WIPFLI

City of Galena, Illinois

Galena, Illinois

Financial Report

Year Ended April 30, 2026

City of Galena, Illinois

Year Ended April 30, 2026

Table of Contents

Independent Auditor's Report 1

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Position - Modified Cash Basis 5

Statement of Activities - Modified Cash Basis 6

Fund Financial Statements:

Balance Sheet - Governmental Funds - Modified Cash Basis 7

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position - Modified Cash Basis 8

Statement of Revenues, Expenditures and Changes In Fund Balance - Governmental Funds - Modified Cash Basis 9

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Modified Cash Basis 10

Proprietary Fund Financial Statements:

Statement of Net Position - Proprietary Funds - Modified Cash Basis 11

Statement of Revenues, Expenses and Changes In Net Position - Proprietary Funds - Modified Cash Basis 12

Statement of Cash Flows - Proprietary Funds - Modified Cash Basis 13

Notes to Financial Statements 14

Other Information

Budgetary Comparison Schedule:

General Fund 39

Fire Protection Fund 40

Multiyear Schedule of Changes in Net Pension Liability and Related Ratios - IMRF 41

Multiyear Schedule of IMRF Contributions 42

Notes to Other Information 43

Supplementary Information

Nonmajor Governmental Funds:

Combining Balance Sheet - Nonmajor Governmental Funds - Modified Cash Basis 44

Combining Statement of Revenues, Expenditures and Change in Fund Balance - Nonmajor Governmental Funds - Modified Cash Basis 48

Table of Contents (Continued)

Nonmajor Proprietary Funds:
Combining Statement of Net Position - Nonmajor Proprietary Funds - Modified Cash Basis 51
Combining Statement of Revenues, Expenses and Changes In Net Position - Nonmajor Proprietary Funds - Modified Cash Basis 53
Combining Statement of Cash Flows - Nonmajor Proprietary Funds - Modified Cash Basis 55

Assessed Valuations, Tax Rates, Tax Extensions and Tax Collections 57

Compliance

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* 60

Schedule of Findings and Responses 62

Corrective Action Plan 63

Summary Schedule of Prior Audit Findings 64

WIPFLI

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Galena, Illinois
Galena, Illinois

Report on the Audit of the Basic Financial Statements

Opinions

We have audited the accompanying modified cash basis basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Galena, Illinois (the "City"), as of and for the year ended April 30, 2026, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying basic financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Galena, Illinois as of April 30, 2026, and respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2026 the City adopted new accounting guidance, GASB No. 102, Certain Risk Disclosures. Our opinions are not modified with respect to this matter.

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Emphasis of Matter

Basis of Accounting

We draw attention to Note 1 of the basic financial statements, which describes the basis of accounting. The basic 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.

Responsibilities of Management for the Basic Financial Statements

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

Auditor's Responsibilities for the Audit of the Basic Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the basic financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the basic financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the basic financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the City's basic financial statements. The 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the other information as listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2026, on our consideration of the City'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 solely 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 effectiveness of the City's 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's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

Sterling, Illinois
August 28, 2026

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Basic Financial Statements

City of Galena, Illinois

Statement of Net Position - Modified Cash Basis

April 30, 2026	Primary Government Governmental Activities	Business-type Activities	Total
Assets			
Cash, deposits, and investments	$ 10,697,791	$ 2,981,829	$ 13,679,620
Total current assets	10,697,791	2,981,829	13,679,620
Noncurrent assets:			
Restricted cash	-	60,000	60,000
Total noncurrent assets	-	60,000	60,000
Capital assets:			
Capital assets not being depreciated	1,939,617	558,581	2,498,198
Capital assets, net of depreciation	18,485,070	18,941,835	37,426,905
Total capital assets	20,424,687	19,500,416	39,925,103
Total noncurrent assets	20,424,687	19,560,416	39,985,103
Total assets	31,122,478	22,542,245	53,664,723
Liabilities and Deferred Inflows of Resources			
Liabilities			
Current liabilities			
Accrued payroll	23,332	-	23,332
Notes payable, current	178,445	260,447	438,892
Bonds payable, current	-	407,763	407,763
Total current liabilities	201,777	668,210	869,987
Noncurrent liabilities			
Notes payable, noncurrent	284,434	1,599,232	1,883,666
Bonds payable, noncurrent	-	3,673,615	3,673,615
Total noncurrent liabilities	284,434	5,272,847	5,557,281
Total liabilities	486,211	5,941,057	6,427,268
Net position			
Net investment in capital assets	19,961,808	13,559,359	33,521,167
Restricted:	-	-	-
General control and administration	417,592	-	417,592
Public safety	2,820,005	-	2,820,005
Public works	1,125,946	-	1,125,946
Culture and recreation	82,821	-	82,821
Employee benefits	569,231	-	569,231
Debt service	1,277	60,000	61,277
Unrestricted	5,657,587	2,981,829	8,639,416
Total net position	$ 30,636,267	$ 16,601,188	$ 47,237,455

See Accompanying Notes to Financial Statements.

City of Galena, Illinois

Statement of Activities - Modified Cash Basis

Year Ended April 30, 2026	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Total
Functions/Programs							
Governmental activities:							
General control and administration	$ 2,586,809	$ 247,207	$ 31,383	$ 20,680	$ (2,287,539)	$ -	$ (2,287,539)
Public safety	1,776,853	90,522	6,178	-	(1,680,153)	-	(1,680,153)
Culture and recreation	446,095	6,625	8,959	-	(430,511)	-	(430,511)
Public works	1,925,311	-	203,612	-	(1,721,699)	-	(1,721,699)
Interest payments	21,847	-	-	-	(21,847)	-	(21,847)
Total governmental activities	6,756,915	344,354	250,132	20,680	(6,141,749)	-	(6,141,749)
Business-type activities:							
Water	994,610	983,054	-	630,412	-	618,856	618,856
Sewer	1,266,666	791,324	-	-	-	(475,342)	(475,342)
Shuttle	63,416	159,725	-	-	-	96,309	96,309
Turner Hall	124,414	68,398	-	-	-	(56,016)	(56,016)
Swimming Pool	304,596	110,815	-	-	-	(193,781)	(193,781)
Garbage	410,671	254,144	-	-	-	(156,527)	(156,527)
Total business-type activities	3,164,373	2,367,460	-	630,412	-	(166,501)	(166,501)
Total primary government	9,921,288	2,711,814	250,132	651,092	(6,141,749)	(166,501)	(6,308,250)
General revenues:							
Taxes:							
Property taxes					1,691,518	42	1,691,560
State income tax					606,546	-	606,546
State sales tax					2,174,043	-	2,174,043
Other taxes					3,085,095	754,426	3,839,521
Miscellaneous					57,535	-	57,535
Interest					431,072	104,170	535,242
Gain (loss) sale of capital assets					-	3,608	3,608
Transfers					(1,192,673)	1,192,673	-
Total general revenues					6,853,136	2,054,919	8,908,055
Change in net position					711,387	1,888,418	2,599,805
Net position, beginning of year					29,924,880	14,712,770	44,637,650
Net position, ending					$ 30,636,267	$ 16,601,188	$ 47,237,455

See Accompanying Notes to Financial Statements.

City of Galena, Illinois

Balance Sheet - Governmental Funds - Modified Cash Basis

April 30, 2026	General	Fire Protection	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash, deposits, and investments	$ 5,680,919	$ 2,650,200	$ 2,366,672	$ 10,697,791
Total assets	5,680,919	2,650,200	2,366,672	10,697,791
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accrued payroll	23,332	-	-	23,332
Total liabilities	23,332	-	-	23,332
Fund balances				
Restricted for:				
General control and administration	-	-	417,592	417,592
Public safety	-	2,650,200	169,805	2,820,005
Public works	-	-	1,125,946	1,125,946
Culture and recreation	-	-	82,821	82,821
Employee benefits	-	-	569,231	569,231
Debt service	-	-	1,277	1,277
Unassigned	5,657,587	-	-	5,657,587
Total fund balances	5,657,587	2,650,200	2,366,672	10,674,459
Total liabilities, deferred inflows of resources and fund balances	$ 5,680,919	$ 2,650,200	$ 2,366,672	$ 10,697,791

City of Galena, Illinois

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position - Modified Cash Basis

April 30, 2026

Total fund balances - governmental funds	$	10,674,459
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation.		20,424,687
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Notes payable		(462,879)
Total net position - governmental activities	$	30,636,267

City of Galena, Illinois

Statement of Revenues, Expenditures and Changes In Fund Balance - Governmental Funds - Modified Cash Basis

Year Ended April 30, 2026	General	Fire Protection	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	$ 741,611	$ 431,792	$ 518,115	$ 1,691,518
Intergovernmental revenue	5,082,099	29,004	1,046,041	6,157,144
Charges for services	2,400	-	-	2,400
Fines and forfeitures	66,177	-	-	66,177
Licenses and permits	186,109	-	-	186,109
Investment income	269,443	54,611	107,018	431,072
Miscellaneous	90,258	-	36,297	126,555
Total revenues	6,438,097	515,407	1,707,471	8,660,975
Expenditures				
Current:				
General control and administration	2,139,047	-	392,658	2,531,705
Public safety	1,193,183	121,762	174,165	1,489,110
Public works	931,674	-	247,876	1,179,550
Culture and recreation	-	-	284,107	284,107
Debt service:				
Principal	-	-	187,917	187,917
Interest	-	-	21,847	21,847
Capital outlay	343,809	57,933	614,069	1,015,811
Total expenditures	4,607,713	179,695	1,922,639	6,710,047
Excess (deficiency) of revenues over expenditures	1,830,384	335,712	(215,168)	1,950,928
Other financing sources (uses)				
Transfers in	21,435	-	925,529	946,964
Transfers out	(1,821,065)	(6,355)	(312,217)	(2,139,637)
Total other financing sources (uses)	(1,799,630)	(6,355)	613,312	(1,192,673)
Net change in fund balance	30,754	329,357	398,144	758,255
Fund balances, beginning of year	5,626,833	2,320,843	1,968,528	9,916,204
Fund balances, end of year	$ 5,657,587	$ 2,650,200	$ 2,366,672	$ 10,674,459

See Accompanying Notes to Financial Statements.

City of Galena, Illinois

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Modified Cash Basis

For the Year Ended April 30, 2026

Net change in fund balance - governmental funds	$	758,255
Amounts reported for governmental activities in the statement of net position are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. Donated capital assets are only reported in the statement of activities. This is the amount by which capital outlay is (less than)/more than depreciation expense.		(234,785)
The issuance of long-term debt and related costs are shown on the fund financial statements as other financing sources (uses) and current expenditures, but are recorded as long-term liabilities on the government-wide statements		
Long-term debt principal repayment		187,917
Change in net position of governmental activities	$	711,387

City of Galena, Illinois

Statement of Net Position - Proprietary Funds - Modified Cash Basis

April 30, 2026	Business-Type Activities Water Fund	Sewer Fund	Nonmajor Enterprise Funds	Total
Assets				
Current assets				
Cash, deposits, and investments	$ 433,335	$ 1,436,556	$ 1,111,938	$ 2,981,829
Total current assets	433,335	1,436,556	1,111,938	2,981,829
Noncurrent assets				
Restricted cash	60,000	-	-	60,000
	60,000	-	-	60,000
Capital assets:				
Land and nondepreciable assets	62,838	472,618	23,125	558,581
Depreciable property and equipment, net of depreciation	7,865,471	9,102,304	1,974,060	18,941,835
Total capital assets	7,928,309	9,574,922	1,997,185	19,500,416
Total noncurrent assets	7,988,309	9,574,922	1,997,185	19,560,416
Total assets	8,421,644	11,011,478	3,109,123	22,542,245
Liabilities				
Current liabilities				
Notes payable, current	260,447	-	-	260,447
Bonds payable, current	-	407,763	-	407,763
Total current liabilities	260,447	407,763	-	668,210
Noncurrent liabilities				
Notes payable, noncurrent	1,599,232	-	-	1,599,232
Bonds payable, noncurrent	-	3,673,615	-	3,673,615
Total noncurrent liabilities	1,599,232	3,673,615	-	5,272,847
Total liabilities	1,859,679	4,081,378	-	5,941,057
Net position				
Net investment in capital assets	6,068,630	5,493,544	1,997,185	13,559,359
Restricted for debt service	60,000	-	-	60,000
Unrestricted	433,335	1,436,556	1,111,938	2,981,829
Total net position	$ 6,561,965	$ 6,930,100	$ 3,109,123	$ 16,601,188

See Accompanying Notes to Financial Statements.

City of Galena, Illinois

Statement of Revenues, Expenses and Changes In Net Position - Proprietary Funds - Modified Cash Basis

Year Ended April 30, 2026	Business-Type Activities			
	Water Fund	**Sewer Fund**	**Nonmajor Enterprise Funds**	**Total**
Operating revenues				
Charges for services	$ 826,674	$ 782,026	$ 546,645	$ 2,155,345
Other	156,380	9,298	41,162	206,840
Miscellaneous	-	-	5,275	5,275
Total operating revenues	983,054	791,324	593,082	2,367,460
Operating expenses				
Personnel	96,202	109,207	182,046	387,455
Commodities	-	-	34,391	34,391
Contractual	436,865	437,849	421,580	1,296,294
Other	110,970	39,279	126,393	276,642
Depreciation and amortization	316,569	562,318	138,687	1,017,574
Total operating expenses	960,606	1,148,653	903,097	3,012,356
Operating income (loss)	22,448	(357,329)	(310,015)	(644,896)
Non-operating revenues (expenses)				
Investment income	21,054	63,742	19,374	104,170
Local sales tax	-	754,426	-	754,426
Interest expense	(34,004)	(132,000)	-	(166,004)
Property taxes	14	14	14	42
Amortization of debt discount	-	13,987	-	13,987
Total non-operating revenues (expenses)	(12,936)	700,169	19,388	706,621
Income (loss) before transfers and capital contributions	9,512	342,840	(290,627)	61,725
Transfers and capital contributions				
Transfers in	-	345,197	905,201	1,250,398
Transfers out	(57,725)	-	-	(57,725)
Gain (loss) sale of capital assets	-	-	3,608	3,608
Capital contributions	630,412	-	-	630,412
Total transfers and capital contributions	572,687	345,197	908,809	1,826,693
Changes in net position	582,199	688,037	618,182	1,888,418
Net position, beginning of year	5,979,766	6,242,063	2,490,941	14,712,770
Net position, end of year	$ 6,561,965	$ 6,930,100	$ 3,109,123	$ 16,601,188

See Accompanying Notes to Financial Statements.

City of Galena, Illinois

Statement of Cash Flows - Proprietary Funds - Modified Cash Basis

Year Ended April 30, 2026	Business-type Activities: Water Fund	Sewer	Nonmajor Enterprise Funds	Totals
Cash flows from operating activities				
Cash received from customers	$ 826,674	$ 782,026	$ 593,082	$ 2,201,782
Other receipts	156,380	9,298	-	165,678
Payments to suppliers	(547,835)	(477,128)	(582,364)	(1,607,327)
Payments to employees	(96,202)	(109,207)	(182,046)	(387,455)
Net cash flow from operating activities	339,017	204,989	(171,328)	372,678
Cash flows from non-capital financing activities				
Transfers to other funds	(57,725)	-	-	(57,725)
Transfers from other funds	-	345,197	905,201	1,250,398
Property taxes	14	14	14	42
Local sales tax	-	754,426	-	754,426
Net cash flow from non-capital financing activities	(57,711)	1,099,637	905,215	1,947,141
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(682,212)	(417,751)	(675,477)	(1,775,440)
Proceeds from sale of capital assets	-	-	3,608	3,608
Principal paid on long-term debt	(333,074)	(398,987)	-	(732,061)
Capital contributions	630,412	-	-	630,412
Amortization of debt premium	-	13,987	-	13,987
Net cash flow from capital and related financing activities	(384,874)	(802,751)	(671,869)	(1,859,494)
Cash flows from investing activities				
Interest received	21,054	63,742	19,374	104,170
Interest paid	(34,004)	(132,000)	-	(166,004)
Net cash flow from investing activities	(12,950)	(68,258)	19,374	(61,834)
Net change in cash and cash equivalents	(116,518)	433,617	81,392	398,491
Cash and cash equivalents, beginning of year	609,853	1,002,939	1,030,546	2,643,338
Cash and cash equivalents, end of year	$ 493,335	$ 1,436,556	$ 1,111,938	$ 3,041,829
Reconciliation of operating income (loss) to net cash from operating activities				
Operating (loss)	$ 22,448	$ (357,329)	$ (310,015)	$ (644,896)
Adjustment to reconcile operating (loss) to net cash flows for operating activities:				
Depreciation and amortization	316,569	562,318	138,687	1,017,574
Net cash flow from operating activities	$ 339,017	$ 204,989	$ (171,328)	$ 372,678

See Accompanying Notes to Financial Statements.

Note 1: Summary of Significant Accounting Policies

The financial statements of the City of Galena, Illinois, (the "City") are presented on a modified cash basis of accounting. This modified cash basis differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The significant accounting principles and policies utilized by the government are described below.

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position – modified cash basis and the statement of activities – modified cash basis) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Financial Reporting Entity

The City is an incorporated city with a population of approximately 3,300 residents (2020 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 basic financial statements present all of the funds of the government over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships (as distinct from legal relationships). Based upon the above criteria, the City has determined that there are no component unit organizations to be reported on within the financial statements. The City also has determined that the City is not a component unit of any other entity.

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

While separate government-wide and fund basic financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate basic financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide basic financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the City. The governmental activities column incorporates data from governmental funds and internal service funds. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Fund Financial Statements

The fund statements provide information about the City's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund basic financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. Major individual governmental and enterprise funds are reported as separate columns in the fund basic financial statements.

The City reports the following major 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.

Fire Protection - This fund is used to account for the revenues and expenditures associated with providing fire protection activities. Financing is provided by an annual property tax levy.

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 and Parking, Turner Hall, and the Swimming Pool Funds.

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

The City reports the following major enterprise funds:

Water Fund - This fund is used to account for the revenues and expenses associated with providing fresh water to the residents of the City. Financing is provided primarily by charges for services.

Sewer Fund - This fund is used to account for the revenues and expenses associated with providing sanitation services to the residents of the City. Financing is provided primarily by charges for services and a non-home rule sales tax approved by referendum.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

The government-wide financial statements and fund financial statements are reported using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund balance, revenues, and expenditures when they result from cash transactions with a provision for depreciation on capital assets and long-term debt including premiums in the government wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

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

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

Use of Estimates

The preparation of basic financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 1: Summary of Significant Accounting Policies (Continued)

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with the modified cash basis of accounting.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. Appropriations in all budgeted funds lapse at the end of the fiscal year.

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, savings accounts, and short-term investments with original maturities of three months or less from the date of acquisition.

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.

Capital Assets

As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20-40 years
Machinery and equipment	3-10 years
Utility system	20-50 years
Infrastructure	20-50 years

Note 1: Summary of Significant Accounting Policies (Continued)

Vacation, Sick, Personal, and Compensatory Time

The City's policy permits employees to accumulate earned but unused vacation, sick, personal, and compensatory time off, which are eligible for payment upon separation from City service. These amounts are not reported as liabilities in the financial statements because the City reports on the modified cash basis of accounting.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows 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's fiduciary net position have been determined on the same basis as they are reported by IMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Interfund Transactions

Interfund service transactions are accounted for as revenue, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund service transactions and reimbursements, are reported as transfers.

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance: This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance: These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council – the City's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action that imposed the original commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance: This classification reflects the amounts constrained by the City Council's "intent" to be used for specific purposes, but the amounts are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

Note 1: Summary of Significant Accounting Policies (Continued)

Program Revenues

Amounts reported as *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

It is the City's intention that property taxes generated from the 2024 property tax levy be used to finance the operating budget of the fiscal year ending April 30, 2026. Therefore, property tax revenues represent the revenues primarily generated by the 2024 property tax levy.

The City's property tax is levied on or before the last Tuesday in December each year on all taxable real property located in the City. The 2024 levy was passed by the City Council on November 25, 2024. Property taxes attach as an enforceable lien on property as of January 1 and are generally payable in two installments in June and September. The City receives significant distributions of tax receipts within one month of these due dates.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 proprietary and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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 nonoperating revenues and expenses.

Adoption of GASB Pronouncements

During the fiscal year ended April 30, 2026, the City implemented the following GASB Pronouncements:

GASB Statement No. 102: *Certain Risk Disclosures*: As of May 1, 2025, the City implemented GASB Statement No. 102. The statement requires state and local governments to disclose information in notes to financial statements about specific, known risks related to concentrations and constraints that make them vulnerable to a substantial impact. The City adopted this guidance retroactively for the year beginning May 1, 2025. There was no impact to implementing this standard.

Note 2: Stewardship, Compliance and Accountability

Deficit Fund Equity

At April 30, 2026, the City did not have any funds with deficit fund balances.

Note 3: Cash Deposits with Financial Institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of April 30, 2026, the City's bank balance was $5,935,010 and the entire balance was insured and collateralized with securities in the City's name.

Note 4: Restricted Cash

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

The IEPA Loan (Loan L171944) established a reserve "to prevent or remedy a default in the payment of the interest on/or principal of said outstanding loan".

Following is a list of restricted cash and investments at April 30, 2026:

Reserve Account (Water Fund)	$	60,000

Note 5: Investments

Current accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy, as described under current accounting standards, are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or inputs other than quoted prices that are observable for the asset or liability. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Note 5: Investments (Continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The City invests in the Illinois Funds. These investments are public funds investment pool created by the Illinois General Assembly and is administered by the Illinois State Treasurer. The pool is not registered with the Securities and Exchange Commission as an investment company; however, it operates in a manner consistent with SEC Rule 2a-7 governing money market funds. The Illinois Funds seeks to maintain a stable net asset value of $1.00 per share.

The City's investment in the Illinois Funds is reported at fair value. The fair value of the position in the pool is the same as the value of the pool shares. The Illinois Funds is measured using a net asset value (NAV) per share of $1.00.

As of April 30, 2026, the City had following investments in the Illinois Funds.

	Fair Value		
	Governmental Activities	Business-Type Activities	Total
Local government investment pools	$ 6,620,559	$ 1,257,547	$ 7,878,106

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City has no specific policy on the interest rate risk at year-end.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

		Investment Maturities (in Years)			
Investment Type	Fair Value	0-1	1-5	5-10	More than 10
Local government investment pool	$ 7,878,106	$ 7,878,106	$ -	$ -	$ -

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in U.S. Government obligations are not considered to be of any credit risk since they carry the full obligation and guarantee of the U.S. Government. Presented below is the actual rating as of year-end for each investment type:

Investment Type	Fair Value	AAAm	Aa	Unrated
Local government investment pool	$ 7,878,106	$ 7,878,106	$ -	$ -

Note 5: Investments (Continued)

Concentration of credit risk. The City's investment policy does not allow for an investment in any one issuer that is in excess of 5 percent of the City's total investments.

Custodial credit risk-investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of April 30, 2026, there are no investments with custodial credit risk in that all of its investments are insured.

Foreign Currency Risk. The City has no foreign currency risk for investments at year end.

Note 6: Capital Assets

The governmental activities capital asset activity for the year ended April 30, 2026, is as follows:

Governmental activities:	Balance 5/1/2025	Increases	Decreases and Transfers	Balance 04/30/26
Capital assets, not being depreciated:				
Land	$ 1,742,983	$ -	$ -	$ 1,742,983
Historical treasures	30,705	-	-	30,705
Construction in progress	12,008	153,921	-	165,929
Total capital assets, not being depreciated	1,785,696	153,921	-	1,939,617
Capital assets, being depreciated:				
Buildings	6,421,574	10,451	-	6,432,025
Machinery and equipment	9,947,634	306,615	(395,785)	9,858,464
Infrastructure	39,449,840	544,823	-	39,994,663
Total capital assets, being depreciated	55,819,048	861,889	(395,785)	56,285,152
Accumulated depreciation:				
Buildings	3,507,891	156,734	-	3,664,625
Machinery and equipment	7,516,407	459,053	(395,785)	7,579,675
Infrastructure	25,920,974	634,808	-	26,555,782
Total accumulated depreciation	36,945,272	1,250,595	(395,785)	37,800,082
Total capital assets, being depreciated, net	18,873,776	(388,706)	-	18,485,070
Governmental activities capital assets, net	$ 20,659,472	$ (234,785)	$ -	$ 20,424,687

Note 6: Capital Assets (Continued)

The business-type activities capital asset activity for the year ended April 30, 2026 is as follows:

Business-Type activities:	Balance 5/1/2025	Increases	Decreases and Transfers	Transfers/ Adjustments	Balance 04/30/26
Capital assets, not being depreciated:					
Land	$ 136,830	$ -	$ -	$ -	$ 136,830
Construction in progress	1,605,903	1,655,639	-	(2,839,791)	421,751
Total capital assets, not being depreciated	1,742,733	1,655,639	-	(2,839,791)	558,581
Capital assets, being depreciated:					
Buildings	3,729,888	61,117	-	-	3,791,005
Machinery and equipment	3,021,177	58,684	-	-	3,079,861
Infrastructure	32,885,719	-	-	2,839,791	35,725,510
Total capital assets, being depreciated	39,636,784	119,801	-	2,839,791	42,596,376
Accumulated depreciation:					
Buildings	2,648,412	86,885	-	-	2,735,297
Machinery and equipment	2,075,285	138,275	-	-	2,213,560
Infrastructure	17,913,270	792,414	-	-	18,705,684
Total accumulated depreciation	22,636,967	1,017,574	-	-	23,654,541
Total capital assets, being depreciated, net	16,999,817	(897,773)	-	2,839,791	18,941,835
Business-type activities capital assets, net	$ 18,742,550	$ 757,866	$ -	$ -	$ 19,500,416

Note 6: Capital Assets (Continued)

Depreciation expense was charged as follows:

Governmental activities:		Amount
General control and administration	$	55,102
Public safety		287,743
Public works		745,762
Culture and recreation		161,988
Total depreciation expense, governmental activities	$	1,250,595
Business-type activities:-		
Water	$	316,569
Sewer		562,318
Garbage		106
Swimming pool		51,788
Turner Hall		66,727
Shuttle and parking		20,066
Total depreciation expense, business-type activities	$	1,017,574

Note 7: Retirement Plans

Illinois Municipal Retirement Fund (IMRF)

Due to the City presenting its financial statements on the modified cash basis, pension liabilities and deferred inflows and outflows referred to throughout this note disclosure are not recognized in the actual financial statements.

Plan Description and Benefits

Plan description – The City's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The City's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of an agent 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 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 Annual Comprehensive 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 https://www.imrf.org.

Note 7: Retirement Plans (Continued)

Plan Description and Benefits (Continued)

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 12/3% 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 12/3% 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 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
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Regular Personnel (Non-SLEP)

Employees Covered by the Benefit Terms - At the December 31, 2025 valuation date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	42
Inactive, non-retired members	14
Active members	30
Total	86

Note 7: Retirement Plans (Continued)

Regular Personnel (Non-SLEP) (Continued)

Contributions - As set by statute, the City'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 contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate for calendar year 2025 was 3.81%. For the fiscal year ended April 30, 2026, the City contributed $76,133 to the plan. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability - The City's Net Pension Liability was measured as of December 31, 2025, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The following are the methods and assumptions used to determine total pension liability at December 31, 2025:

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value of Assets
Inflation	2.25%
Salary increases	2.85% to 13.75%
Investment rate of return	7.25%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2023 valuation pursuant to an experience study of the period 2020-2022.
Mortality	For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 108.0%) and Female (adjusted 106.4%) tables, and future mortality improvements projected using scale MP-2021. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2021. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2021.

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.

Note 7: Retirement Plans (Continued)

Regular Personnel (Non-SLEP) (Continued)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2025:

			Projected Returns/Risk	
Asset Class	Portfolio Target Percentage	Return 12/31/2024	One Year Arithmetic	Ten Year Geometric
Equities	32.5 %	14.44 %	4.85 %	7.35 %
International equities	18.0 %	32.71 %	4.95 %	7.45 %
Fixed income	24.0 %	7.50 %	2.25 %	4.75 %
Real estate	10.5 %	2.33 %	3.75 %	6.25 %
Alternatives	14.0 %	15.24 %		
Private equity		N/A	6.00 %	8.50 %
Hedge funds		N/A	N/A	N/A
Commodities		N/A	1.40 %	3.90 %
Cash equivalents	1.0 %	4.35 %	0.50 %	3.00 %

Single Discount Rate

A Single Discount Rate of 7.25% 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

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).

Note 7: Retirement Plans (Continued)

Regular Personnel (Non-SLEP) (Continued)

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.25%, the municipal bond rate is 4.83%, and the resulting single discount rate is 7.25%.

Changes in Net Pension Liability

	Total Pension Liability (A)	Plan Net Position (B)	Net Pension Liability (Asset) (A) - (B)
Balances at January 1, 2025	$ 11,823,967	$ 12,114,734	$ (290,767)
Changes for the year:			
Service cost	162,868	-	162,868
Interest on the total pension liability	839,469	-	839,469
Differences between expected and actual experience of the total pension liability	303,210	-	303,210
Contributions - employer	-	79,631	(79,631)
Contributions - employees	-	94,054	(94,054)
Net investment income	-	1,853,504	(1,853,504)
Benefit payments, including refunds of employee contributions	(653,026)	(653,026)	-
Other (net transfer)	-	(7,246)	7,246
Net changes	652,521	1,366,917	(714,396)
Balances at December 31, 2025	$ 12,476,488	$ 13,481,651	$ (1,005,163)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the plan's net pension liability, calculated using the single discount rate of 7.25 percent, 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 (6.25%)	Current Discount (7.25%)	1% Higher (8.25%)
Net pension liability (asset)	$ 421,622	$ (1,005,163)	$ (2,167,283)

Note 7: Retirement Plans (Continued)

Regular Personnel (Non-SLEP) (Continued)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - For year ended April 30, 2026, the City recognized pension expense (income) of $76,133. At April 30, 2026, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources*:*

	Deferred Outflows of Resources	Deferred Inflow of Resources
Deferred amounts to be recognized in pension expense in future periods:		
Difference between expected and actual experience	$ 302,333	$ 167,337
Changes in assumptions	-	1,849
Net difference between projected and actual earnings on pension plan investments	-	690,769
Total deferred amounts to be recognized in pension expense in future periods	302,333	859,955
Pension contributions subsequent to the measurement date	23,501	-
Total deferred amounts related to pensions	$ 325,834	$ 859,955

The City reported $23,501 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the measurement period ending April 30, 2027.

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 April 30	Net Deferred Outflows (Inflows) of Resources
2027	$ 189,445
2028	(317,504)
2029	(230,998)
2030	(198,565)
Total	$ (557,622)

Note 8: Other Postemployment Benefits

The City has evaluated its potential other postemployment benefits liability. The City provides continued health insurance coverage at the active employer rate to all eligible employees in accordance with Illinois statutes, which creates an implicit subsidy of retiree health insurance. Former employees who choose to retain their rights to health insurance through the City are required to pay 100% of the current premium. However, only two former employees have chosen to stay in the City's current health insurance plan. Therefore, there has been low utilization and, therefore, an immaterial implicit subsidy to calculate in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Additionally, the City has no former employees for whom the City was providing an explicit subsidy and no employees with agreements for future explicit subsidies upon retirement. Therefore, the City has not recorded any postemployment benefit liability as of April 30, 2026.

Note 9: Construction and Other Significant Commitments

Construction commitments. The City had the following significant construction commitments as of April 30, 2026.

In February 2026, the City entered into a contract with FMT Properties LLC. for the purchase of the 11420 Dandar St property for the total amount of $1,800,000. As of April 30, 2026, the remaining amount on the contract was $1,790,000.

In March 2026, the City entered into a contract with Kompan, Inc for the Galena Rec Park Project in the total amount of $216,182. As of April 30, 2026, the remaining amount on the contract was $216,182.

In February 2026, the City entered into a contract with Martin Equipment for the purchase of a 2026 John Deere Wheel Loader in the amount of $221,673. As of April 30, 2026, the remaining amount on the contract was $221,673.

In March 2026, the City entered into a contract with Custom Fire Appartus, Inc for the purchase of a 2027 Customer Pumper Engine Apparatus in the total amount of $1,193,982. As of April 30, 2026, the remaining amount on the contract was $1,193,982.

Note 10: Risk Management

The City is exposed to various risks of loss including, but not limited to, general liability, property casualty, workers compensation and public official liability. To limit exposure to these risks, the City participates in the Illinois Municipal League Risk Management Association. The City is liable for up to $25,000 a year deductible for all years it participates in the plan. The City's policy is to record any related expenditures in the year in which they are notified and pay the assessment. Potentially, the City could be assessed additional premiums for its share of any losses of the pool. The City is not aware of any additional assessments owed as of April 30, 2026.

During the year ended April 30, 2026, there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

Note 11: Leases

City as Lessor

The City, as a lessor, has entered into tower lease agreements with Verizon, AT&T, T-Mobile, and U.S. Cellular. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows recognized during the fiscal year was $144,374. The lease revenue is recorded in the Water Fund. Due to the City reporting on the modified cash basis of accounting, associated assets, liabilities, and deferred inflows and outflows are not reported. The terms of the lease agreements are generally for five years, with annual amounts varying.

Note 12: Long-Term Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation alternate revenue bonds are generally paid by sources other than property taxes. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with original maturities that range from 5 to 20 years. General obligation bonds outstanding at April 30, 2026, are as follows:

Issue	Date of Issue	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 04/30/26	Fund Debt Retired by
Business Type Activities						
IEPA Loan - L171944	12/7/2004	$ 2,487,404	2.50 %	5/11/2026	$ 80,049	Water Fund
IEPA Loan - L171946	9/13/2021	$ 1,612,553	1.50 %	5/28/2041	$ 659,445	Water Fund
IEPA Loan - L175811	11/8/2022	$ 1,435,991	0.83 %	5/18/2042	$ 887,065	Water Fund
2020 Revenue Bond	4/8/2020	$ 5,900,000	3.00 %	12/30/2034	$ 4,015,000	Sewer Fund

Note 12: Long-Term Debt (Continued)

The IEPA loans are payable solely from operating revenues of the Water Fund. The 2004 IEPA Loan requires a reserve of $60,000 be maintained. See Note 4 for more information. The 2020 Revenue Bond (Alternate Revenue Source) is payable from revenues derived from the operation of the sewer utilities and a 1/2% sales tax passed by referendum.

Direct Borrowing - Note payable (split between Governmental and Business-Type Activities)

The City entered into a note payable in fiscal year 2024 for city-wide infrastructure improvements. The proceeds of $880,000 were attributable to the governmental activities and $448,000 of the proceeds were attributable to the business-type activities.

Notes payable at April 30, 2026, consists of the following:

Note payables	Date of Issue	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 04/30/26	Fund Debt Retired by
Governmental Activities portion	9/25/2023	$ 880,000	3.85 %	9/25/2028	$ 462,879	Debt Service
Business-Type Activities portion	9/25/2023	$ 448,000	3.85 %	9/25/2028	$ 233,120	Water Fund

The contract is payable from the General Fund revenues, including not limited to sales tax, income tax, property tax, food and beverage tax, amusement tax and water and sewer utilities.

Debt service requirements to maturity are as follows:

Governmental activities

	Notes Payable	
Year ending April 30	**Principal**	**Interest**
2027	$ 178,445	$ 16,222
2028	185,459	9,208
2029	98,975	1,878
Totals	$ 462,879	$ 27,308

Note 12: Long-Term Debt (Continued)

Business-type activities

Year ending April 30:	IEPA Loans Payable		Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2027	$ 168,521	$ 18,009	$ 91,926	$ 8,357	$ 395,000	$ 120,450
2028	89,465	16,015	95,539	4,744	405,000	108,600
2029	90,470	15,010	45,655	968	420,000	96,450
2030	91,486	13,994	-	-	430,000	83,850
2031	92,515	12,965	-	-	445,000	70,950
2032 - 2036	478,468	48,932	-	-	1,920,000	146,100
2037 - 2041	506,166	21,234	-	-	-	-
2042 - 2046	109,468	892	-	-	-	-
Totals	$ 1,626,559	$ 147,051	$ 233,120	$ 14,069	$ 4,015,000	$ 626,400

Long-term debt activity for the year ended April 30, 2026 are as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Note payable	$ 650,796	$ -	$ (187,917)	$ 462,879	$ 178,445
Total governmental activity long-term liabilities	$ 650,796	$ -	$ (187,917)	$ 462,879	$ 178,445

	Beginning Balance	Increase	Decrease	Ending Balance	Amounts due Within One Year
Business-type activities:					
Revenue bonds	$ 4,400,000	$ -	$ (385,000)	$ 4,015,000	$ 395,000
IEPA loans payable	1,871,193	-	(244,634)	1,626,559	168,521
Bond premium	80,365	-	(13,987)	66,378	12,763
Notes payable	321,560	-	(88,440)	233,120	91,926
Total business-type activity long-term liabilities	$ 6,673,118	$ -	$ (732,061)	$ 5,941,057	$ 668,210

The City is subject to a debt limitation of 8.625% of its assessed valuation of $158,395,023. As of April 30, 2026 the City had $13,661,571 remaining legal debt margin.

Note 13: Interfund Receivables and Payables

As of April 30, 2026, there were no interfund receivables or payables between any of the City's funds.

Note 14: Interfund Transfers

Below are the interfund transfers as of April 30, 2026:

Transfer From	Transfers In	Transfers Out
Major funds:		
General Fund	$ 21,435	$ 1,821,065
Fire Protection Fund	-	6,355
Water Fund	-	57,725
Sewer Fund	345,197	-
Nonmajor funds	1,830,730	312,217
Total all funds	$ 2,197,362	$ 2,197,362

The purpose of the significant transfers to/from other funds are as follows:

a. $551,326 was transferred from the General Fund to the Parks and Recreation Fund (nonmajor fund) to offset the park costs.

b. $211,040 was transferred from the General Fund to the Debt Service Fund (nonmajor fund) to fund fiscal year 2026 debt service payments.

c. $147,990 was transferred from the General Fund to the Garbage Fund (nonmajor fund) to offset the garbage costs.

d. $312,217 was transferred from the Capital Projects Fund (nonmajor fund) to the Sewer Fund to offset capital expenses related to ongoing Sewer Projects.

e. $756,598 was transferred from the General Fund to the Swimming Pool Fund (nonmajor fund) to offset costs of running the city swimming pool.

Note 15: 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, 2026, are determined on the basis of current wage rates.

Note 15: Compensated Absences (Continued)

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 $174,265 at April 30, 2026. 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 $15,685 at April 30, 2026. 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 may accumulate from year to year with some restrictions if not used. The City also provides part-time employees with a paid leave benefit. A contingent liability for vacation leave has been calculated in the amount of $135,013 at April 30, 2026.

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 $28,987 at April 30, 2026. The accumulated compensatory time is a vested benefit for the City's full-time employees.

These amounts are not reported as liabilities in the financial statements because the City reports on the modified cash basis of accounting.

Note 16: Contingencies

From time to time, the City is party to other pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and the City's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

Note 17: Impact of Pending Accounting Principles

GASB Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. The City has not determined the effect of this Statement.

GASB Statement No. 104, *Disclosures in Certain Capital Assets*, mandates the disclosure of specific types of capital assets, including lease, intangible, subscription, and assets held for sale, in the capital asset note disclosures. This aims to enhance consistency and comparability in financial reporting among governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. The City has not determined the effect of this Statement.

Note 17: Impact of Pending Accounting Principles (Continued)

GASB Statement No. 105, *Subsequent Events*, improves the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026. The City has not determined the effect of this Statement.

Note 18: Asset Retirement Obligations

The Governmental Accounting Standards Board (GASB) issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for legally enforceable liabilities associated with the retirement of tangible capital assets. The City has evaluated the applicability of this standard to its operations.

As of the fiscal year ended April 30, 2026, the City does not have any legally enforceable asset retirement obligations that meet the criteria outlined in GASB Statement No. 83. Specifically, the City does not operate facilities or hold assets that require retirement activities under federal, state, or local laws, regulations, or contracts. Accordingly, no liability or related deferred outflows of resources have been recognized in the accompanying financial statements.

Management will continue to monitor the City's operations and regulatory environment for any future developments that may result in the recognition of asset retirement obligations under this standard.

Note 19: Subsequent Events

Subsequent events have been evaluated through August 28, 2026, which is the date the financial statements were available to be issued.

In July 2026, the City entered into a loan agreement with First Community Bank of Galena for $1,800,076 to finance the acquisition of the Galena Industrial Park. The loan is payable in ten semiannual installments of $202,315, beginning January 1, 2027, with final maturity on July 1, 2031.

Other Information

City of Galena, Illinois

Budgetary Comparison Schedule

Year Ended April 30, 2026	General			
	Original Budget	**Final Budget**	**Actual**	**Variance with Final Budget**
Revenues				
Property taxes	$ 727,720	$ 727,720	$ 741,611	$ 13,891
Intergovernmental revenue	4,714,580	4,714,580	5,082,099	367,519
Licenses and permits	189,050	189,050	186,109	(2,941)
Fines and forfeitures	49,000	49,000	66,177	17,177
Charges for services	2,400	2,400	2,400	-
Investment income	161,600	161,600	269,443	107,843
Miscellaneous	42,500	42,500	90,258	47,758
Total revenues	5,886,850	5,886,850	6,438,097	551,247
Expenditures				
General control and administration	2,154,660	2,154,660	2,139,047	15,613
Public safety	1,177,740	1,233,620	1,193,183	40,437
Public works	1,522,590	1,522,590	931,674	590,916
Capital outlay	-	-	343,809	(343,809)
Total expenditures	4,854,990	4,910,870	4,607,713	303,157
Excess of revenue over (under) expenditures	1,031,860	975,980	1,830,384	854,404
Other financing sources (uses)				
Transfers in	-	-	21,435	21,435
Transfers out	(1,788,889)	(1,821,065)	(1,821,065)	-
Total other financing sources (uses)	(1,788,889)	(1,821,065)	(1,799,630)	21,435
Net change in fund balance	$ (757,029)	$ (845,085)	30,754	$ 875,839
Fund balance at beginning of year			5,626,833	
Fund balance at end of year			$ 5,657,587	

See Notes to Other Information.

City of Galena, Illinois

Budgetary Comparison Schedule

Year Ended April 30, 2026	Fire Protection		
	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Property taxes	$ 436,850	$ 431,792	$ (5,058)
Intergovernmental revenue	29,000	29,004	4
Investment income	74,000	54,611	(19,389)
Total revenues	539,850	515,407	(24,443)
Expenditures			
Public safety	270,070	121,762	148,308
Capital outlay	-	57,933	(57,933)
Total expenditures	270,070	179,695	90,375
Excess of revenue over (under) expenditures	269,780	335,712	65,932
Other financing sources (uses)			
Transfers out	(6,355)	(6,355)	-
Total other financing sources (uses)	(6,355)	(6,355)	-
Net change in fund balance	$ 263,425	329,357	$ 65,932
Fund balance at beginning of year		2,320,843	
Fund balance at end of year		$ 2,650,200	

See Notes to Other Information.

City of Galena, Illinois

Multiyear Schedule of Changes in the Net Pension Liability and Related Ratios

Illinois Municipal Retirement Fund

Last Ten Calendar Years

IMRF Regular Plan	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Calendar year ending December 31										
Total pension liability:										
Service cost	$ 162,868	$ 155,909	$ 147,423	$ 150,583	$ 143,448	$ 168,530	$ 163,311	$ 154,844	$ 161,663	$ 155,259
Interest on total pension liability	839,469	844,032	794,870	770,997	725,394	707,048	670,187	649,261	614,459	600,958
Benefit changes	-	-	-	-	-	-				
Differences between expected and actual experience of the total pension liability	303,210	(409,681)	372,647	(20,670)	245,547	(138,384)	(9,689)	(193,149)	283,747	(291,121)
Changes of assumption	-	-	(8,026)	-	-	(83,077)		281,331	(294,917)	(10,842)
Benefit payments, including refunds of employee contributions	(653,026)	(660,309)	(605,833)	(534,238)	(443,668)	(333,382)	(302,599)	(316,161)	(278,862)	(297,417)
Net change in total pension liability	652,521	(70,049)	701,081	366,672	670,721	320,735	521,210	576,126	486,090	156,837
Total pension liability, beginning	11,823,967	11,894,016	11,192,935	10,826,263	10,155,542	9,834,807	9,313,597	8,737,471	8,251,381	8,094,544
Total pension liability, ending (a)	12,476,488	11,823,967	11,894,016	11,192,935	10,826,263	10,155,542	9,834,807	9,313,597	8,737,471	8,251,381
Plan fiduciary net position:										
Contributions - employer	79,631	40,857	89,543	118,905	152,981	139,167	131,601	147,088	155,726	156,389
Contributions - employees	94,054	84,339	79,477	77,187	77,437	68,971	71,695	70,042	70,007	67,538
Net investment income	1,853,504	1,209,483	1,211,411	(1,582,695)	1,758,545	1,351,663	1,520,521	(421,656)	1,316,191	504,323
Benefit payments, including refunds of employee contributions	(653,026)	(660,309)	(605,833)	(534,238)	(443,668)	(333,382)	(302,599)	(316,161)	(278,862)	(297,417)
Other (net transfers)	(7,246)	(631,865)	359,684	363,609	(73,447)	19,835	15,058	113,691	(97,580)	(183,304)
Net change in plan fiduciary net position	1,366,917	42,505	1,134,282	(1,557,232)	1,471,848	1,246,254	1,436,276	(406,996)	1,165,482	247,529
Plan net position, beginning	12,114,734	12,072,229	10,937,947	12,495,179	11,023,331	9,777,077	8,340,801	8,747,797	7,582,315	7,334,786
Plan net position, ending (b)	$ 13,481,651	$ 12,114,734	$ 12,072,229	$ 10,937,947	$ 12,495,179	$ 11,023,331	$ 9,777,077	$ 8,340,801	$ 8,747,797	$ 7,582,315
Net pension liability (asset) - Ending (a) - (b)	$ (1,005,163)	$ (290,767)	$ (178,213)	$ 254,988	$ (1,668,916)	$ (867,789)	$ 57,730	$ 972,796	$ (10,326)	$ 669,066
Plan fiduciary net position as a percentage of the total pension liability	108.06 %	102.46 %	101.50 %	97.72 %	115.42 %	108.54 %	99.41 %	89.56 %	100.12 %	91.89 %
Covered valuation payroll	2,090,076	1,874,209	1,766,150	1,719,516	1,720,821	1,532,679	1,593,225	1,556,484	1,555,711	1,500,854
Net pension liability as a percentage of covered valuation payroll	(48.09)%	(15.51)%	(10.09)%	14.83 %	(96.98)%	(56.62)%	3.62 %	62.50 %	(0.66)%	44.58 %

See Notes to Other Information.

City of Galena, Illinois

Multiyear Schedule of IMRF Contributions

Illinois Municipal Retirement Fund

Last Ten Fiscal Years

Fiscal Year Ending April 30	Actuarially Determined Contribution*	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contributions as a Percentage of Covered Valuation Payroll
2026	$ 76,133	$ 76,133	$ -	$ 2,009,804	3.79 %
2025	51,182	51,182	-	1,916,016	2.67 %
2024	75,562	75,562	-	1,799,636	4.20 %
2023	97,288	97,288	-	1,670,715	5.82 %

* Estimated based on 3.74% 2026 calendar year contribution rate, 3.81% 2025 calendar year contribution rate, and covered valuation payroll of $2,009,804.

** Information prior to fiscal year ending April 30, 2023 was not available from prior audit report.

*** The City implemented GASB Statement No. 68 effective April 30, 2016.

City of Galena, Illinois

Notes to Other Information

Note 1: Basis of Accounting

Annual budgets are adopted for all governmental funds using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

Note 2: Excess of Disbursements Over Appropriations

The City had no major funds with expenditures exceeding appropriations for fiscal year 2026.

Note 3: Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2025 Contribution Rate for IMRF*

Valuation date:	
Notes:	Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.
Methods and assumptions used to determine 2025 contribution rates:	
Actuarial cost method	Aggregate entry age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	Non Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 18-year closed period. Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 13 years for most employers (five employers were financed over 14 years; one employer was financed over 15 years; two employers were financed over 16 years; one employer was financed over 19 years; three employers were financed over 22 years; four employers were financed over 23 years and one employer were financed over 24 years).
Asset valuation method	5-year smoothed market; 20% corridor
Wage growth	2.75%
Inflation	2.25%
Salary increases	2.85% to 13.75%, including inflation
Investment rate of return	7.25%
Retirement age	Experience based table of rates that are specific to the type of eligibility condition. Last updated for the 2023 valuation pursuant to an experience study of the period 2020-2022.
Mortality	For non-disabled retirees, the Pub-2010, Amount-Weighted, below median income, General, Retiree, Male (adjusted 108.0%) and Female (adjusted 106.4%) tables, and future mortality improvements projected using scale MP-2021. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2021. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2021.
Other Information:	
Notes:	There were no benefit changes during the year.

** Based on Valuation Assumptions used in the December 31, 2023 actuarial valuation.*

City of Galena, Illinois

Combining Balance Sheet - Nonmajor Governmental Funds - Modified Cash Basis

April 30, 2026	Audit	Emergency Services Defense	Insurance
Assets			
Cash, deposits, and investments	$ 19,574	$ 38,748	$ 210,204
Total assets	19,574	38,748	210,204
Fund balances			
Restricted for:			
General control and administration	19,574	-	210,204
Public safety	-	38,748	-
Public works	-	-	-
Culture and recreation	-	-	-
Employee benefits	-	-	-
Debt service	-	-	-
Total fund balances	19,574	38,748	210,204
Total liabilities, deferred inflows of resources and fund balances	$ 19,574	$ 38,748	$ 210,204

City of Galena, Illinois

Combining Balance Sheet - Nonmajor Governmental Funds - Modified Cash Basis (Continued)

April 30, 2026	MFT	IMRF	Parks and Recreation
Assets			
Cash, deposits, and investments	$ 296,343	$ 480,953	$ 82,821
Total assets	296,343	480,953	82,821
Fund balances			
Restricted for:			
General control and administration	-	-	-
Public safety	-	-	-
Public works	296,343	-	-
Culture and recreation	-	-	82,821
Employee benefits	-	480,953	-
Debt service	-	-	-
Total fund balances	296,343	480,953	82,821
Total liabilities, deferred inflows of resources and fund balances	$ 296,343	$ 480,953	$ 82,821

City of Galena, Illinois

Combining Balance Sheet - Nonmajor Governmental Funds - Modified Cash Basis (Continued)

April 30, 2026	FICA	Flood Control	Debt Service
Assets			
Cash, deposits, and investments	$ 88,278	$ 131,057	$ 1,277
Total assets	88,278	131,057	1,277
Fund balances			
Restricted for:			
General control and administration	-	-	-
Public safety	-	131,057	-
Public works	-	-	-
Culture and recreation	-	-	-
Employee benefits	88,278	-	-
Debt service	-	-	1,277
Total fund balances	88,278	131,057	1,277
Total liabilities, deferred inflows of resources and fund balances	$ 88,278	$ 131,057	$ 1,277

City of Galena, Illinois

Combining Balance Sheet - Nonmajor Governmental Funds - Modified Cash Basis (Continued)

April 30, 2026	Accrued Benefits	Capital Projects	Total
Assets			
Cash, deposits, and investments	$ 187,814	$ 829,603	$ 2,366,672
Total assets	187,814	829,603	2,366,672
Fund balances			
Restricted for:			
General control and administration	187,814	-	417,592
Public safety	-	-	169,805
Public works	-	829,603	1,125,946
Culture and recreation	-	-	82,821
Employee benefits	-	-	569,231
Debt service	-	-	1,277
Total fund balances	187,814	829,603	2,366,672
Total liabilities, deferred inflows of resources and fund balances	$ 187,814	$ 829,603	$ 2,366,672

City of Galena, Illinois

Combining Statement of Revenues, Expenditures and Changes In Fund Balance - Nonmajor Governmental Funds - Modified Cash Basis

Year Ended April 30, 2026	Audit	Emergency Services Defense	Insurance	MFT
Revenues				
Property taxes	$ 39,547	$ 819	$ 276,783	$ -
Intergovernmental revenue	-	-	-	203,612
Investment income	209	309	1,944	22,598
Miscellaneous	-	-	-	-
Total revenues	39,756	1,128	278,727	226,210
Expenditures				
Current:				
General control and administration	41,977	-	212,986	-
Public safety	-	2,255	-	-
Public works	-	-	-	160,648
Culture and recreation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	152,345
Total expenditures	41,977	2,255	212,986	312,993
Excess (deficiency) of revenues over expenditures	(2,221)	(1,127)	65,741	(86,783)
Other financing sources (uses)				
Transfers in	1,610	6,355	37,358	-
Transfers out	-	-	-	-
Total other financing sources (uses)	1,610	6,355	37,358	-
Net change in fund balance	(611)	5,228	103,099	(86,783)
Fund balance, beginning of year	20,185	33,520	107,105	383,126
Fund balance, end of year	$ 19,574	$ 38,748	$ 210,204	$ 296,343

City of Galena, Illinois

Combining Statement of Revenues, Expenditures and Changes In Fund Balance - Nonmajor Governmental Funds - Modified Cash Basis (Continued)

Year Ended April 30, 2026	IMRF	Parks and Recreation	FICA	Flood Control
Revenues				
Property taxes	$ 14	$ 18,078	$ 148,270	$ 34,604
Intergovernmental revenue	88,003	-	-	-
Investment income	10,065	1,985	1,125	3,043
Miscellaneous	-	36,297	-	-
Total revenues	98,082	56,360	149,395	37,647
Expenditures				
Current:				
General control and administration	39,716	-	67,803	-
Public safety	28,942	-	66,648	76,320
Public works	13,764	-	31,697	-
Culture and recreation	4,507	269,221	10,379	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	380,932	-	-
Total expenditures	86,929	650,153	176,527	76,320
Excess (deficiency) of revenues over expenditures	11,153	(593,793)	(27,132)	(38,673)
Other financing sources (uses)				
Transfers in	-	551,326	36,140	52,290
Transfers out	-	-	-	-
Total other financing sources (uses)	-	551,326	36,140	52,290
Net change in fund balance	11,153	(42,467)	9,008	13,617
Fund balance, beginning of year	469,800	125,288	79,270	117,440
Fund balance, end of year	$ 480,953	$ 82,821	$ 88,278	$ 131,057

City of Galena, Illinois

Combining Statement of Revenues, Expenditures and Changes In Fund Balance - Nonmajor Governmental Funds - Modified Cash Basis (Continued)

Year Ended April 30, 2026	Debt Service	Accrued Benefits	Capital Projects	Total
Revenues				
Property taxes	$ -	$ -	$ -	$ 518,115
Intergovernmental revenue	-	-	754,426	1,046,041
Investment income	-	9,827	55,913	107,018
Miscellaneous	-	-	-	36,297
Total revenues	-	9,827	810,339	1,707,471
Expenditures				
Current:				
General control and administration	-	30,176	-	392,658
Public safety	-	-	-	174,165
Public works	-	-	41,767	247,876
Culture and recreation	-	-	-	284,107
Debt service:				
Principal	187,917	-	-	187,917
Interest	21,847	-	-	21,847
Capital outlay	-	-	80,792	614,069
Total expenditures	209,764	30,176	122,559	1,922,639
Excess (deficiency) of revenues over expenditures	(209,764)	(20,349)	687,780	(215,168)
Other financing sources (uses)				
Transfers in	211,040	26,100	3,310	925,529
Transfers out	-	-	(312,217)	(312,217)
Total other financing sources (uses)	211,040	26,100	(308,907)	613,312
Net change in fund balance	1,276	5,751	378,873	398,144
Fund balance, beginning of year	1	182,063	450,730	1,968,528
Fund balance, end of year	$ 1,277	$ 187,814	$ 829,603	$ 2,366,672

City of Galena, Illinois

Combining Statement of Net Position - Nonmajor Proprietary Funds - Modified Cash Basis

April 30, 2026	Shuttle and Parking	Turner Hall	Swimming Pool
Assets			
Current assets:			
Cash, deposits, and investments	$ 700,164	$ 208,901	$ 66,250
Total current assets	700,164	208,901	66,250
Capital assets:			
Land and nondepreciable assets	-	-	23,125
Depreciable property and equipment, net of depreciation	344,294	814,510	814,927
Total capital assets	344,294	814,510	838,052
Total noncurrent assets	344,294	814,510	838,052
Total assets	1,044,458	1,023,411	904,302
Net position			
Net investment in capital assets	344,294	814,510	838,052
Unrestricted	700,164	208,901	66,250
Total liabilities and fund balances	$ 1,044,458	$ 1,023,411	$ 904,302

City of Galena, Illinois

Combining Statement of Net Position - Nonmajor Proprietary Funds - Modified Cash Basis (Continued)

April 30, 2026	**Garbage**	**Total**
Assets		
Current assets:		
Cash, deposits, and investments	$ 136,623	$ 1,111,938
Total current assets	136,623	1,111,938
Capital assets:		
Land and nondepreciable assets	-	23,125
Depreciable property and equipment, net of depreciation	329	1,974,060
Total capital assets	329	1,997,185
Total noncurrent assets	329	1,997,185
Total assets	136,952	3,109,123
Net position		
Net investment in capital assets	329	1,997,185
Unrestricted	136,623	1,111,938
Total liabilities and fund balances	$ 136,952	$ 3,109,123

City of Galena, Illinois

Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor Proprietary Funds - Modified Cash Basis

Year Ended April 30, 2026	Shuttle and Parking	Turner Hall	Swimming Pool
Operating revenues:			
Charges for services	$ 159,725	$ 29,950	$ 110,815
Other	-	38,448	-
Miscellaneous	-	-	-
Total operating revenues	159,725	68,398	110,815
Operating expenses:			
Personnel	8,928	5,269	151,726
Commodities	-	24,119	10,272
Contractual	24,054	8,383	-
Other	10,368	19,916	90,810
Depreciation and amortization	20,066	66,727	51,788
Total operating expenses	63,416	124,414	304,596
Operating income (loss)	96,309	(56,016)	(193,781)
Non-operating revenues (expenses):			
Investment income	6,228	1,627	2,533
Property taxes	-	-	-
Total non-operating revenues (expenses)	6,228	1,627	2,533
Income (loss) before transfers and capital contributions	102,537	(54,389)	(191,248)
Transfers and capital contributions:			
Transfers in	-	613	756,598
Gain (loss) sale of capital assets	3,608	-	-
Total transfers and capital contributions	3,608	613	756,598
Change in net position	106,145	(53,776)	565,350
Net position, beginning of year	938,313	1,077,187	338,952
Net position, end of year	$ 1,044,458	$ 1,023,411	$ 904,302

City of Galena, Illinois

Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor Proprietary Funds - Modified Cash Basis (Continued)

Year Ended April 30, 2026	Garbage	Total
Operating revenues:		
Charges for services	$ 246,155	$ 546,645
Other	2,714	41,162
Miscellaneous	5,275	5,275
Total operating revenues	254,144	593,082
Operating expenses:		
Personnel	16,123	182,046
Commodities	-	34,391
Contractual	389,143	421,580
Other	5,299	126,393
Depreciation and amortization	106	138,687
Total operating expenses	410,671	903,097
Operating income (loss)	(156,527)	(310,015)
Non-operating revenues (expenses):		
Investment income	8,986	19,374
Property taxes	14	14
Total non-operating revenues (expenses)	9,000	19,388
Income (loss) before transfers and capital contributions	(147,527)	(290,627)
Transfers and capital contributions:		
Transfers in	147,990	905,201
Gain (loss) sale of capital assets	-	3,608
Total transfers and capital contributions	147,990	908,809
Change in net position	463	618,182
Net position, beginning of year	136,489	2,490,941
Net position, end of year	$ 136,952	$ 3,109,123

City of Galena, Illinois

Combining Statement of Cash Flows - Nonmajor Proprietary Funds - Modified Cash Basis

Year Ended April 30, 2026	Shuttle and Parking	Turner Hall	Swimming Pool
Cash flows from operating activities			
Cash received from customers	$ 159,725	$ 68,398	$ 110,815
Payments to suppliers	(34,422)	(52,418)	(101,082)
Payments to employees	(8,928)	(5,269)	(151,726)
Net cash flows from operating activities	116,375	10,711	(141,993)
Cash flows from non-capital financing activities			
Transfers from other funds	-	613	756,598
Property taxes	-	-	-
Net cash flows from non-capital financing activities	-	613	756,598
Cash flows from capital and related financing activities			
Acquisition and construction of land and capital assets	(48,032)	(10,225)	(617,220)
Proceeds from sale of capital assets	3,608	-	-
Net cash flows from capital and related financing activities	(44,424)	(10,225)	(617,220)
Cash flows from investing activities			
Interest received	6,228	1,627	2,533
Net cash flows from investing activities	6,228	1,627	2,533
Net change in cash and cash equivalents	78,179	2,726	(82)
Cash and cash equivalents, beginning of year	621,985	206,175	66,332
Cash and cash equivalents, end of year	$ 700,164	$ 208,901	$ 66,250
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	$ 96,309	$ (56,016)	$ (193,781)
Adjustment to reconcile operating (loss) to net cash flows for operating activities:			
Depreciation	20,066	66,727	51,788
Effects of changes in assets and liabilities:			
Net cash flows from operating activities	$ 116,375	$ 10,711	$ (141,993)

City of Galena, Illinois

Combining Statement of Cash Flows - Nonmajor Proprietary Funds - Modified Cash Basis

Year Ended April 30, 2026	**Garbage**	**Total**
Cash flows from operating activities		
Cash received from customers	$ 254,144	$ 593,082
Payments to suppliers	(394,442)	(582,364)
Payments to employees	(16,123)	(182,046)
Net cash flows from operating activities	(156,421)	(171,328)
Cash flows from non-capital financing activities		
Transfers from other funds	147,990	905,201
Property taxes	14	14
Net cash flows from non-capital financing activities	148,004	905,215
Cash flows from capital and related financing activities		
Acquisition and construction of land and capital assets	-	(675,477)
Proceeds from sale of capital assets	-	3,608
Net cash flows from capital and related financing activities	-	(671,869)
Cash flows from investing activities		
Interest received	8,986	19,374
Net cash flows from investing activities	8,986	19,374
Net change in cash and cash equivalents	569	81,392
Cash and cash equivalents, beginning of year	136,054	1,030,546
Cash and cash equivalents, end of year	$ 136,623	$ 1,111,938
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ (156,527)	$ (310,015)
Adjustment to reconcile operating (loss) to net cash flows for operating activities:		
Depreciation	106	138,687
Effects of changes in assets and liabilities:		
Net cash flows from operating activities	$ (156,421)	$ (171,328)

City of Galena, Illinois

Assessed Valuations, Tax Rates, Tax Extensions and Tax Collections

	Tax Year 2025		Tax Year 2024	
Assessed valuations	$ 158,395,023		$ 145,387,518	
Property tax rates (per $100) and extensions	**Rate**	**Amount**	**Rate**	**Amount**
General Corporate	0.43279	685,518	0.43519	632,712
Fire Protection	0.24902	394,435	0.30048	436,860
Police Protection	0.00001	16	0.00001	15
Workmen's Compensation	0.03031	48,010	0.02064	30,008
Garbage	0.00001	16	0.00001	15
Street Lighting	0.00001	16	0.00001	14
Parks	0.00001	16	0.01258	18,290
Levee	0.02211	35,021	0.02408	35,009
Social Security	0.11364	180,000	0.10318	150,011
School Crossing Guard	0.00001	16	0.00001	14
Audit	0.01894	30,000	0.02752	40,011
Liability Insurance	0.13890	220,011	0.16921	246,010
Emergency Services Defense	0.00053	839	0.00057	829
Unemployment Insurance	0.00001	16	0.00276	4,013
IMRF	0.00001	16	0.00001	15
Revenue recapture	0.00067	1,061	0.01104	16,051
Township Road and Bridge	0.00000	103,171	0.00000	100,330
Waterworks	0.00001	16	0.00001	14
Chlorination	0.00001	16	0.00001	14
Totals	1.00700	$ 1,698,210	1.10732	$ 1,710,235
Tax collections				
General Corporate		$ -		$ 625,370
Fire Protection		-		431,792
Police Protection		-		14
Workmen's Compensation		-		29,660
Garbage		-		14
Street Lighting		-		14
Parks		-		18,078
Levee		-		34,603
Social Security		-		148,271
School Crossing Guard		-		14
Audit		-		39,547
Liability Insurance		-		243,156
Emergency Services Defense		-		819
Unemployment Insurance		-		3,967
IMRF		-		14
Waterworks		-		14
Chlorination		-		14
Revenue recapture		-		15,865
Township Road and Bridge		-		100,334
Totals		-		1,691,560
Percentage collected		- %		98.91 %

See Independent Audit Report on Supplementary Information.

City of Galena, Illinois

Assessed Valuations, Tax Rates, Tax Extensions and Tax Collections

	Tax Year 2023
Assessed valuations	$ 132,434,534

Property tax rates (per $100) and extensions	Rate	Amount
General Corporate	0.43609	577,534
Fire Protection	0.31416	416,056
Police Protection	0.09378	124,197
Workmen's Compensation	0.06796	90,003
Garbage	0.00001	13
Street Lighting	0.00001	13
Parks	0.05664	75,011
Levee	0.06041	80,004
Social Security	0.12459	165,000
School Crossing Guard	0.00001	13
Audit	0.01662	22,011
Liability Insurance	0.02266	30,010
Emergency Services Defense	0.00063	834
Unemployment Insurance	0.00907	12,012
IMRF	0.00076	1,007
Revenue recapture	0.00128	1,695
Township Road and Bridge	0.00000	94,389
Waterworks	0.00001	13
Chlorination	0.00001	13
Totals	1.20470	$ 1,689,828

Tax collections	
General Corporate	$ 570,525
Fire Protection	411,021
Police Protection	122,694
Workmen's Compensation	88,913
Garbage	13
Street Lighting	13
Parks	74,103
Levee	79,035
Social Security	163,003
School Crossing Guard	13
Audit	21,744
Liability Insurance	29,647
Emergency Services Defense	824
Unemployment Insurance	11,867
IMRF	995
Waterworks	13
Chlorination	13
Revenue recapture	1,695
Township Road and Bridge	91,811
Totals	1,667,942

Percentage collected 98.70 %

Compliance

WIPFLI

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*

Honorable Mayor and Members of the City Council
City of Galena, Illinois
Galena, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Galena, Illinois (the "City"), as of and for the year ended April 30, 2026 and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 28, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control described in the accompanying schedule of findings and responses as item 2026-001 that we consider to be a significant deficiency.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

City of Galena, Illinois' Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

Sterling, Illinois
August 28, 2026

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City of Galena, Illinois

Schedule of Findings and Responses

Section I - Audit Findings in Relation to Financial Statements

2026-001 **Improper Segregation of Duties**

Criteria or Specific Requirement: Internal controls should be in place that provide reasonable assurance that not one individual handles a transaction from its inception to its completion.

Condition: There is inadequate control over the functions of bank reconciliation reviews due to the inadequate segregation of duties.

Context: The City should have adequate staffing to properly segregate duties.

Effect: As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected and corrected within a timely period.

Cause: The City has a limited number of staff to allow for adequate segregation of duties.

Auditor's Recommendation: Management and the Board's close supervision and review of accounting information appears to be the most economical and appropriate manner to help prevent and detect errors and irregularities in the City's accounting and financial reporting.

View of Responsible Officials: We agree with the finding and have developed a corrective action plan.

Corrective Action Plans

Finding 2026-001 – Segregation of Duties

Corrective Action Plan

It is not economically feasible to hire additional personnel to help segregate the accounting functions. The City Council will closely supervise and review accounting information as it is the most economical and appropriate manner to help prevent and detect errors and irregularities in the City's accounting and financial reporting processes.

Person(s) Responsible: Terry Renner, Mayor

Timing for Implementation: There is no anticipated completion date for this item.

City of Galena, Illinois

Summary Schedule of Prior Audit Findings

Year Ended April 30, 2026

The following summarizes the prior audit findings and corrective action taken:

Finding 2025-001 There is inadequate control over the functions of bank reconciliation reviews due to the inadequate segregation of duties. **- Not Implemented**

Finding 2024-001 There is inadequate control over the functions of bank reconciliation reviews due to the inadequate segregation of duties. **- Not Implemented**