	Water*	9,200	Liability Insurance Payments
Insurance	Sewer*	9,200	Liability Insurance Payments
Audit	Water*	3,175	Audit Services
Audit	Sewer*	3,175	Audit Services
Emergency Services	Fire Protection*	2,100	Siren Maintenance
Subtotal - Fund Financial Statements		\$ 1,001,014	
Less: Fund Eliminations		(920,723)	
Total Government-wide Statements of Activities		\$ 80,291	

**Denotes Major Fund*

Business-Type Activities	Governmental Activities	\$ 185,845
Governmental Activities	Business-Type Activities	105,554
Total		\$ 80,291

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 11- Legal Debt Margin:

Based on the assessed valuation for 2015 of \$96,785,265, the legal debt margin is:

Statutory Debt Limitation	\$96,785,265 x 8.625%	\$ 8,347,729
Less: General Obligation Bonds Outstanding		2,595,000
Promissory Notes		763,000
LEGAL DEBT MARGIN		\$ 4,989,729

CITY OF GALENA
GALENA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016

Note 12 - Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

Note 13 - Contingencies:

Compensated Absences

Under terms of employment, certain employees are granted compensated absences in varying amounts. These benefits, whether or not fully vested, are considered contingent liabilities for disclosure purposes only. Payments for the varying compensated absences will be made at rates in effect when the benefits are used. The following accumulated compensated absences at April 30, 2016, are determined on the basis of current wage rates.

Accumulated Sick Leave - The City provides full-time employees paid time off for sick leave which accumulates from year to year if not used. A contingent liability for sick pay has been calculated in the amount of \$328,170 at April 30, 2016. The accumulated sick pay days are a partially vested benefit.

Accumulated Personal Leave - The City provides full-time employees paid time off for personal leave which accumulates from year to year if not used. A contingent liability for personal pay has been calculated in the amount of \$1,508 at April 30, 2016. The accumulated personal pay days are not a vested benefit.

Accumulated Vacation Leave - The City provides full-time employees vested vacation leave on an annual basis according to their years of continuous service. Vacation leave elapses on the day of their anniversary of employment. A contingent liability for vacation leave has been calculated in the amount of \$141,501 at April 30, 2016.

Accumulated Compensatory Time Off and Overtime Pay - The City provides full-time employees compensatory time off for overtime hours worked, which may accumulate from year to year if not used. A contingent liability for compensatory pay has been calculated in the amount of \$35,805 at April 30, 2016. The accumulated compensatory time is a vested benefit for the City's non-exempt full-time employees.

CITY OF GALENA
GALENA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016

Note 14 - Compromise Settlement - Extraordinary Item:

A train derailment occurred on BNSF railroad tracks within the rural Galena fire protection district in March 2015. The fire-fighting efforts and other costs associated with the train derailment were reimbursed by the railroad as follows:

	General Fund	Fire Protection Fund	Total
<u>Revenues:</u>			
Train Derailment Settlement	\$ 81,713	\$ 318,281	\$ 399,994
<u>Expenditures:</u>			
Personnel	-	(62,347)	(62,347)
Mutual Aid Fire Districts	-	(248,500)	(248,500)
Maintenance Services	(69,539)	-	(69,539)
Compromise Settlement - Net	\$ 12,174	\$ 7,434	\$ 19,608

Note 15 - Accounting Change/Restatement:

Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, were implemented during fiscal year 2016. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government to recognize a net pension liability and for changes in the net pension liability, deferred outflows of resources and deferred inflows of resources that arise from other types of events related to pensions. During the transition year, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016**

Note 15 - Accounting Change/Restatement: (continued)

	Governmental Funds	Enterprise Funds	Total
Net Position April 30, 2015, as previously reported	\$ 17,976,757	\$ 4,782,855	\$ 22,759,612
Net Pension Liability at December 31, 2014	(163,342)	(17,747)	(181,089)
Deferred Outflows of Resources related to contributions made after the December 31, 2014 measurement date	82,787	8,682	91,469
Net Position May 1, 2015, as restated	\$ 17,896,202	\$ 4,773,790	\$ 22,669,992

Note 16 - Subsequent Events:

Subsequent to the year ended April 30, 2016, the City approved the following major expenditures and contract activity:

Expenditures:

• Maintenance at the Depot, including exterior stairs	\$ 10,000
• New police vehicle	\$ 32,960
• Downtown sidewalk and crosswalk replacement	\$ 110,700
• End loader replacement (lease)	\$ 10,500
• New public works truck	\$ 30,000
• Engineering for replacement of a section of Meeker St. pedestrian bridge	\$ 15,000
• Install solar array at City Hall	\$ 85,000
• Phase 3 of the Galena River Trail	\$1,380,000
• Riding mower purchase	\$ 10,000
• Gateway Park restroom construction	\$ 65,000
• Canoe/kayak launch construction	\$ 115,000
• End loader replacement (lease)	\$ 10,500
• Replace bunker gear at fire department	\$ 70,000
• Fire training center storage building and design fees	\$ 95,000
• Replace driveway at fire department	\$ 50,000
• Street resurfacing	\$ 307,000
• Miscellaneous street repairs	\$ 10,000
• Spring Street project engineering	\$ 20,000

CITY OF GALENA
GALENA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2016

Note 16 - Subsequent Events: (continued)

• Well #6 pump refurbishment	\$ 25,000
• Water meter replacement	\$ 20,000
• Purchase used truck and vehicle (shared cost with sewer)	\$ 15,000
• Pressure storm sewer study	\$ 20,000
• Inflow and infiltration study	\$ 10,000
• Purchase used truck and vehicle (shared cost with water)	\$ 15,000
• City-funded 5-year plan project at Turner Hall	\$ 40,000
• Galena Foundation-funded 5-year plan project at Turner Hall	\$ 92,000
• New boiler and large slide resurfacing at pool	\$ 37,500
• Resurfacing and new slide in kiddy pool	<u>\$ 45,000</u>
TOTAL CAPITAL EXPENSES	<u>\$2,746,160</u>

The City's management has evaluated events and transactions for potential financial statement recognition or disclosure through October 5, 2016, the date the financial statements were available to be issued.

CITY OF GALENA
GALENA, ILLINOIS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Local Taxes	\$ 1,645,855	\$ 1,671,855	\$ 1,744,968	\$ 73,113
Licenses	129,980	142,105	159,994	17,889
Permits	57,900	57,900	97,982	40,082
Intergovernmental	1,588,700	1,604,100	1,700,012	95,912
Fines and Forfeitures	41,950	41,950	58,273	16,323
Charge for Services	13,250	13,250	14,708	1,458
Investment Earnings	8,000	8,000	35,653	27,653
Miscellaneous	83,350	106,103	109,583	3,480
TOTAL REVENUES (Schedule 2)	<u>\$ 3,568,985</u>	<u>\$ 3,645,263</u>	<u>\$ 3,921,173</u>	<u>\$ 275,910</u>
<u>EXPENDITURES:</u>				
General Government	\$ 1,355,335	\$ 1,453,560	\$ 1,590,941	\$ (137,381)
Public Safety	841,560	847,445	833,439	14,006
Public Works	725,525	777,765	710,845	66,920
TOTAL EXPENDITURES (Schedule 3)	<u>\$ 2,922,420</u>	<u>\$ 3,078,770</u>	<u>\$ 3,135,225</u>	<u>\$ (56,455)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 646,565</u>	<u>\$ 566,493</u>	<u>\$ 785,948</u>	<u>\$ 219,455</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers Out	\$ (613,275)	\$ (613,275)	\$ (602,975)	\$ 10,300
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (613,275)</u>	<u>\$ (613,275)</u>	<u>\$ (602,975)</u>	<u>\$ 10,300</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses) Before Extraordinary Item	<u>\$ 33,290</u>	<u>\$ (46,782)</u>	<u>\$ 182,973</u>	<u>\$ 229,755</u>

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>EXTRAORDINARY ITEM:</u>				
Compromise Settlement Net (Note 14)	\$ -	\$ 12,100	\$ 12,174	\$ 74
Net Change in Fund Balance	\$ 33,290	\$ (34,682)	\$ 195,147	\$ 229,829
FUND BALANCE - BEGINNING			1,798,427	
FUND BALANCE - ENDING			<u>\$ 1,993,574</u>	

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

GENERAL FUND

SCHEDULE OF REVENUES - BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
<u>Local Taxes:</u>				
<u>Property Taxes:</u>				
Police Protection	\$ 8,185	\$ 8,185	\$ 8,200	\$ 15
School Crossing Guard	10	10	19	9
General Corporate	426,150	426,150	424,527	(1,623)
Street Lighting	10	10	19	9
Road and Bridge	77,000	77,000	78,768	1,768
Total Property Taxes	\$ 511,355	\$ 511,355	\$ 511,533	\$ 178
<u>Other Taxes:</u>				
Hotel Taxes	\$ 480,000	\$ 480,000	\$ 579,464	\$ 99,464
Foreign Fire Insurance Taxes	12,000	12,000	-	(12,000)
Telecommunications Taxes	142,500	142,500	129,265	(13,235)
Utility Taxes	220,000	220,000	196,201	(23,799)
Food and Beverage Tax	228,000	254,000	269,053	15,053
Amusement Tax	52,000	52,000	59,452	7,452
Total Other Taxes	\$ 1,134,500	\$ 1,160,500	\$ 1,233,435	\$ 72,935
Total Local Taxes	\$ 1,645,855	\$ 1,671,855	\$ 1,744,968	\$ 73,113
<u>Licenses:</u>				
Liquor Licenses	\$ 60,000	\$ 65,625	\$ 74,657	\$ 9,032
Contractor Licenses	12,000	18,500	16,800	(1,700)
Miscellaneous Licenses	7,000	7,000	6,315	(685)
Guest House Licenses	3,530	3,530	3,010	(520)
Tour Business Licenses	450	450	500	50
Cable Franchise Licenses	47,000	47,000	58,712	11,712
Total Licenses	\$ 129,980	\$ 142,105	\$ 159,994	\$ 17,889
<u>Permits:</u>				
Building Permits	\$ 45,000	\$ 45,000	\$ 64,424	\$ 19,424
Electric Permits	1,000	1,000	9,662	8,662
Plumbing Permits	-	-	-	-
HVAC Permits	2,000	2,000	9,782	7,782
Zoning Permits/Applications	1,500	1,500	4,054	2,554
Sign Permits	2,000	2,000	2,285	285
Miscellaneous Permits	6,000	6,000	7,100	1,100
Excavation Permits	400	400	675	275
Total Permits	\$ 57,900	\$ 57,900	\$ 97,982	\$ 40,082

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

GENERAL FUND

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES: (continued)				
<u>Intergovernmental Revenues:</u>				
State Income Taxes	\$ 339,000	\$ 339,000	\$ 366,142	\$ 27,142
Sales Taxes	1,183,700	1,183,700	1,229,364	45,664
Local Use Taxes	65,000	65,000	78,913	13,913
State Grants - Public Safety	1,000	16,400	25,593	9,193
Total Intergovernmental Revenues	<u>\$ 1,588,700</u>	<u>\$ 1,604,100</u>	<u>\$ 1,700,012</u>	<u>\$ 95,912</u>
<u>Fines and Forfeitures:</u>				
Court Fines	\$ 27,000	\$ 27,000	\$ 30,078	\$ 3,078
Parking Fines	11,000	11,000	20,530	9,530
DUI Fine Income	2,000	2,000	3,813	1,813
Miscellaneous	1,950	1,950	3,852	1,902
Total Fines and Forfeitures	<u>\$ 41,950</u>	<u>\$ 41,950</u>	<u>\$ 58,273</u>	<u>\$ 16,323</u>
<u>Inspections:</u>				
Backflow Inspections	\$ 10,000	\$ 10,000	\$ 10,853	\$ 853
Rental Housing Inspections	3,250	3,250	3,855	605
Total Inspections	<u>\$ 13,250</u>	<u>\$ 13,250</u>	<u>\$ 14,708</u>	<u>\$ 1,458</u>
<u>Investment Income:</u>				
Interest Income	\$ 8,000	\$ 8,000	\$ 35,653	\$ 27,653
Total Investment Income	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 35,653</u>	<u>\$ 27,653</u>
<u>Miscellaneous:</u>				
Country Fair Grant	\$ 2,000	\$ 2,000	\$ 1,800	\$ (200)
Donations	2,000	2,000	884	(1,116)
Insurance Refunds	2,000	3,490	16,833	13,343
Video Gaming	30,000	31,000	49,676	18,676
Miscellaneous	47,350	67,613	40,390	(27,223)
Total Miscellaneous	<u>\$ 83,350</u>	<u>\$ 106,103</u>	<u>\$ 109,583</u>	<u>\$ 3,480</u>
TOTAL REVENUES (SCHEDULE 1)	<u><u>\$ 3,568,985</u></u>	<u><u>\$ 3,645,263</u></u>	<u><u>\$ 3,921,173</u></u>	<u><u>\$ 275,910</u></u>

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>GENERAL GOVERNMENT:</u>				
<u>Administration:</u>				
<u>Personnel:</u>				
Salaries - Employees	\$ 159,125	\$ 159,125	\$ 155,361	\$ 3,764
Salaries - Elected	17,500	17,500	17,350	150
Total Personnel	<u>\$ 176,625</u>	<u>\$ 176,625</u>	<u>\$ 172,711</u>	<u>\$ 3,914</u>
<u>Contractual Services:</u>				
Professional Services	\$ 2,500	\$ 2,500	\$ 342	\$ 2,158
Communications	1,200	1,200	1,321	(121)
Professional Development	2,600	2,600	3,226	(626)
Hotel Motel Tax Expense	480,000	480,000	568,522	(88,522)
Total Contractual Services	<u>\$ 486,300</u>	<u>\$ 486,300</u>	<u>\$ 573,411</u>	<u>\$ (87,111)</u>
<u>Other Expenditures:</u>				
Refunds	\$ 1,000	\$ 6,625	\$ 6,388	\$ 237
Mayor's Discretionary Fund	5,000	5,000	3,769	1,231
Grants to Not-for-Profit Organizations	9,000	9,000	8,837	163
Miscellaneous	1,500	1,500	7,249	(5,749)
Total Other Expenditures	<u>\$ 16,500</u>	<u>\$ 22,125</u>	<u>\$ 26,243</u>	<u>\$ (4,118)</u>
Total Administration	<u>\$ 679,425</u>	<u>\$ 685,050</u>	<u>\$ 772,365</u>	<u>\$ (87,315)</u>
<u>Finance:</u>				
<u>Personnel:</u>				
Salaries - Employees	\$ 87,150	\$ 87,150	\$ 90,359	\$ (3,209)
Insurance Benefits	376,700	376,700	396,913	(20,213)
Total Personnel	<u>\$ 463,850</u>	<u>\$ 463,850</u>	<u>\$ 487,272</u>	<u>\$ (23,422)</u>
<u>Contractual Services:</u>				
Maintenance Services	\$ 31,975	\$ 31,975	\$ 43,179	\$ (11,204)
Professional Services	37,235	37,235	31,915	5,320
Communications	11,900	11,900	14,814	(2,914)
Professional Development	1,600	1,600	817	783
Services Charges	9,500	9,500	8,482	1,018
Equipment Lease	2,000	2,000	1,987	13
Foreign Fire Insurance to Galena Fire Dept.	12,000	12,000	-	12,000
Total Contractual Services	<u>\$ 106,210</u>	<u>\$ 106,210</u>	<u>\$ 101,194</u>	<u>\$ 5,016</u>

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

GENERAL FUND

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>GENERAL GOVERNMENT:</u> (continued)				
<u>Commodities:</u>				
General Supplies	\$ 7,500	\$ 7,500	\$ 8,320	\$ (820)
Total Commodities	<u>\$ 7,500</u>	<u>\$ 7,500</u>	<u>\$ 8,320</u>	<u>\$ (820)</u>
<u>Other Expenditures:</u>				
Bank Charges	\$ 1,100	\$ 1,100	\$ 666	\$ 434
Miscellaneous	1,500	1,500	4,679	(3,179)
Total Other Expenditures	<u>\$ 2,600</u>	<u>\$ 2,600</u>	<u>\$ 5,345</u>	<u>\$ (2,745)</u>
<u>Capital Outlay:</u>				
Buildings	\$ -	\$ 92,600	\$ 121,881	\$ (29,281)
Equipment	-	-	300	(300)
Total Capital Outlay	<u>\$ -</u>	<u>\$ 92,600</u>	<u>\$ 122,181</u>	<u>\$ (29,581)</u>
Total Finance	<u>\$ 580,160</u>	<u>\$ 672,760</u>	<u>\$ 724,312</u>	<u>\$ (51,552)</u>
<u>Clerk:</u>				
<u>Personnel:</u>				
Salaries - Elected	\$ 9,100	\$ 9,100	\$ 9,450	\$ (350)
Total Personnel	<u>\$ 9,100</u>	<u>\$ 9,100</u>	<u>\$ 9,450</u>	<u>\$ (350)</u>
<u>Contractual Services:</u>				
Professional Services	\$ 5,000	\$ 5,000	\$ 3,843	\$ 1,157
Communications	1,700	1,700	1,281	419
Professional Development	2,750	2,750	3,328	(578)
Total Contractual Services	<u>\$ 9,450</u>	<u>\$ 9,450</u>	<u>\$ 8,452</u>	<u>\$ 998</u>
Total Clerk	<u>\$ 18,550</u>	<u>\$ 18,550</u>	<u>\$ 17,902</u>	<u>\$ 648</u>
<u>Zoning:</u>				
<u>Personnel:</u>				
Salaries - Employees	\$ 69,800	\$ 69,800	\$ 71,579	\$ (1,779)
Total Personnel	<u>\$ 69,800</u>	<u>\$ 69,800</u>	<u>\$ 71,579</u>	<u>\$ (1,779)</u>
<u>Contractual Services:</u>				
Professional Services	\$ 2,700	\$ 2,700	\$ 2,435	\$ 265
Communications	1,250	1,250	1,886	(636)
Professional Development	2,950	2,950	255	2,695
Total Contractual Services	<u>\$ 6,900</u>	<u>\$ 6,900</u>	<u>\$ 4,576</u>	<u>\$ 2,324</u>

See Accompanying Independent Auditor's Report.

**CITY OF GALENA
GALENA, ILLINOIS**

GENERAL FUND

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>GENERAL GOVERNMENT:</u> (continued)				
<u>Capital Outlay:</u>				
Equipment	\$ 500	\$ 500	\$ 207	\$ 293
Total Capital Outlay	\$ 500	\$ 500	\$ 207	\$ 293
Total Zoning	\$ 77,200	\$ 77,200	\$ 76,362	\$ 838
TOTAL GENERAL GOVERNMENT	\$ 1,355,335	\$ 1,453,560	\$ 1,590,941	\$ (137,381)
 <u>PUBLIC SAFETY:</u>				
<u>Police Protection:</u>				
<u>Personnel:</u>				
Salaries - Employees	\$ 610,460	\$ 617,630	\$ 644,519	\$ (26,889)
Uniforms	9,350	9,350	8,140	1,210
Total Personnel	\$ 619,810	\$ 626,980	\$ 652,659	\$ (25,679)
<u>Contractual Services:</u>				
Maintenance Services	\$ 23,950	\$ 23,950	\$ 15,819	\$ 8,131
Professional Services	15,000	15,000	12,489	2,511
Communications	10,450	10,450	13,952	(3,502)
Professional Development	8,400	8,400	6,053	2,347
Service Charges	11,000	11,000	7,658	3,342
Equipment Lease	1,000	1,000	877	123
Total Contractual Services	\$ 69,800	\$ 69,800	\$ 56,848	\$ 12,952
<u>Commodities:</u>				
General Supplies	\$ 5,000	\$ 5,000	\$ 4,256	\$ 744
Total Commodities	\$ 5,000	\$ 5,000	\$ 4,256	\$ 744
<u>Other Expenditures:</u>				
Miscellaneous	\$ 60,700	\$ 60,700	\$ 25,899	\$ 34,801
Total Other Expenditures	\$ 60,700	\$ 60,700	\$ 25,899	\$ 34,801

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>PUBLIC SAFETY:</u> (continued)				
<u>Capital Outlay:</u>				
Equipment	\$ -	\$ 3,845	\$ 20,145	\$ (16,300)
Total Capital Outlay	\$ -	\$ 3,845	\$ 20,145	\$ (16,300)
Total Police Protection	\$ 755,310	\$ 766,325	\$ 759,807	\$ 6,518
<u>Building Inspection:</u>				
<u>Personnel:</u>				
Salaries - Employees	\$ 69,050	\$ 63,920	\$ 63,369	\$ 551
Total Personnel	\$ 69,050	\$ 63,920	\$ 63,369	\$ 551
<u>Contractual Services:</u>				
Professional Services	\$ 12,000	\$ 12,000	\$ 6,222	\$ 5,778
Communications	400	400	723	(323)
Professional Development	3,300	3,300	1,947	1,353
Total Contractual Services	\$ 15,700	\$ 15,700	\$ 8,892	\$ 6,808
<u>Commodities:</u>				
General Supplies	\$ 1,500	\$ 1,500	\$ 1,371	\$ 129
Total Commodities	\$ 1,500	\$ 1,500	\$ 1,371	\$ 129
Total Building Inspection	\$ 86,250	\$ 81,120	\$ 73,632	\$ 7,488
TOTAL PUBLIC SAFETY	\$ 841,560	\$ 847,445	\$ 833,439	\$ 14,006
 <u>PUBLIC WORKS:</u>				
<u>Transportation:</u>				
<u>Personnel:</u>				
Salaries - Employees	\$ 342,475	\$ 351,975	\$ 351,014	\$ 961
Uniforms	2,000	2,000	2,081	(81)
Total Personnel	\$ 344,475	\$ 353,975	\$ 353,095	\$ 880

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>PUBLIC WORKS:</u> (continued)				
<u>Contractual Services:</u>				
Maintenance Services	\$ 59,450	\$ 59,450	\$ 62,917	\$ (3,467)
Other Professional	800	800	728	72
Communications	1,300	1,300	1,168	132
Professional Development	500	500	285	215
Service Charges	15,700	15,700	14,613	1,087
Equipment Rental	3,000	3,000	1,875	1,125
Total Contractual Services	<u>\$ 80,750</u>	<u>\$ 80,750</u>	<u>\$ 81,586</u>	<u>\$ (836)</u>
<u>Commodities:</u>				
Maintenance Supplies	\$ 97,650	\$ 115,140	\$ 141,958	\$ (26,818)
General Supplies	57,300	57,300	38,976	18,324
Total Commodities	<u>\$ 154,950</u>	<u>\$ 172,440</u>	<u>\$ 180,934</u>	<u>\$ (8,494)</u>
<u>Capital Outlay:</u>				
Buildings	\$ -	\$ -	\$ 1,123	\$ (1,123)
Equipment	80,000	80,000	-	80,000
Infrastructure	28,500	53,750	60,973	(7,223)
Total Capital Outlay	<u>\$ 108,500</u>	<u>\$ 133,750</u>	<u>\$ 62,096</u>	<u>\$ 71,654</u>
Total Transportation	<u>\$ 688,675</u>	<u>\$ 740,915</u>	<u>\$ 677,711</u>	<u>\$ 63,204</u>
<u>Engineering:</u>				
<u>Personnel:</u>				
Salaries - Employees	\$ 22,750	\$ 22,750	\$ 23,561	\$ (811)
Total Personnel	<u>\$ 22,750</u>	<u>\$ 22,750</u>	<u>\$ 23,561</u>	<u>\$ (811)</u>
<u>Contractual Services:</u>				
Professional Services	\$ 11,000	\$ 11,000	\$ 8,385	\$ 2,615
Professional Development	2,000	2,000	960	1,040
Total Contractual Services	<u>\$ 13,000</u>	<u>\$ 13,000</u>	<u>\$ 9,345</u>	<u>\$ 3,655</u>
<u>Commodities:</u>				
General Supplies	\$ 600	\$ 600	\$ -	\$ 600
Total Commodities	<u>\$ 600</u>	<u>\$ 600</u>	<u>\$ -</u>	<u>\$ 600</u>

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>PUBLIC WORKS:</u> (continued)				
<u>Engineering:</u> (continued)				
<u>Capital Outlay:</u>				
Equipment	\$ 500	\$ 500	\$ 228	\$ 272
Total Capital Outlay	\$ 500	\$ 500	\$ 228	\$ 272
Total Engineering	\$ 36,850	\$ 36,850	\$ 33,134	\$ 3,716
TOTAL PUBLIC WORKS	\$ 725,525	\$ 777,765	\$ 710,845	\$ 66,920
TOTAL EXPENDITURES (SCHEDULE 1)	\$ 2,922,420	\$3,078,770	\$3,135,225	\$ (56,455)

CITY OF GALENA
GALENA, ILLINOIS

FIRE PROTECTION FUND - SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
<u>Local Sources:</u>				
Property Taxes	\$ 341,500	\$ 341,500	\$ 341,780	\$ 280
<u>Intergovernmental:</u>				
Rural District	25,200	25,200	--	(25,200)
<u>Other Local Sources:</u>				
Investment Earnings	4,000	4,000	6,199	2,199
Miscellaneous	500	500	1,811	1,311
TOTAL REVENUES	<u>\$ 371,200</u>	<u>\$ 371,200</u>	<u>\$ 349,790</u>	<u>\$ (21,410)</u>
<u>EXPENDITURES:</u>				
<u>Current:</u>				
<u>Public Safety:</u>				
<u>Personnel:</u>				
Salaries - Employees	\$ 35,400	\$ 35,400	\$ 21,024	\$ 14,376
Death Benefits	2,500	2,500	1,890	610
	<u>\$ 37,900</u>	<u>\$ 37,900</u>	<u>\$ 22,914</u>	<u>\$ 14,986</u>
<u>Contractual Services:</u>				
Maintenance Services	\$ 3,700	\$ 3,700	\$ 1,735	\$ 1,965
Professional Services	2,500	2,500	1,300	1,200
Communication	2,050	2,050	1,903	147
Professional Development	6,650	6,650	2,915	3,735
Service Charges	7,500	7,500	7,848	(348)
Liability Insurance	3,700	3,700	3,660	40
	<u>\$ 26,100</u>	<u>\$ 26,100</u>	<u>\$ 19,361</u>	<u>\$ 6,739</u>
<u>Commodities:</u>				
Maintenance Supplies	\$ 56,000	\$ 56,000	\$ 8,443	\$ 47,557
General Supplies	18,000	18,000	8,539	9,461
	<u>\$ 74,000</u>	<u>\$ 74,000</u>	<u>\$ 16,982</u>	<u>\$ 57,018</u>
<u>Other Expenditures:</u>				
Miscellaneous Expenses	\$ 5,500	\$ 5,500	\$ 7,263	\$ (1,763)
	<u>\$ 5,500</u>	<u>\$ 5,500</u>	<u>\$ 7,263</u>	<u>\$ (1,763)</u>

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

FIRE PROTECTION FUND - SPECIAL REVENUE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>EXPENDITURES:</u> (continued)				
<u>Capital Outlay:</u>				
Equipment	\$ 51,750	\$ 51,750	\$ 25,490	\$ 26,260
Building & Improvements	130,000	130,000	134,788	(4,788)
	<u>\$ 181,750</u>	<u>\$ 181,750</u>	<u>\$ 160,278</u>	<u>\$ 21,472</u>
TOTAL EXPENDITURES	<u>\$ 325,250</u>	<u>\$ 325,250</u>	<u>\$ 226,798</u>	<u>\$ 98,452</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 45,950</u>	<u>\$ 45,950</u>	<u>\$ 122,992</u>	<u>\$ 77,042</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers Out	<u>\$ (2,100)</u>	<u>\$ (2,100)</u>	<u>\$ (2,100)</u>	<u>\$ -</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (2,100)</u>	<u>\$ (2,100)</u>	<u>\$ (2,100)</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses) Before Extraordinary Item	<u>\$ 43,850</u>	<u>\$ 43,850</u>	<u>\$ 120,892</u>	<u>\$ 77,042</u>
<u>EXTRAORDINARY ITEM:</u>				
Compromise Settlement, Net (Note 14)	<u>\$ -</u>	<u>\$ 9,300</u>	<u>\$ 7,434</u>	<u>\$ (1,866)</u>
Net Change in Fund Balance	<u>\$ 43,850</u>	<u>\$ 53,150</u>	<u>\$ 128,326</u>	<u>\$ 75,176</u>
FUND BALANCE - BEGINNING			<u>1,022,695</u>	
FUND BALANCE - ENDING			<u><u>\$1,151,021</u></u>	

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

PUBLIC WORKS FUND - CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
<u>Intergovernmental Revenues:</u>				
Sales Taxes	\$ 380,000	\$ 380,000	\$ 410,326	\$ 30,326
Grant	55,000	55,000	39,882	(15,118)
<u>Other Local Sources:</u>				
Interest Earned	1,000	1,000	968	(32)
TOTAL REVENUES	<u>\$ 436,000</u>	<u>\$ 436,000</u>	<u>\$ 451,176</u>	<u>\$ 15,176</u>
<u>EXPENDITURES:</u>				
<u>Capital Outlay:</u>				
Infrastructure	\$ 169,500	\$ 176,000	\$ 144,637	\$ 31,363
TOTAL EXPENDITURES	<u>\$ 169,500</u>	<u>\$ 176,000</u>	<u>\$ 144,637</u>	<u>\$ 31,363</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 266,500</u>	<u>\$ 260,000</u>	<u>\$ 306,539</u>	<u>\$ 46,539</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers Out	\$ (264,880)	\$ (264,880)	\$ (292,229)	\$ (27,349)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (264,880)</u>	<u>\$ (264,880)</u>	<u>\$ (292,229)</u>	<u>\$ (27,349)</u>
Net Change in Fund Balance	<u>\$ 1,620</u>	<u>\$ (4,880)</u>	\$ 14,310	<u>\$ 19,190</u>
FUND BALANCE - BEGINNING			<u>254,534</u>	
FUND BALANCE - ENDING			<u>\$ 268,844</u>	

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
<u>Other Local Sources:</u>				
Interest Refund	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	\$ -	\$ -	\$ -	\$ -
<u>EXPENDITURES:</u>				
<u>Debt Service:</u>				
<u>Principal:</u>				
Winery Lot	\$ 24,580	\$ 24,580	\$ 23,388	\$ 1,192
Phase 7 Construction Loan	31,000	31,000	29,483	1,517
2012A GO Bonds - TIF Projects	147,435	147,435	147,434	1
2012A GO Bonds - Garage	39,300	39,300	39,267	33
2012A Rec Park Bond	34,210	34,210	34,208	2
2012A Bike Trail Bond	9,160	9,160	9,154	6
2012B Meeker St. Bridge	30,000	30,000	30,000	-
2012B Flood Bond	25,000	25,000	27,349	(2,349)
2008 Sales Tax Capital Projects	54,550	54,550	53,267	1,283
2009 Sales Tax Capital Projects	72,600	72,600	74,182	(1,582)
2010 Sales Tax Capital Projects	62,495	62,495	63,889	(1,394)
	\$ 530,330	\$ 530,330	\$ 531,621	\$ (1,291)
<u>Interest:</u>				
Winery Lot	\$ 455	\$ 455	\$ 431	\$ 24
Phase 7 Construction Loan	560	560	544	16
2012A GO Bond - TIF Projects	35,865	35,865	35,868	(3)
2012A GO Bonds - Garage	9,560	9,560	9,551	9
2012A Rec Park Bond	8,325	8,325	8,321	4
2012A Bike Trail Bond	2,230	2,230	2,230	-
2012B Meeker St. Bridge	5,600	5,600	5,596	4
2012B Flood Bond	4,700	4,700	2,347	2,353

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>EXPENDITURES:</u> (continued)				
<u>Debt Service:</u> (continued)				
<u>Interest:</u> (continued)				
2008 Sales Tax Capital Projects	9,360	9,360	10,631	(1,271)
2009 Sales Tax Capital Projects	17,300	17,300	15,689	1,611
2010 Sales Tax Interest	18,875	18,875	17,481	1,394
	<u>\$ 112,830</u>	<u>\$ 112,830</u>	<u>\$ 108,689</u>	<u>\$ 4,141</u>
TOTAL EXPENDITURES	<u>\$ 643,160</u>	<u>\$ 643,160</u>	<u>\$ 640,310</u>	<u>\$ 2,850</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (643,160)</u>	<u>\$ (643,160)</u>	<u>\$ (640,310)</u>	<u>\$ (2,850)</u>
<u>OTHER FINANCING SOURCES</u>				
<u>(USES):</u>				
Transfers In	<u>\$ 643,160</u>	<u>\$ 643,160</u>	<u>\$ 670,508</u>	<u>\$ 27,348</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 643,160</u>	<u>\$ 643,160</u>	<u>\$ 670,508</u>	<u>\$ 27,348</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,198</u>	<u>\$ 24,498</u>
FUND BALANCE - BEGINNING			<u>122,059</u>	
FUND BALANCE - ENDING			<u>\$ 152,257</u>	

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
APRIL 30, 2016

	SPECIAL REVENUE FUNDS							Total Nonmajor Govern- mental Funds	
	Annual Audit Fund	Emergency Services Defense Fund	Insurance Fund	Motor Fuel Tax Fund	Illinois Municipal Retirement Fund	Parks and Recreation Fund	Medicare/ Social Security Fund		Flood Control Fund
ASSETS:									
Cash, Deposits, and Investments	\$ 22,237	\$ 4,347	\$ 193,614	\$ 289,200	\$ 205,260	\$ -	\$ 3,466	\$ 34,650	\$ 752,774
TOTAL ASSETS	<u>\$ 22,237</u>	<u>\$ 4,347</u>	<u>\$ 193,614</u>	<u>\$ 289,200</u>	<u>\$ 205,260</u>	<u>\$ -</u>	<u>\$ 3,466</u>	<u>\$ 34,650</u>	<u>\$ 752,774</u>
LIABILITIES AND FUND BALANCES:									
Liabilities:									
Bank Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 158,935	\$ -	\$ -	\$ 158,935
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,935</u>
Fund Balances:									
Restricted	\$ 22,237	\$ 4,347	\$ 193,614	\$ 289,200	\$ 205,260	\$ -	\$ 3,466	\$ 34,650	\$ 752,774
Unassigned	-	-	-	-	-	(158,935)	-	-	(158,935)
Total Fund Balances	<u>\$ 22,237</u>	<u>\$ 4,347</u>	<u>\$ 193,614</u>	<u>\$ 289,200</u>	<u>\$ 205,260</u>	<u>\$ (158,935)</u>	<u>\$ 3,466</u>	<u>\$ 34,650</u>	<u>\$ 593,839</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 22,237</u>	<u>\$ 4,347</u>	<u>\$ 193,614</u>	<u>\$ 289,200</u>	<u>\$ 205,260</u>	<u>\$ -</u>	<u>\$ 3,466</u>	<u>\$ 34,650</u>	<u>\$ 752,774</u>

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED APRIL 30, 2016

	SPECIAL REVENUE FUNDS							Total Nonmajor Govern- mental Funds	
	Annual Audit Fund	Emergency Services Defense Fund	Insurance Fund	Motor Fuel Tax Fund	Illinois Municipal Retirement Fund	Parks and Recreation Fund	Medicare/ Social Security Fund		Flood Control Fund
REVENUES:									
Local Sources:									
Property Taxes	\$ 18,018	\$ 863	\$ 236,199	\$ -	\$ 171,138	\$ 19	\$ 80,566	\$ 61,054	\$ 567,857
Intergovernmental Revenues:									
State Motor Fuel Tax Allotments	-	-	-	98,836	-	-	-	-	98,836
Personal Property Replacement Taxes	-	-	-	-	61,417	-	-	-	61,417
Other Local Sources:									
Investment Earnings	11	111	-	725	226	601	70	473	2,217
Grants	-	-	-	-	-	73,900	-	-	73,900
Miscellaneous	4,625	-	-	6,926	-	52,055	-	-	63,606
TOTAL REVENUES	\$ 22,654	\$ 974	\$ 236,199	\$ 106,487	\$ 232,781	\$ 126,575	\$ 80,636	\$ 61,527	\$ 867,833
EXPENDITURES:									
Current:									
General Government	\$ 26,625	\$ -	\$ 239,358	\$ -	\$ 160,063	\$ -	\$ 132,559	\$ -	\$ 558,605
Public Safety	-	1,860	-	-	-	-	-	56,364	58,224
Public Works/Transportation	-	-	-	98,214	-	-	-	-	98,214
Culture/Recreation	-	-	-	-	6,257	117,641	-	-	123,898
Capital Outlay	-	-	-	-	-	79,956	-	3,000	82,956
TOTAL EXPENDITURES	\$ 26,625	\$ 1,860	\$ 239,358	\$ 98,214	\$ 166,320	\$ 197,597	\$ 132,559	\$ 59,364	\$ 921,897
Excess (Deficiency) of Revenues Over Expenditures	\$ (3,971)	\$ (886)	\$ (3,159)	\$ 8,273	\$ 66,461	\$ (71,022)	\$ (51,923)	\$ 2,163	\$ (54,064)
OTHER FINANCING SOURCES (USES):									
Transfers In	\$ 6,350	\$ 2,100	\$ 30,865	\$ -	\$ -	\$ 161,115	\$ -	\$ -	\$ 200,430
Transfers Out	-	-	-	-	-	(53,925)	-	-	(53,925)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 6,350	\$ 2,100	\$ 30,865	\$ -	\$ -	\$ 107,190	\$ -	\$ -	\$ 146,505
Net Change in Fund Balance	\$ 2,379	\$ 1,214	\$ 27,706	\$ 8,273	\$ 66,461	\$ 36,168	\$ (51,923)	\$ 2,163	\$ 92,441
FUND BALANCE (DEFICIT) - BEGINNING	19,858	3,133	165,908	280,927	138,799	(195,103)	55,389	32,487	501,398
FUND BALANCE (DEFICIT) - ENDING	\$ 22,237	\$ 4,347	\$ 193,614	\$ 289,200	\$ 205,260	\$ (158,935)	\$ 3,466	\$ 34,650	\$ 593,839

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

ANNUAL AUDIT FUND - SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
<u>Local Sources:</u>				
Property Taxes	\$ 18,000	\$ 18,000	\$ 18,018	\$ 18
<u>Other Local Sources:</u>				
Investment Earnings	100	100	11	(89)
Miscellaneous	4,620	4,620	4,625	5
TOTAL REVENUES	\$ 22,720	\$ 22,720	\$ 22,654	\$ (66)
<u>EXPENDITURES:</u>				
<u>Current:</u>				
<u>General Government:</u>				
<u>Contractual Services:</u>				
Audit Fees	\$ 28,520	\$ 28,520	\$ 26,625	\$ 1,895
Audit Reconciliation	550	550	-	550
TOTAL EXPENDITURES	\$ 29,070	\$ 29,070	\$ 26,625	\$ 2,445
Excess (Deficiency) of Revenues Over Expenditures	\$ (6,350)	\$ (6,350)	\$ (3,971)	\$ 2,379
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers In	\$ 6,350	\$ 6,350	\$ 6,350	\$ -
TOTAL OTHER FINANCING SOURCES (USES)	\$ 6,350	\$ 6,350	\$ 6,350	\$ -
Net Change in Fund Balance	\$ -	\$ -	\$ 2,379	\$ 2,379
FUND BALANCE - BEGINNING			19,858	
FUND BALANCE - ENDING			<u>\$ 22,237</u>	

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

EMERGENCY SERVICES DEFENSE FUND - SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
<u>Local Sources:</u>				
Property Taxes	\$ 850	\$ 850	\$ 863	\$ 13
<u>Other Local Sources:</u>				
Investment Earnings	10	10	111	101
TOTAL REVENUES	<u>\$ 860</u>	<u>\$ 860</u>	<u>\$ 974</u>	<u>\$ 114</u>
<u>EXPENDITURES:</u>				
<u>Current:</u>				
<u>Public Safety:</u>				
<u>Contractual Services:</u>				
Siren Maintenance	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Telephone Service	500	500	334	166
Electric Service	1,460	1,460	1,526	(66)
TOTAL EXPENDITURES	<u>\$ 2,960</u>	<u>\$ 2,960</u>	<u>\$ 1,860</u>	<u>\$ 1,100</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,100)</u>	<u>\$ (2,100)</u>	<u>\$ (886)</u>	<u>\$ 1,214</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers In	<u>\$ 2,100</u>	<u>\$ 2,100</u>	<u>\$ 2,100</u>	<u>\$ -</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 2,100</u>	<u>\$ 2,100</u>	<u>\$ 2,100</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,214</u>	<u>\$ 1,214</u>
FUND BALANCE - BEGINNING			<u>3,133</u>	
FUND BALANCE - ENDING			<u>\$ 4,347</u>	

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

INSURANCE FUND - SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
<u>Local Sources:</u>				
Property Taxes - Unemployment	\$ 19,000	\$ 19,000	\$ 19,019	\$ 19
Property Taxes - Workers Compensation	117,000	117,000	117,100	100
Property Taxes - Liability and Tort	100,000	100,000	100,080	80
<u>Other Local Sources:</u>				
Investment Earnings	510	510	-	(510)
TOTAL REVENUES	<u>\$236,510</u>	<u>\$236,510</u>	<u>\$ 236,199</u>	<u>\$ (311)</u>
EXPENDITURES:				
<u>Current:</u>				
<u>General Government:</u>				
Unemployment	\$ 25,875	\$ 25,875	\$ 8,143	\$ 17,732
Workers Compensation	93,000	93,000	87,405	5,595
Liability and Tort	148,500	148,500	143,810	4,690
TOTAL EXPENDITURES	<u>\$267,375</u>	<u>\$267,375</u>	<u>\$ 239,358</u>	<u>\$ 28,017</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (30,865)</u>	<u>\$ (30,865)</u>	<u>\$ (3,159)</u>	<u>\$ 27,706</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	<u>\$ 30,865</u>	<u>\$ 30,865</u>	<u>\$ 30,865</u>	<u>\$ -</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 30,865</u>	<u>\$ 30,865</u>	<u>\$ 30,865</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,706</u>	<u>\$ 27,706</u>
FUND BALANCE - BEGINNING			<u>165,908</u>	
FUND BALANCE - ENDING			<u>\$ 193,614</u>	

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

MOTOR FUEL TAX FUND - SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
<u>Intergovernmental Revenues:</u>				
State Motor Fuel Tax Allotments	\$ 81,600	\$ 81,600	\$ 87,881	\$ 6,281
State Grant - Traffic Signal Maintenance	6,500	6,500	10,955	4,455
<u>Other Local Sources:</u>				
Investment Earnings	1,200	1,200	725	(475)
Miscellaneous	-	-	6,926	6,926
TOTAL REVENUES	\$ 89,300	\$ 89,300	\$ 106,487	\$ 17,187
<u>EXPENDITURES:</u>				
<u>Current:</u>				
<u>Public Works:</u>				
<u>Contractual Services:</u>				
Maintenance Services	\$ 5,000	\$ 5,000	\$ 11,630	\$ (6,630)
Street Lighting	68,800	58,700	70,224	(11,524)
	<u>\$ 73,800</u>	<u>\$ 63,700</u>	<u>\$ 81,854</u>	<u>\$ (18,154)</u>
<u>Commodities:</u>				
Maintenance Supplies	\$ 15,500	\$ 15,500	\$ 16,360	\$ (860)
TOTAL EXPENDITURES	\$ 89,300	\$ 79,200	\$ 98,214	\$ (19,014)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 10,100</u>	\$ 8,273	<u>\$ (1,827)</u>
FUND BALANCE - BEGINNING			<u>280,927</u>	
FUND BALANCE - ENDING			<u>\$ 289,200</u>	

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

ILLINOIS MUNICIPAL RETIREMENT FUND - SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
<u>Local Sources:</u>				
Property Taxes	\$ 171,000	\$ 171,000	\$ 171,138	\$ 138
<u>Intergovernmental Revenues:</u>				
Personal Property Replacement Taxes	58,000	58,000	61,417	3,417
<u>Other Local Sources:</u>				
Investment Earnings	400	400	226	(174)
TOTAL REVENUES	<u>\$ 229,400</u>	<u>\$ 229,400</u>	<u>\$ 232,781</u>	<u>\$ 3,381</u>
EXPENDITURES:				
<u>Current:</u>				
<u>General Government:</u>				
Personnel	\$ 173,000	\$ 173,000	\$ 160,063	\$ 12,937
<u>Culture/Recreation:</u>				
Personnel	7,000	7,000	6,257	743
TOTAL EXPENDITURES	<u>\$ 180,000</u>	<u>\$ 180,000</u>	<u>\$ 166,320</u>	<u>\$ 13,680</u>
Net Change in Fund Balance	<u>\$ 49,400</u>	<u>\$ 49,400</u>	\$ 66,461	<u>\$ 17,061</u>
FUND BALANCE - BEGINNING			138,799	
FUND BALANCE - ENDING			<u>\$ 205,260</u>	

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

PARKS AND RECREATION FUND - SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
<u>Local Sources:</u>				
Property Taxes	\$ 10	\$ 10	\$ 19	\$ 9
<u>Other Local Sources:</u>				
Investment Earnings	-	-	601	601
Rent	4,000	4,000	3,900	(100)
Donations	3,000	3,000	10,490	7,490
Grant	1,541,500	1,541,500	73,900	(1,467,600)
Miscellaneous	10,000	23,900	37,665	13,765
TOTAL REVENUES	\$1,558,510	\$1,572,410	\$ 126,575	\$(1,445,835)
<u>EXPENDITURES:</u>				
<u>Current:</u>				
<u>Culture/Recreation:</u>				
<u>Personnel:</u>				
Salaries - Employees	\$ 74,100	\$ 74,100	\$ 83,866	\$ (9,766)
	\$ 74,100	\$ 74,100	\$ 83,866	\$ (9,766)
<u>Contractual Services:</u>				
Maintenance Services	\$ 10,000	\$ 10,000	\$ 7,318	\$ 2,682
Utilities	4,500	4,500	3,685	815
Rentals	1,500	1,500	2,680	(1,180)
	\$ 16,000	\$ 16,000	\$ 13,683	\$ 2,317
<u>Commodities:</u>				
Maintenance Supplies	\$ 13,000	\$ 13,000	\$ 12,158	\$ 842
	\$ 13,000	\$ 13,000	\$ 12,158	\$ 842
<u>Other Expenditures:</u>				
Park Rental Refunds	\$ -	\$ -	\$ 7,934	\$ (7,934)
	\$ -	\$ -	\$ 7,934	\$ (7,934)

CITY OF GALENA
GALENA, ILLINOIS

PARKS AND RECREATION FUND - SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS

FOR THE YEAR ENDED APRIL 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>EXPENDITURES:</u> (continued)				
<u>Capital Outlay:</u>				
Infrastructure	\$1,549,500	\$1,568,400	\$ 63,426	\$ 1,504,974
Equipment	13,000	13,000	16,530	(3,530)
	<u>\$1,562,500</u>	<u>\$1,581,400</u>	<u>\$ 79,956</u>	<u>\$ 1,501,444</u>
TOTAL EXPENDITURES	<u>\$1,665,600</u>	<u>\$1,684,500</u>	<u>\$ 197,597</u>	<u>\$ 1,486,903</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (107,090)</u>	<u>\$ (112,090)</u>	<u>\$ (71,022)</u>	<u>\$ 41,068</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers In	\$ 161,115	\$ 161,115	\$ 161,115	\$ -
Transfers Out	(53,925)	(53,925)	(53,925)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 107,190</u>	<u>\$ 107,190</u>	<u>\$ 107,190</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 100</u>	<u>\$ (4,900)</u>	\$ 36,168	<u>\$ 41,068</u>
FUND BALANCE (DEFICIT) - BEGINNING			<u>(195,103)</u>	
FUND BALANCE (DEFICIT) - ENDING			<u>\$ (158,935)</u>	

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

MEDICARE/SOCIAL SECURITY FUND - SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive Negative
	Original	Final		
REVENUES:				
<u>Local Sources:</u>				
Property Taxes	\$ 80,500	\$ 80,500	\$ 80,566	\$ 66
<u>Other Local Sources:</u>				
Investment Earnings	500	500	70	(430)
TOTAL REVENUES	<u>\$ 81,000</u>	<u>\$ 81,000</u>	<u>\$ 80,636</u>	<u>\$ (364)</u>
EXPENDITURES:				
<u>Current:</u>				
<u>General Government:</u>				
Medicare/Social Security Contribution	\$ 130,000	\$ 130,000	\$ 132,559	\$ (2,559)
TOTAL EXPENDITURES	<u>\$ 130,000</u>	<u>\$ 130,000</u>	<u>\$ 132,559</u>	<u>\$ (2,559)</u>
Net Change in Fund Balance	<u>\$ (49,000)</u>	<u>\$ (49,000)</u>	\$ (51,923)	<u>\$ (2,923)</u>
FUND BALANCE - BEGINNING			55,389	
FUND BALANCE - ENDING			<u>\$ 3,466</u>	

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

FLOOD CONTROL FUND - SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
<u>Local Sources:</u>				
Property Taxes	\$ 61,000	\$ 61,000	\$ 61,054	\$ 54
<u>Other Local Sources:</u>				
Investment Earnings	150	150	473	323
TOTAL REVENUES	\$ 61,150	\$ 61,150	\$ 61,527	\$ 377
<u>EXPENDITURES:</u>				
<u>Current:</u>				
<u>Public Safety:</u>				
<u>Personnel:</u>				
Salaries - Employees	\$ 39,600	\$ 39,600	\$ 42,155	\$ (2,555)
	<u>\$ 39,600</u>	<u>\$ 39,600</u>	<u>\$ 42,155</u>	<u>\$ (2,555)</u>
<u>Contractual Services:</u>				
Maintenance Services	\$ 13,050	\$ 13,050	\$ 7,616	\$ 5,434
Service Charges	2,500	2,500	3,794	(1,294)
	<u>\$ 15,550</u>	<u>\$ 15,550</u>	<u>\$ 11,410</u>	<u>\$ 4,140</u>
<u>Commodities:</u>				
General Supplies	\$ 3,000	\$ 3,000	\$ 2,799	\$ 201
	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 2,799</u>	<u>\$ 201</u>
<u>Capital Outlay:</u>				
Equipment	\$ 3,000	\$ 3,000	\$ 3,000	\$ -
	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ -</u>
TOTAL EXPENDITURES	\$ 61,150	\$ 61,150	\$ 59,364	\$ 1,786

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

FLOOD CONTROL FUND - SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	\$ 2,163	<u>\$ 2,163</u>
FUND BALANCE - BEGINNING			<u>32,487</u>	
FUND BALANCE - ENDING			<u>\$ 34,650</u>	

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

COMBINING STATEMENT OF NET POSITION - MODIFIED CASH BASIS
NONMAJOR PROPRIETARY FUNDS
APRIL 30, 2016

	Shuttle Service Fund	Turner Hall Fund	Swimming Pool Fund	Total Nonmajor Proprietary Funds
ASSETS:				
<u>Current Assets:</u>				
Cash, Deposits, and Investments	\$ 2,562	\$ -	\$ 308	\$ 2,870
Total Current Assets	<u>\$ 2,562</u>	<u>\$ -</u>	<u>\$ 308</u>	<u>\$ 2,870</u>
<u>Noncurrent Assets:</u>				
Cash, Deposits and Investments	\$ 52,557	\$ -	\$ -	\$ 52,557
Bond Discount Fees	-	-	2,940	2,940
Less: Amortization	-	-	(980)	(980)
<u>Capital Assets:</u>				
Building and Equipment	48,159	1,011,105	1,413,403	2,472,667
Less: Accumulated Depreciation	(33,181)	(414,359)	(1,266,235)	(1,713,775)
Net Capital Assets	<u>\$ 14,978</u>	<u>\$ 596,746</u>	<u>\$ 147,168</u>	<u>\$ 758,892</u>
Total Noncurrent Assets	<u>\$ 67,535</u>	<u>\$ 596,746</u>	<u>\$ 149,128</u>	<u>\$ 813,409</u>
TOTAL ASSETS	<u>\$ 70,097</u>	<u>\$ 596,746</u>	<u>\$ 149,436</u>	<u>\$ 816,279</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,437</u>	<u>\$ 18,437</u>
LIABILITIES:				
<u>Current Liabilities:</u>				
Cash Overdraft	\$ -	\$ 68,320	\$ 22,375	\$ 90,695
Bond Premium	-	-	5,550	5,550
Less: Amortization	-	-	(768)	(768)
Current Portion of Bonds Payable	-	-	17,500	17,500
Total Current Liabilities	<u>\$ -</u>	<u>\$ 68,320</u>	<u>\$ 44,657</u>	<u>\$ 112,977</u>
<u>Long-Term Liabilities:</u>				
Bonds Payable	\$ -	\$ -	\$ 98,705	\$ 98,705
Net Pension Liability	-	-	27,043	27,043
Total Long-Term Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,748</u>	<u>\$ 125,748</u>
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 68,320</u>	<u>\$ 170,405</u>	<u>\$ 238,725</u>
NET POSITION:				
Invested in Capital Assets, Net of Related Debt	\$ 14,978	\$ 596,746	\$ 30,963	\$ 642,687
Unrestricted	55,119	(68,320)	(33,495)	(46,696)
TOTAL NET POSITION	<u>\$ 70,097</u>	<u>\$ 528,426</u>	<u>\$ (2,532)</u>	<u>\$ 595,991</u>

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - MODIFIED CASH BASIS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2016**

	Shuttle Service Fund	Turner Hall Fund	Swimming Pool Fund	Total Nonmajor Proprietary Funds
<u>OPERATING REVENUES:</u>				
Charges for Services	\$ 44,681	\$ -	\$ 65,272	\$ 109,953
Concessions	-	-	26,158	26,158
Rent	-	21,095	2,067	23,162
Other - Miscellaneous	-	-	1,194	1,194
TOTAL OPERATING REVENUES	\$ 44,681	\$ 21,095	\$ 94,691	\$ 160,467
<u>OPERATING EXPENSES:</u>				
Personnel	\$ -	\$ -	\$ 80,945	\$ 80,945
Pension Expense	-	-	5,423	5,423
Maintenance Services	-	19,671	40,093	59,764
Communications	-	883	615	1,498
Services and Charges	-	11,806	15,126	26,932
General Supplies	-	1,280	30,497	31,777
Other Expenditures	-	5,350	778	6,128
Depreciation and Amortization	2,831	21,852	20,758	45,441
TOTAL OPERATING EXPENSES	\$ 2,831	\$ 60,842	\$ 194,235	\$ 257,908
Operating Income (Loss)	\$ 41,850	\$ (39,747)	\$ (99,544)	\$ (97,441)
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
Interest Earnings	\$ 483	\$ 800	\$ 350	\$ 1,633
Grants	-	124,779	-	124,779
Bond Premium Amortization	-	-	768	768
Bond Interest Expense	-	-	(3,623)	(3,623)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ 483	\$ 125,579	\$ (2,505)	\$ 123,557
Income (Loss) Before Transfers	\$ 42,333	\$ 85,832	\$ (102,049)	\$ 26,116
Transfers In	-	19,000	111,075	130,075
Transfers Out	(25,034)	-	-	(25,034)
Change in Net Position	\$ 17,299	\$ 104,832	\$ 9,026	\$ 131,157
TOTAL NET POSITION - BEGINNING, AS RESTATED	52,798	423,594	(11,558)	464,834
TOTAL NET POSITION - ENDING	\$ 70,097	\$ 528,426	\$ (2,532)	\$ 595,991

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2016

	Shuttle Service Fund	Turner Hall Fund	Swimming Pool Fund	Total Nonmajor Proprietary Funds
<u>CASH FLOWS FROM OPERATING</u>				
<u>ACTIVITIES:</u>				
Cash Received from Customers	\$ 44,681	\$ 21,095	\$ 93,497	\$ 159,273
Cash Payments to Suppliers for Goods and Services	-	(38,990)	(87,109)	(126,099)
Cash Payments to Employees for Services	-	-	(80,945)	(80,945)
Other Receipts/Payments	-	-	1,194	1,194
Net Cash Provided (Used) by Operating Activities	<u>\$ 44,681</u>	<u>\$ (17,895)</u>	<u>\$ (73,363)</u>	<u>\$ (46,577)</u>
<u>CASH FLOWS FROM NONCAPITAL</u>				
<u>FINANCING ACTIVITIES:</u>				
Transfers In/Out	\$ (25,034)	\$ 19,000	\$ 111,075	\$ 105,041
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ (25,034)</u>	<u>\$ 19,000</u>	<u>\$ 111,075</u>	<u>\$ 105,041</u>
<u>CASH FLOWS FROM CAPITAL AND</u>				
<u>RELATED FINANCING ACTIVITIES:</u>				
Principal Paid on Capital Debt	\$ -	\$ -	\$ (14,945)	\$ (14,945)
Interest Paid on Capital Debt	-	-	(3,623)	(3,623)
Purchase of Capital Assets	(10,957)	(100,860)	(389)	(112,206)
Grants	-	124,779	-	124,779
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (10,957)</u>	<u>\$ 23,919</u>	<u>\$ (18,957)</u>	<u>\$ (5,995)</u>
<u>CASH FLOWS FROM INVESTING</u>				
<u>ACTIVITIES:</u>				
Interest Earned on Deposits	\$ 483	\$ 800	\$ 250	\$ 1,533
Net Cash Provided by Investing Activities	<u>\$ 483</u>	<u>\$ 800</u>	<u>\$ 250</u>	<u>\$ 1,533</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 9,173	\$ 25,824	\$ 19,005	\$ 54,002
BALANCE - BEGINNING OF YEAR	<u>45,946</u>	<u>(94,144)</u>	<u>(41,072)</u>	<u>(89,270)</u>
BALANCE - END OF YEAR	<u>\$ 55,119</u>	<u>\$ (68,320)</u>	<u>\$ (22,067)</u>	<u>\$ (35,268)</u>

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2016

	Shuttle Service Fund	Turner Hall Fund	Swimming Pool Fund	Total Nonmajor Proprietary Funds
<u>RECONCILIATION OF OPERATING</u>				
<u>INCOME (LOSS) TO NET CASH PROVIDED</u>				
<u>(USED) BY OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	\$ 41,850	\$ (39,747)	\$ (99,544)	\$ (97,441)
<u>Adjustments to Reconcile Operating Income</u>				
<u>(Loss) to Net Cash Provided (Used) by</u>				
<u>Operating Activities:</u>				
Amortization of Costs	-	-	294	294
Depreciation Expense	2,831	21,852	20,464	45,147
Pension Expense	-	-	5,423	5,423
Net Cash Provided (Used) by Operating Activities	<u>\$ 44,681</u>	<u>\$ (17,895)</u>	<u>\$ (73,363)</u>	<u>\$ (46,577)</u>
 <u>RECONCILIATION OF TOTAL CASH AND</u>				
<u>CASH EQUIVALENTS:</u>				
<u>Current Assets:</u>				
Cash, Deposits and Investments	\$ 2,562	\$ -	\$ 308	\$ 2,870
<u>Noncurrent Assets:</u>				
Cash, Deposits, and Investments	52,557	-	-	52,557
<u>Current Liabilities:</u>				
Cash Overdraft	-	(68,320)	(22,375)	(90,695)
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 55,119</u>	<u>\$ (68,320)</u>	<u>\$ (22,067)</u>	<u>\$ (35,268)</u>
AT THE END OF YEAR				

See Accompanying Independent Auditor's Report.

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO SUPPLEMENTARY INFORMATION
APRIL 30, 2016**

Note 1 - Budgets and Budgetary Accounting

The City of Galena follows these procedures in establishing the General, Special Revenue, Capital Projects, and Debt Service Funds budgetary data reflected in the financial statements.

1. Prior to May, the mayor and budget officer submit to the city council a proposed operating budget for the fiscal year commencing the proceeding May 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at city hall to obtain taxpayer comments prior to April 30.
3. Prior to May 1, the budget is legally adopted.
4. The city clerk is authorized to expend the unexpended balance of any item or items of any general appropriation in making up any deficiency in any item or items of the same general appropriation.
5. The budget is the controlling financial instrument and unless the item is budgeted, special provisions must be met as required by law for the item to be budgeted and funds expended.
6. Budgetary comparisons presented in the accompanying financial statements are prepared on the modified cash basis method of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. All funds utilize the same basis of accounting for both budgetary purposes and actual results.
7. All appropriations lapse at year-end. All carry over funds become part of the new budget.
8. Expenditures cannot legally exceed appropriations at the fund level.

**CITY OF GALENA
GALENA, ILLINOIS**

**NOTES TO SUPPLEMENTARY INFORMATION (continued)
APRIL 30, 2016**

Note 2 - Compromise Settlement (Extraordinary Item)

As a result of a train derailment within the rural Galena fire protection district, the original budget was amended to address the revenues and expenditures occurring as follows:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget (Negative)</u>
<u>General Fund</u>				
<u>Revenues</u>				
Train Derailment Proceeds	\$ -	\$12,100	\$ 81,713	\$ 69,613
<u>Expenditures</u>				
Maintenance Services	\$ -	\$ -	\$ 69,539	\$ (69,539)
Compromise Settlement - Net	<u>\$ -</u>	<u>\$ 12,100</u>	<u>\$ 12,174</u>	<u>\$ 74</u>
<u>Fire Protection Fund - Special Revenue</u>				
<u>Revenues</u>				
Train Derailment & Proceeds	\$ -	\$ 322,800	\$ 318,281	\$ (4,519)
<u>Expenditures</u>				
Personnel	\$ -	\$ 65,000	\$ 62,347	\$ 2,653
Mutual Aid Fire Districts	-	248,500	248,500	-
Total Expenditures	<u>\$ -</u>	<u>\$ 313,500</u>	<u>\$ 310,847</u>	<u>\$ 2,653</u>
Compromise Settlement - Net	<u>\$ -</u>	<u>\$ 9,300</u>	<u>\$ 7,434</u>	<u>\$ (1,866)</u>

CITY OF GALENA
GALENA, ILLINOIS

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS (UNAUDITED)
APRIL 30, 2016**

Calendar Year Ended December 31,	<u>2015</u>
Total Pension Liability	
Service Cost	\$ 147,510
Interest on the Total Pension Liability	567,234
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience of the Total Pension Liability	16,525
Changes of Assumptions	10,339
Benefit Payments, including Refunds of Employee Contributions	(272,848)
Net Change in Total Pension Liability	<u>\$ 468,760</u>
Total Pension Liability - Beginning	<u>7,625,784</u>
Total Pension Liability - Ending (A)	<u>\$ 8,094,544</u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 152,463
Contributions - Employees	65,249
Net Investment Income	37,086
Benefit Payments, including Refunds of Employee Contributions	(272,848)
Other (Net Transfer)	(91,859)
Net Change in Plan Fiduciary Net Position	<u>\$ (109,909)</u>
Plan Fiduciary Net Position - Beginning	<u>7,444,695</u>
Plan Fiduciary Net Position - Ending (B)	<u>\$ 7,334,786</u>
 Net Pension Liability - Ending (A) - (B)	<u>\$ 759,758</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.61%
 Covered Valuation Payroll	\$ 1,386,032
 Net Pension Liability as a Percentage of Covered Valuation Payroll	54.82%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

See Accompanying Independent Auditor's Report.

CITY OF GALENA
GALENA, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS (UNAUDITED)
APRIL 30, 2016

<u>Calendar Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a Percentage of Covered Valuation Payroll</u>
2015	* \$ 152,464	\$ 152,463	\$ 1	\$ 1,386,032	11.00%

Additional years will be added to this schedule until 10 years of dates is presented.

*Estimated based on contribution rate of 11.00% and covered payroll of \$1,386,032.

CITY OF GALENA
GALENA, ILLINOIS
SCHEDULE OF ASSESSED VALUATIONS, TAX RATES, EXTENSIONS, AND COLLECTIONS
UNAUDITED
APRIL 30, 2016

	Maximum Rates	Assessed Valuation	Limited Rate	Actual Extension	Estimated Collections
2015 Levy:					
General Corporate	.43750	\$ 96,785,265	.43750	.43750	\$ 423,436
Fire Protection	.60000		.35569	.35569	344,256
Police Protection	.60000		.03983	.03983	38,550
Workmens' Compensation	NONE		.05167	.05167	50,009
Garbage	.20000		.00002	.00002	19
Street Lighting	.05000		.00002	.00002	19
Parks	.08590		.05041	.05041	48,789
Levee	.16660		-	-	-
Social Security	NONE		.20252	.20252	196,010
School Crossing Guard	.02000		.00002	.00002	19
Audit	NONE		.01860	.01860	18,002
Liability Insurance	NONE		.17255	.17255	167,003
Emergency Services Defense	.05000		.00089	.00089	861
Unemployment Insurance	NONE		.03152	.03152	30,507
IMRF	NONE		.02274	.02274	22,009
Waterworks	.07000		.00004	.00004	38
			<u>1.38402</u>	<u>1.38402</u>	<u>\$ 1,339,527</u>
Share of Township Road & Bridge					78,910
TOTAL					<u><u>\$ 1,418,437</u></u>

	Maximum Rates	Assessed Valuation	Limited Rate	Actual Extension	Actual Collections
2014 Levy:					
General Corporate	.31480	\$ 96,957,846	.43750	.43750	\$ 424,527
Fire Protection	.40000		.35223	.35223	341,780
Police Protection	.15000		.00845	.00845	8,200
Workmens' Compensation	NONE		.12068	.12068	117,100
Garbage	.20000		.00002	.00002	19
Street Lighting	.05000		.00002	.00002	19
Parks	.08590		.00002	.00002	19
Levee	.16660		.06292	.06292	61,054
Social Security	NONE		.08303	.08303	80,566
School Crossing Guard	.02000		.00002	.00002	19
Audit	NONE		.01857	.01857	18,018
Liability Insurance	NONE		.10314	.10314	100,080
Emergency Services Defense	.05000		.00089	.00089	863
Unemployment Insurance	NONE		.01960	.01960	19,019
IMRF	NONE		.17637	.17637	171,138
Waterworks	.05000		.00004	.00004	38
			<u>1.38350</u>	<u>1.38350</u>	<u>\$ 1,342,459</u>
Share of Township Road & Bridge					78,768
TOTAL					<u><u>\$ 1,421,227</u></u>

See Accompanying Independent Auditor's Report.

**CITY OF GALENA
GALENA, ILLINOIS
SCHEDULE OF ASSESSED VALUATIONS, TAX RATES, EXTENSIONS, AND COLLECTIONS
UNAUDITED
APRIL 30, 2016**

2013 Levy:	Maximum Rates	Assessed Valuation	Limited Rate	Actual Extension	Actual Collections
General Corporate	.43750	<u>\$ 97,020,346</u>	.14399	\$ 139,700	\$ 139,631
Fire Protection	.60000		.34680	336,467	336,303
Police Protection	.60000		.15461	150,003	149,930
Workmens' Compensation	NONE		.08040	78,004	77,966
Garbage	.20000		.00002	19	20
Street Lighting	.05000		.00002	19	20
Parks	.08590		.08590	83,340	83,300
Levee	.16660		.04639	45,008	44,986
Social Security	NONE		.17420	169,009	168,927
School Crossing Guard	.02000		.00002	19	20
Audit	NONE		.01598	15,504	15,497
Liability Insurance	NONE		.15307	148,509	148,437
Emergency Services Defense	.05000		.00089	863	863
Unemployment Insurance	NONE		.01340	13,001	12,995
IMRF	NONE		.14430	140,000	139,933
Waterworks	.07000		.00004	38	38
			<u>1.36003</u>	<u>\$ 1,319,503</u>	<u>\$ 1,318,866</u>
Share of Township Road & Bridge					76,952
TOTAL					<u><u>\$ 1,395,818</u></u>

See Accompanying Independent Auditor's Report.