

# City of Galena, Illinois

Galena, Illinois

Financial Report

Year Ended April 30, 2024



**City of Galena, Illinois**  
**Basic Financial Statements and Other Information**  
Year Ended April 30, 2024

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**City of Galena, Illinois**  
**Basic Financial Statements and Other Information**  
Year Ended April 30, 2024

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## **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, 2024, and the related notes to the basic financial statements, which collectively comprise the City's basic 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, 2024, 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 City of Galena, Illinois 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.

#### ***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 opinion is 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 of Galena, Illinois' 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 City of Galena, Illinois' ability to continue as a going concern for a reasonable period of time.

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.

### ***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 basic financial statements and our auditor's report thereon. Our opinions on the basic 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 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 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 22, 2024 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 City of Galena, Illinois' 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.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Sterling, Illinois  
August 22, 2024

# **Basic Financial Statements**

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# City of Galena, Illinois

## Statement of Net Position - Modified Cash Basis

April 30, 2024	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash, deposits, and investments	\$ 9,034,738	\$ 2,460,084	\$ 11,494,822
Internal balances	15,878	(15,878)	-
Total current assets	9,050,616	2,444,206	11,494,822
Noncurrent assets:			
Restricted cash	-	60,000	60,000
Total noncurrent assets	-	60,000	60,000
Capital assets:			
Capital assets not being depreciated	2,739,542	817,678	3,557,220
Capital assets, net of depreciation	18,634,603	16,292,784	34,927,387
Total capital assets	21,374,145	17,110,462	38,484,607
Total noncurrent assets	21,374,145	17,170,462	38,544,607
Total assets	30,424,761	19,614,668	50,039,429
<b>Liabilities and Deferred Inflows of Resources</b>			
Liabilities			
Current liabilities			
Accrued payroll	9,785	-	9,785
Notes payable, current	189,125	324,896	514,021
Bonds payable, current	-	390,179	390,179
Total current liabilities	198,910	715,075	913,985
Noncurrent liabilities			
Notes payable, noncurrent	650,796	2,192,753	2,843,549
Bonds payable, noncurrent	-	4,480,365	4,480,365
Total noncurrent liabilities	650,796	6,673,118	7,323,914
Total liabilities	849,706	7,388,193	8,237,899
<b>Net position</b>			
Net investment in capital assets	20,534,224	10,125,691	30,659,915
Restricted:			
General control and administration	430,915	-	430,915
Public safety	2,086,346	-	2,086,346
Public works	781,745	-	781,745
Employee benefits	512,354	-	512,354
Debt service	-	60,000	60,000
Unrestricted	5,229,471	2,040,784	7,270,255
Total net position	\$ 29,575,055	\$ 12,226,475	\$ 41,801,530



# City of Galena, Illinois

## Statement of Activities - Modified Cash Basis

Year Ended April 30, 2024	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Functions/Programs</b>							
Governmental activities:							
General control and administration	\$ 2,461,680	\$ 449,672	\$ 100	\$ -	\$ (2,011,908)	\$ -	\$ (2,011,908)
Public safety	1,461,481	71,330	13,391	-	(1,376,760)	-	(1,376,760)
Culture and recreation	367,454	6,925	33,650	-	(326,879)	-	(326,879)
Public works	1,725,826	-	148,680	-	(1,577,146)	-	(1,577,146)
Interest payments	18,114	-	-	-	(18,114)	-	(18,114)
Total governmental activities	6,034,555	527,927	195,821	-	(5,310,807)	-	(5,310,807)
Business-type activities:							
Water	920,646	891,946	-	706,050	-	677,350	677,350
Sewer	1,324,932	707,296	-	-	-	(617,636)	(617,636)
Shuttle	51,127	140,358	-	-	-	89,231	89,231
Turner Hall	91,531	36,100	-	-	-	(55,431)	(55,431)
Swimming Pool	317,356	104,382	-	-	-	(212,974)	(212,974)
Garbage	355,307	254,568	-	-	-	(100,739)	(100,739)
Total business-type activities	3,060,899	2,134,650	-	706,050	-	(220,199)	(220,199)
Total primary government	9,095,454	2,662,577	195,821	706,050	(5,310,807)	(220,199)	(5,531,006)
General revenues:							
Taxes:							
Property taxes					1,604,713	36	1,604,749
State income tax					541,567	-	541,567
State sales tax					1,905,270	-	1,905,270
Other taxes					3,234,329	681,680	3,916,009
Miscellaneous					122,984	-	122,984
Interest					406,818	93,427	500,245
Gain (loss) sale of capital assets					77,110	-	77,110
Transfers					(278,110)	278,110	-
Total general revenues					7,614,681	1,053,253	8,667,934
Change in net position					2,303,874	833,054	3,136,928
Net position, beginning of year, as restated					27,271,181	11,393,421	38,664,602
Net position, ending					\$ 29,575,055	\$ 12,226,475	\$ 41,801,530

# City of Galena, Illinois

## Balance Sheet - Governmental Funds - Modified Cash Basis

<i>April 30, 2024</i>	General	Fire Protection	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash, deposits, and investments	\$ 5,223,378	\$ 1,948,222	\$ 336,716	1,526,422	\$ 9,034,738
Due from other funds	73,901	-	-	-	73,901
<b>Total assets</b>	<b>5,297,279</b>	<b>1,948,222</b>	<b>336,716</b>	<b>1,526,422</b>	<b>9,108,639</b>
<b>Liabilities, deferred inflows of resources, and fund balances</b>					
Liabilities					
Accrued payroll	9,785	-	-	-	9,785
Due to other funds	-	-	-	58,023	58,023
<b>Total liabilities</b>	<b>9,785</b>	<b>-</b>	<b>-</b>	<b>58,023</b>	<b>67,808</b>
Fund balances					
Restricted for:	-	-	-	-	-
General control and administration	-	-	-	430,915	430,915
Public safety	-	1,948,222	-	138,124	2,086,346
Public works	-	-	336,716	445,029	781,745
Employee benefits	-	-	-	512,354	512,354
Unassigned	5,287,494	-	-	(58,023)	5,229,471
<b>Total fund balances</b>	<b>5,287,494</b>	<b>1,948,222</b>	<b>336,716</b>	<b>1,468,399</b>	<b>9,040,831</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 5,297,279</b>	<b>\$ 1,948,222</b>	<b>\$ 336,716</b>	<b>\$ 1,526,422</b>	<b>\$ 9,108,639</b>

# City of Galena, Illinois

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position - Modified Cash Basis April 30, 2024

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Total fund balances - governmental funds \$ 9,040,831

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. 21,374,145

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 (839,921)

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Total net position - governmental activities \$ 29,575,055

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# City of Galena, Illinois

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

<i>Year Ended April 30, 2024</i>	General	Fire Protection	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 671,786	\$ 395,519	\$ -	\$ 537,408	\$ 1,604,713
Intergovernmental revenue	4,907,659	28,433	681,680	298,829	5,916,601
Charges for services	175	-	-	-	175
Fines and forfeitures	48,958	-	-	-	48,958
Licenses and permits	363,240	-	-	-	363,240
Investment income	236,116	51,615	55,256	63,831	406,818
Miscellaneous	129,802	28,447	-	40,675	198,924
<b>Total revenues</b>	<b>6,357,736</b>	<b>504,014</b>	<b>736,936</b>	<b>940,743</b>	<b>8,539,429</b>
<b>Expenditures</b>					
Current:					
General control and administration	2,008,000	-	-	388,737	2,396,737
Public safety	929,850	109,422	-	160,788	1,200,060
Public works	833,364	-	1	185,811	1,019,176
Culture and recreation	-	-	-	219,677	219,677
Debt service					
Principal	-	-	-	103,760	103,760
Interest	-	-	-	18,114	18,114
Capital outlay	1,831,376	236,157	824,386	277,067	3,168,986
<b>Total expenditures</b>	<b>5,602,590</b>	<b>345,579</b>	<b>824,387</b>	<b>1,353,954</b>	<b>8,126,510</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>755,146</b>	<b>158,435</b>	<b>(87,451)</b>	<b>(413,211)</b>	<b>412,919</b>
<b>Other financing sources (uses)</b>					
Proceeds from note payable	880,000	-	-	-	880,000
Transfers in	-	-	-	359,795	359,795
Transfers out	(630,730)	(7,175)	-	-	(637,905)
Gain (loss) sale of capital assets	86,250	1,500	-	9,800	97,550
<b>Total other financing sources (uses)</b>	<b>335,520</b>	<b>(5,675)</b>	<b>-</b>	<b>369,595</b>	<b>699,440</b>
<b>Net change in fund balance</b>	<b>1,090,666</b>	<b>152,760</b>	<b>(87,451)</b>	<b>(43,616)</b>	<b>1,112,359</b>
<b>Fund balances, beginning of year as restated</b>	<b>4,196,828</b>	<b>1,795,462</b>	<b>424,167</b>	<b>1,512,015</b>	<b>7,928,472</b>
<b>Fund balances, end of year</b>	<b>\$ 5,287,494</b>	<b>\$ 1,948,222</b>	<b>\$ 336,716</b>	<b>\$ 1,468,399</b>	<b>\$ 9,040,831</b>

# 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, 2024

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Net change in fund balance - governmental funds \$ 1,112,359

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 depreciation expense exceeds newly capitalized fixed assets in the period.

Loss on sale of capital assets 1,988,195  
(20,440)

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

Notes payable and capital lease principal repayment 103,760  
Debt issuance (880,000)

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Change in net position of governmental activities \$ 2,303,874

# City of Galena, Illinois

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

April 30, 2024	Business-Type Activities			Total
	Water Fund	Sewer Fund	Nonmajor Enterprise Funds	
<b>Assets</b>				
Current assets				
Cash, deposits, and investments	\$ 1,017,171	\$ 1,041,223	\$ 401,690	\$ 2,460,084
Total current assets	1,017,171	1,041,223	401,690	2,460,084
Noncurrent assets				
Restricted cash	60,000	-	-	60,000
	60,000	-	-	60,000
Capital assets:				
Land and nondepreciable assets	694,241	95,000	28,437	817,678
Depreciable property and equipment, net of depreciation	5,754,377	9,313,791	1,224,616	16,292,784
Total capital assets	6,448,618	9,408,791	1,253,053	17,110,462
Total noncurrent assets	6,508,618	9,408,791	1,253,053	17,170,462
Total assets	7,525,789	10,450,014	1,654,743	19,630,546
Total assets and deferred outflow of resources	7,525,789	-	-	7,525,789
<b>Liabilities</b>				
Current liabilities				
Due to other funds	-	-	15,878	15,878
Notes payable, current	324,896	-	-	324,896
Bonds payable, current	-	390,179	-	390,179
Total current liabilities	324,896	390,179	15,878	730,953
Noncurrent liabilities				
Notes payable, noncurrent	2,192,753	-	-	2,192,753
Bonds payable, noncurrent	-	4,480,365	-	4,480,365
Total noncurrent liabilities	2,192,753	4,480,365	-	6,673,118
Total liabilities	2,517,649	\$ 4,870,544	\$ 15,878	\$ 7,404,071
Total liabilities and deferred inflow of resources	2,517,649	-	-	2,517,649
<b>Net position</b>				
Net investment in capital assets	4,238,847	4,633,791	1,253,053	10,125,691
Restricted for debt service	60,000	-	-	60,000
Unrestricted	709,293	945,679	385,812	2,040,784
Total net position	\$ 5,008,140	\$ 5,579,470	\$ 1,638,865	\$ 12,226,475

See Accompanying Notes to Financial Statements.

# City of Galena, Illinois

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

<i>Year Ended April 30, 2024</i>	Business-Type Activities			<b>Total</b>
	Water Fund	Sewer Fund	Nonmajor Enterprise Funds	
<b>Operating revenues</b>				
Charges for services	\$ 746,443	\$ 694,736	\$ 518,903	\$ 1,960,082
Other	145,503	12,560	7,902	165,965
Miscellaneous	-	-	8,603	8,603
Total operating revenues	891,946	707,296	535,408	2,134,650
<b>Operating expenses</b>				
Personnel	107,731	130,917	178,211	416,859
Commodities	-	-	369,918	369,918
Contractual	414,464	419,616	72,787	906,867
Other	112,020	85,652	139,088	336,760
Depreciation and amortization	253,946	551,021	55,317	860,284
Total operating expenses	888,161	1,187,206	815,321	2,890,688
Operating income (loss)	3,785	(479,910)	(279,913)	(756,038)
<b>Non-operating revenues (expenses)</b>				
Investment income	22,957	55,334	15,136	93,427
Local sales tax	-	681,680	-	681,680
Interest expense	(32,485)	(154,050)	-	(186,535)
Property taxes	12	12	12	36
Capital contributions	706,050	-	-	706,050
Amortization of debt discount	-	16,324	-	16,324
Total non-operating revenues (expenses)	696,534	599,300	15,148	1,310,982
Income (loss) before transfers	700,319	119,390	(264,765)	554,944
<b>Transfers</b>				
Transfers in	-	-	278,110	278,110
Total transfers	-	-	278,110	278,110
Changes in net position	700,319	119,390	13,345	833,054
Net position, beginning of year as restated	4,307,821	5,460,080	1,625,520	11,393,421
Net position, end of year	\$ 5,008,140	\$ 5,579,470	\$ 1,638,865	\$ 12,226,475

# City of Galena, Illinois

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

<i>Year Ended April 30, 2024</i>	Business-type Activities			Totals
	Water Fund	Sewer	Nonmajor Enterprise Funds	
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 746,443	\$ 694,736	\$ 535,408	\$ 1,976,587
Other receipts	145,503	12,560	-	158,063
Payments to suppliers	(526,484)	(505,268)	(581,793)	(1,613,545)
Payments to employees	(107,731)	(130,917)	(178,211)	(416,859)
Net cash flow from operating activities	257,731	\$ 71,111	\$ (224,596)	\$ 104,246
<b>Cash flows from non-capital financing activities</b>				
Transfers from other funds	-	-	278,110	278,110
Due to other funds	-	-	15,878	15,878
Property taxes	12	12	12	36
Local sales tax	-	681,680	-	681,680
Net cash flow from non-capital financing activities	12	681,692	294,000	975,704
<b>Cash flows from capital and related financing activities</b>				
Acquisition and construction of capital assets	(761,224)	(250,478)	(283,832)	(1,295,534)
Proceeds from long-term debt	448,000	-	-	448,000
Principal paid on long-term debt	(276,444)	(360,000)	-	(636,444)
Capital contributions	706,050	-	-	706,050
Net cash flow from capital and related financing activities	116,382	(610,478)	(283,832)	(777,928)
<b>Cash flows from investing activities</b>				
Interest received	22,957	55,334	15,132	93,423
Interest paid	(32,484)	(154,049)	-	(186,533)
Net cash flow from investing activities	(9,527)	(98,715)	15,132	(93,110)
Net change in cash and cash equivalents	364,598	43,610	(199,296)	208,912
Cash and cash equivalents, beginning of year	712,573	997,613	600,986	2,311,172
Cash and cash equivalents, end of year	\$ 1,077,171	\$ 1,041,223	\$ 401,690	\$ 2,520,084
Reconciliation of operating income (loss) to net cash from from operating activities				
Operating (loss)	\$ 3,785	\$ (479,910)	\$ (279,913)	\$ (756,038)
Adjustment to reconcile operating income (loss) to net cash flows for operating activities:				
Depreciation and amortization	253,946	551,021	55,317	860,284
Change in assets and liabilities:				
Net cash flow from operating activities	\$ 257,731	\$ 71,111	\$ (224,596)	\$ 104,246

See Accompanying Notes to Financial Statements.



# City of Galena, Illinois

## Notes to Financial Statements

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### 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.

# City of Galena, Illinois

## Notes to Financial Statements

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### 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.

**Capital Projects Fund** - This fund is used to account for the revenues and expenditures associated with infrastructure and other capital outlay activity. Financing is provided from a non-home rule sales tax approved by referendum.

#### Proprietary Funds

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

# City of Galena, Illinois

## Notes to Financial Statements

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### 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 expenditures 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 transaction 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.

# City of Galena, Illinois

## Notes to Financial Statements

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### **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

# City of Galena, Illinois

## Notes to Financial Statements

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### **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.

# City of Galena, Illinois

## Notes to Financial Statements

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### 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.

# City of Galena, Illinois

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Property Taxes

It is the City's intention that property taxes generated from the 2022 property tax levy be used to finance the operating budget of the fiscal year ending April 30, 2024. Therefore, property tax revenues represent the revenues primarily generated by the 2022 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 2022 levy was passed by the City Council on November 14, 2022. 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.

### Note 2: Stewardship, Compliance and Accountability

#### Excess of expenditures over appropriations

For the year ended April 30, 2024, expenditures exceeded appropriations in the following funds.

<u>Fund</u>	<u>Amount</u>
Parks and Recreation Fund	\$ 3,733
Debt Service Fund	97,314
Garbage Fund	602

#### Deficit Fund Equity

At April 30, 2024, the Parks and Recreation Fund and Debt Service Fund had deficit fund balances of \$6,896 and \$51,127, respectively.

### 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, 2024, the City's bank balance was \$5,605,681 and the entire balance was insured and collateralized with securities in the City's name.

# City of Galena, Illinois

## Notes to Financial Statements

### 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, 2024:

Reserve Account (Water Fund)	\$ 60,000
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### Note 5: Investments

As of April 30, 2024, the City had the following investments:

	Fair Value		
	Governmental Activities	Business-Type Activities	Total
Local government investment pools	\$ 5,187,475	\$ 901,597	\$ 6,089,072

#### 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 Type	Fair Value	Investment Maturities (in Years)			
		0-1	1-5	5-10	More than 10
Local government investment pool	\$ 6,089,072	\$ 6,089,072	\$ -	\$ -	-

#### 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	\$ 6,089,072	\$ 6,089,072	\$ -	-



# City of Galena, Illinois

## Notes to Financial Statements

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### **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, 2024, 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.

# City of Galena, Illinois

## Notes to Financial Statements

### Note 6: Capital Assets

The governmental activities capital asset activity for the year ended April 30, 2024, is as follows:

<b>Governmental activities:</b>	<b>Balance 5/1/2023</b>	<b>Increases</b>	<b>Decreases and Transfers</b>	<b>Balance 4/30/2024</b>
Capital assets, not being depreciated:				
Land	\$ 1,742,983	\$ -	\$ -	\$ 1,742,983
Historical treasures	30,705	-	-	30,705
Construction in progress	-	965,854	-	965,854
<b>Total capital assets, not being depreciated</b>	<b>1,773,688</b>	<b>965,854</b>	<b>-</b>	<b>2,739,542</b>
Capital assets, being depreciated:				
Buildings	6,384,824	36,750	-	6,421,574
Machinery and equipment	8,907,235	1,001,262	(244,728)	9,663,769
Infrastructure	37,170,140	1,165,120	-	38,335,260
<b>Total capital assets, being depreciated</b>	<b>52,462,199</b>	<b>2,203,132</b>	<b>(244,728)</b>	<b>54,420,603</b>
Accumulated depreciation:				
Buildings	3,231,468	136,975	-	3,368,443
Machinery and equipment	6,939,226	417,947	(224,288)	7,132,885
Infrastructure	24,658,803	625,869	-	25,284,672
<b>Total accumulated depreciation</b>	<b>34,829,497</b>	<b>1,180,791</b>	<b>(224,288)</b>	<b>35,786,000</b>
<b>Total capital assets, being depreciated, net</b>	<b>17,632,702</b>	<b>1,022,341</b>	<b>(20,440)</b>	<b>18,634,603</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 19,406,390</b>	<b>\$ 1,988,195</b>	<b>\$ (20,440)</b>	<b>\$ 21,374,145</b>

# City of Galena, Illinois

## Notes to Financial Statements

### Note 6: Capital Assets (Continued)

The business-type activities capital asset activity for the year ended April 30, 2024 is as follows:

<b>Business-Type activities:</b>	<b>Balance 5/1/2023</b>	<b>Increases</b>	<b>Decreases and Transfers</b>	<b>Balance 4/30/2024</b>
Capital assets, not being depreciated:				
Land	\$ 136,830	\$ -	\$ -	\$ 136,830
Construction in progress	-	680,848	-	680,848
<b>Total capital assets, not being depreciated</b>	<b>136,830</b>	<b>680,848</b>	<b>-</b>	<b>817,678</b>
Capital assets, being depreciated:				
Buildings	3,539,921	46,682	-	3,351,572
Machinery and equipment	2,324,407	158,176	(4,834)	2,712,780
Infrastructure	31,551,938	409,828	-	31,961,766
<b>Total capital assets, being depreciated</b>	<b>37,416,266</b>	<b>614,686</b>	<b>(4,834)</b>	<b>38,026,118</b>
Accumulated depreciation:				
Buildings	2,530,617	53,689	-	2,584,306
Machinery and equipment	1,865,459	99,176	(4,834)	1,959,801
Infrastructure	16,481,808	707,419	-	17,189,227
<b>Total accumulated depreciation</b>	<b>20,877,884</b>	<b>860,284</b>	<b>(4,834)</b>	<b>21,733,334</b>
<b>Total capital assets, being depreciated, net</b>	<b>16,538,382</b>	<b>(245,598)</b>	<b>-</b>	<b>16,292,784</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 16,675,212</b>	<b>\$ 435,250</b>	<b>\$ -</b>	<b>\$ 17,110,462</b>

# City of Galena, Illinois

## Notes to Financial Statements

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### Note 6: Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

<b>Governmental activities:</b>	<b>Amount</b>
General control and administration	\$ 63,200
Public safety	261,421
Public works	706,650
Culture and recreation	147,777
Community development	1,743
<hr/>	
Total depreciation expense, governmental activities	1,180,791
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<b>Business-type activities -</b>	
Water	253,946
Sewer	551,021
Garbage & refuse	712
Swimming pool	9,561
Turner Hall	35,556
Shuttle service	9,488
<hr/>	
Total depreciation expense, business-type activities	860,284

### Note 7: Retirement Plans

#### Illinois Municipal Retirement Fund (IMRF)

Due to the City preparing 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 Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan’s fiduciary net position, and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

# City of Galena, Illinois

## Notes to Financial Statements

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### Note 7: Retirement Plans (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 Plan*

**Employees Covered by the Benefit Terms** - At the December 31, 2023 valuation date, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	43
Inactive plan member entitled to but not yet receiving benefits	12
Active employees	29
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Total	84
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# City of Galena, Illinois

## Notes to Financial Statements

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### 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 2023 was 5.07%. For the fiscal year ended April 30, 2024, the City contributed \$75,762 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, 2023, 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, 2023:

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value of Assets
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 according to an experience study from years 2020 to 2022.
Mortality	For non disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 108%) and Female (adjusted 106.4%) tables, and future mortality improvements using scale MP-2021. For Disabled Retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male and Female (both unadjusted) tables, and future mortality improvements using scale MP-2021. For Active Members, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male and Female (both unadjusted) tables, and future mortality improvements using scale MP-2021.

# City of Galena, Illinois

## Notes to Financial Statements

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### Note 7: Retirement Plans (Continued)

#### *Regular Personnel (Non-SLEP) (Continued)*

The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2023:

<b>Asset Class</b>	<b>Portfolio Target Percentage</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity	34.50 %	5.00 %
International equity	18.00 %	6.35 %
Fixed income	24.50 %	4.75 %
Real estate	10.50 %	6.30 %
Alternative investments	11.50 %	6.05-8.65%
Cash equivalents	1.00 %	3.80 %
Total	100.00 %	

#### **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).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.25%, the municipal bond rate is 3.77%, and the resulting single discount rate is 7.25%.

# City of Galena, Illinois

## Notes to Financial Statements

### Note 7: Retirement Plans (Continued)

*Regular Personnel (Non-SLEP) (Continued)*

#### Changes in Net Pension Liability

	Total Pension Liability (A)	Plan Net Position (B)	Net Pension Liability (Asset) (A) - (B)
Balances at January 1, 2023	\$ 11,192,935	\$ 10,937,947	\$ 254,988
Changes for the year:			
Service cost	147,423	-	147,423
Interest on the total pension liability	794,870	-	794,870
Differences between expected and actual experience of the total pension liability	372,647	-	372,647
Changes in assumptions	(8,026)	-	(8,026)
Contributions - employer	-	89,543	(89,543)
Contributions - employees	-	79,477	(79,477)
Net investment income	-	1,211,411	(1,211,411)
Benefit payments, including refunds of employee contributions	(605,833)	(605,833)	-
Other (net transfer)	-	359,684	(359,684)
Net changes	701,081	1,134,282	(433,201)
Balances at December 31, 2023	\$ 11,894,016	\$ 12,072,229	\$ (178,213)

**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)	\$ 1,218,255	\$ (178,213)	\$ (1,318,923)



# City of Galena, Illinois

## Notes to Financial Statements

### 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, 2024, the City recognized pension income of \$75,562. At April 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflow of Resources</b>
<i>Deferred amounts to be recognized in pension expense in future periods:</i>		
Difference between expected and actual experience	\$ 320,841	\$ 9,666
Changes in assumptions	-	5,967
Net difference between projected and actual earnings on pension plan investments	639,517	-
<hr/>		
Total deferred amounts to be recognized in pension expense in future periods	960,358	15,633
Pension contributions subsequent to the measurement date	11,677	-
<hr/>		
Total deferred amounts related to pensions	\$ 972,035	\$ 15,633

The City reported \$11,677 reported 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, 2025.

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:

<b>Year Ending April 30:</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2025	\$ 222,181
2026	309,072
2027	497,714
2028	(84,242)
<hr/>	
Total	\$ 944,725

# City of Galena, Illinois

## Notes to Financial Statements

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### Note 7: Retirement Plans (Continued)

**Aggregate Pension Amounts** - At April 30, 2024, the City reported the following from all pension plans:

	IMRF-Regular	All Pension Plans
Net pension liability/(asset)	\$ (178,213)	\$ (178,213)
Deferred outflows of resources	972,035	972,035
Deferred inflows of resources	15,633	15,633
Pension income	75,562	75,562

### 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 three 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, 2024.

### Note 9: Construction and Other Signification Commitments

*Construction commitments.* The City had the following significant construction commitments as of April 30, 2024

The City entered into a contract with Five Star Energy Services, LLC for the Lead Service Line Replacement project. As of April 30, 2024, the remaining amount on the contract was \$3,877,890.

### 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, 2024.

During the year ended April 30, 2024, there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

# City of Galena, Illinois

## Notes to Financial Statements

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### 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 \$129,173. The lease revenue is recorded in the Water Fund.

### 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, 2024, are as follows:

Issue	Date of Issue	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 4/30/2024
<b>Business Type Activities</b>					
IEPA Loan - L171944	12/7/2004	\$ 2,487,404	2.50 %	5/11/2026	\$ 390,477
IEPA Loan - L171946	9/13/2021	\$ 1,612,553	1.50 %	5/28/2041	\$ 733,944
IEPA Loan - L175811	11/18/2022	\$ 1,435,991	0.83 %	5/18/2042	\$ 986,581
2020 Revenue Bond	4/8/2020	\$ 5,900,000	3.00 %	12/30/2034	\$ 4,775,000

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.

# City of Galena, Illinois

## Notes to Financial Statements

### Note 12: Long-Term Debt (Continued)

#### 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, 2024, consists of the following:

Note payables	Date of Issue	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 4/30/2024
Governmental Activities portion	9/25/2023	\$ 880,000	3.85 %	9/25/2028	\$ 799,726
Business-Type Activities portion	9/25/2023	\$ 448,000	3.85 %	9/25/2028	\$ 406,647

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.

#### Governmental activities

Note Payable	Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 4/30/2024
Dump Truck	1/11/2021	\$ 116,700	1.99 %	12/11/2025	\$ 40,195

Debt service requirements to maturity are as follows:

#### Governmental activities

<i>Year ending April 30</i>	Notes Payable	
	Principal	Interest
2025	\$ 189,125	\$ 30,082
2026	187,917	23,110
2027	178,445	16,222
2028	185,459	9,208
2029	98,975	1,878
<b>Totals</b>	<b>\$ 839,921</b>	<b>\$ 80,500</b>

# City of Galena, Illinois

## Notes to Financial Statements

### Note 12: Long-Term Debt (Continued)

#### Business-type activities

<i>Year ending April 30:</i>	IEPA Loans Payable		Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 239,809	\$ 27,767	\$ 85,087	\$ 15,197	\$ 375,000	\$ 143,250
2026	244,634	22,942	88,440	11,843	385,000	132,000
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 - 2034	467,852	59,548	-	-	2,295,000	285,900
2035 - 2039	494,883	32,517	-	-	500,000	15,000
2040 - 2044	315,368	5,952	-	-	-	-
<b>Totals</b>	<b>\$ 2,111,002</b>	<b>\$ 197,760</b>	<b>\$ 406,647</b>	<b>\$ 41,109</b>	<b>\$ 4,775,000</b>	<b>\$ 901,650</b>

Long-term debt activity for the year ended April 30, 2024 are as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Note payable	\$ 63,681	\$ 880,000	\$ (103,760)	\$ 839,921	\$ 189,125
Total governmental activity long-term liabilities	\$ 63,681	\$ 880,000	\$ (103,760)	\$ 839,921	\$ 189,125

	Beginning Balance	Increase	Decrease	Ending Balance	Amounts due Within One Year
<b>Business-type activities:</b>					
Revenue bonds	\$ 5,135,000	-	\$ (360,000)	\$ 4,775,000	\$ 375,000
IEPA loans payable	2,346,093	706,050	(941,141)	2,111,002	239,809
Bond premium	111,868	-	(16,324)	95,544	15,179
Notes payable	-	448,000	(41,353)	406,647	85,087
Total business-type activity long-term liabilities	\$ 7,592,961	\$ 1,154,050	\$ (1,358,818)	\$ 7,388,193	\$ 715,075

The City is subject to a debt limitation of 8.625% of its assessed valuation of \$132,434,534. As of April 30, 2024, the City had \$11,382,284 remaining legal debt margin.

# City of Galena, Illinois

## Notes to Financial Statements

### Note 13: Interfund Receivables and Payables

<i>Year Ended April 30, 2024</i>	Receivable Fund	Payable Fund
Major Funds:		
General Fund	\$ 73,901	\$ -
Nonmajor Funds	-	73,901
<b>Totals</b>	<b>\$ 73,901</b>	<b>\$ 73,901</b>

The outstanding balanced funds result from cash shortfalls. These loans are to be repaid as soon as possible.

### Note 14: Interfund Transfers

Below are the interfund transfers as of April 30, 2024:

Transfer From	Transfers In	Transfers Out
Major funds:		
General Fund	-	\$ 630,730
Fire Protection Fund	-	7,175
Nonmajor funds	637,905	-
<b>Total all funds</b>	<b>\$ 637,905</b>	<b>\$ 637,905</b>

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

- a. \$352,620 was transferred from the General Fund to the Parks and Recreation Fund (nonmajor fund) to offset the park costs.
- b. \$120,110 was transferred from the General Fund to the Pool Fund (nonmajor fund) to offset the pool costs.
- c. \$101,385 was transferred from the General Fund to the Turner Hall Fund (nonmajor fund) to offset costs of running the hall.

### 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, 2024, are determined on the basis of current wage rates.

# City of Galena, Illinois

## Notes to Financial Statements

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### **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 \$316,884 at April 30, 2024. 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 \$5,998 at April 30, 2024. 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. A contingent liability for vacation leave has been calculated in the amount of \$207,817 at April 30, 2024.

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. The City also provides part-time employees with a paid leave benefit. A contingent liability for compensatory pay has been calculated in the amount of \$24,251 at April 30, 2024. The accumulated compensatory time is a vested benefit for the City's full-time and part-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. 99, Omnibus 2022, improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 and 2023. The City has not determined the effect of this Statement.

GASB Statement No. 100, Accounting Changes and Error Corrections, enhances accounting and financial reporting for accounting changes in error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023. The City has not determined the effect of this Statement.

GASB Statement No. 101, Compensated Absences, better meets the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The City has not determined the effect of this Statement.

# City of Galena, Illinois

## Notes to Financial Statements

### Note 18: Prior Year Restatement

The follow errors were corrected from prior year's financial statements with restatements to the opening net position and fund balances:

	Governmental Activities	Business Type Activities
Net position balance as previously reported:	\$ 28,140,175	\$ 3,740,261
Less: Accounts Receivable	-	(205,417)
Less: Bond discounts	(3,427)	(39,863)
Less: Bond premiums	22,219	29,806
Less: Net Pension Asset	(209,308)	(45,681)
Less: Pension Deferred Outflows	(1,757,150)	(383,489)
Less: Pension Deferred Inflows	897,288	195,828
Less: Dump Truck note	(63,681)	-
Plus: Accrued Benefits Fund moved from Custodial to Special Revenue	245,065	-
Plus: Accumulated Depreciation adjustments	-	8,101,976
<b>Net position balance as restated</b>	<b>\$ 27,271,181</b>	<b>\$ 11,393,421</b>

	Water	Sewer	Garbage
Net position balance as previously reported:	\$ 3,294,217	\$ (1,306,141)	\$ 213,910
Less: Accounts Receivable	(84,841)	(85,007)	(35,569)
Less: Bond discounts	-	(39,863)	-
Less: Bond premiums	-	29,806	-
Less: Net Pension Asset	(12,450)	(15,471)	(1,717)
Less: Pension Deferred Outflows	(104,517)	(129,882)	(14,414)
Less: Pension Deferred Inflows	53,371	66,324	7,360
Plus: Accumulated Depreciation adjustments	1,162,041	6,940,314	-
<b>Net position balance as restated</b>	<b>\$ 4,307,821</b>	<b>\$ 5,460,080</b>	<b>\$ 169,570</b>

	Shuttle and Parking	Turner Hall	Swimming Pool
Net position balance as previously reported:	\$ 559,291	\$ 698,095	\$ 280,889
Less: Net Pension Asset	(1,644)	-	(14,399)
Less: Pension Deferred Outflows	(13,797)	-	(120,879)
Less: Pension Deferred Inflows	7,046	-	61,727
Plus: Accumulated Depreciation adjustments	(155)	(224)	-
<b>Net position balance as restated</b>	<b>\$ 550,741</b>	<b>\$ 697,871</b>	<b>\$ 207,338</b>



# City of Galena, Illinois

## Notes to Financial Statements

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### **Note 19: Subsequent Events**

Subsequent events have been evaluated through August 22, 2024, which is the date the financial statements were available to be issued.

## **Other Information**

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# City of Galena, Illinois

## Budgetary Comparison Schedule

<i>Year Ended April 30, 2024</i>	General			
	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property taxes	\$ 674,850	\$ 674,850	\$ 671,786	\$ (3,064)
Intergovernmental revenue	4,567,815	4,567,815	4,907,659	339,844
Licenses and permits	201,250	201,250	363,240	161,990
Fines and forfeitures	32,250	32,250	48,958	16,708
Charges for services	3,000	3,000	175	(2,825)
Investment income	69,150	69,150	236,116	166,966
Miscellaneous	38,100	38,100	129,802	91,702
Total revenues	5,586,415	5,586,415	6,357,736	771,321
<b>Expenditures</b>				
General control and administration	2,011,880	2,046,880	2,008,000	38,880
Public safety	1,147,150	1,147,150	929,850	217,300
Public works	2,717,190	2,672,190	833,364	1,838,826
Capital outlay	-	-	1,831,376	(1,831,376)
Total expenditures	5,876,220	5,866,220	5,602,590	263,630
Excess of revenue over (under) expenditures	\$ (289,805)	(279,805)	755,146	1,034,951
<b>Other financing sources (uses)</b>				
Proceeds from note payable	880,000	880,000	880,000	-
Gain (loss) sale of capital assets	-	-	86,250	86,250
Transfers out	(585,730)	(630,730)	(630,730)	-
Total other financing sources (uses)	294,270	249,270	335,520	86,250
Net change in fund balance	<u>\$ 4,465</u>	<u>\$ (30,535)</u>	1,090,666	<u>\$ 1,121,201</u>
Fund balance at beginning of year			4,196,828	
Fund balance at end of year			<u>\$ 5,287,494</u>	

**City of Galena, Illinois**  
**Multiyear Schedule of Changes in the Net Pension**  
**Liability and Related Ratios**  
**Illinois Municipal Retirement Fund**  
Last Ten Calendar Years  
(schedule to be built prospectively from 2014)

<b>IMRF Regular Plan</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Calendar year ending December 31										
Total pension liability:										
Service cost	\$ 147,423	\$ 150,583	\$ 143,448	\$ 168,530	\$ 163,311	\$ 154,844	\$ 161,663	\$ 155,259	\$ 147,510	
Interest on total pension liability	794,870	770,997	725,394	707,048	670,187	649,261	614,459	600,958	567,234	
Benefit changes	-	-	-	-	-	-	-	-	-	
Differences between expected and actual experience of the total pension liability	372,647	(20,670)	245,547	(138,384)	(9,689)	(193,149)	283,747	(291,121)	16,525	
Changes of assumption	(8,026)	-	-	(83,077)	-	281,331	(294,917)	(10,842)	10,339	
Benefit payments, including refunds of employee contributions	(605,833)	(534,238)	(443,668)	(333,382)	(302,599)	(316,161)	(278,862)	(297,417)	(272,848)	
Net change in total pension liability	701,081	366,672	670,721	320,735	521,210	576,126	486,090	156,837	468,760	
Total pension liability, beginning	11,192,935	10,826,263	10,155,542	9,834,807	9,313,597	8,737,471	8,251,381	8,094,544	7,625,784	
Total pension liability, ending (a)	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	
Plan fiduciary net position:										
Contributions - employer	89,543	118,905	152,981	139,167	131,601	147,088	155,726	156,389	152,463	
Contributions - employees	79,477	77,187	77,437	68,971	71,695	70,042	70,007	67,538	65,249	
Net investment income	1,211,411	(1,582,695)	1,758,545	1,351,663	1,520,521	(421,656)	1,316,191	504,323	37,086	
Benefit payments, including refunds of employee contributions	(605,833)	(534,238)	(443,668)	(333,382)	(302,599)	(316,161)	(278,862)	(297,417)	(272,848)	
Other (net transfers)	359,684	363,609	(73,447)	19,835	15,058	113,691	(97,580)	(183,304)	(91,859)	
Net change in plan fiduciary net position	1,134,282	(1,557,232)	1,471,848	1,246,254	1,436,276	(406,996)	1,165,482	247,529	(109,909)	
Plan net position, beginning	10,937,947	12,495,179	11,023,331	9,777,077	8,340,801	8,747,797	7,582,315	7,334,786	7,444,695	
Plan net position, ending (b)	\$ 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	
Net pension liability (asset) - Ending (a) - (b)	\$ (178,213)	\$ 254,988	\$ (1,668,916)	\$ (867,789)	\$ 57,730	\$ 972,796	\$ (10,326)	\$ 669,066	\$ 759,758	
Plan fiduciary net position as a percentage of the total pension liability	101.50 %	97.72 %	115.42 %	108.54 %	99.41 %	89.56 %	100.12 %	91.89 %	90.61 %	
Covered valuation payroll	1,766,150	1,719,516	1,720,821	1,532,679	1,593,225	1,556,484	1,555,711	1,500,854	1,386,032	
Net pension liability as a percentage of covered valuation payroll	(10.09)%	14.83 %	(96.98)%	(56.62)%	3.62 %	62.50 %	(0.66)%	44.58 %	54.82 %	

See Notes to Other Information.

**City of Galena, Illinois**  
**Multyear Schedule of IMRF Contributions**  
**Illinois Municipal Retirement Fund**  
 Last Ten Fiscal Years

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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
2024	\$ 75,562	\$ 75,562	\$ -	\$ 1,799,636	4.20 %
2023	97,288	97,288	-	1,670,715	5.82 %

\* Estimated based on 2.18% 2024 calendar year contribution rate, 5.07% 2023 calendar year contribution rate, and covered valuation payroll of \$1,799,636.

\*\* 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

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### Note 1: Basis of Accounting

The budgets are prepared for City funds on a cash basis and include a statement of the cash revenue and expenditures of the immediately preceding fiscal year and a projection of the cash revenue (including the available beginning cash balance) and the proposed itemized appropriations of the ensuing fiscal year. All appropriations cease with the close of the fiscal year.

### Note 2: Excess of Disbursements Over Appropriations

The City had no major funds with expenditures exceeding appropriations for fiscal year 2024.

### Note 3: Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2023 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 2023 contribution rates:

Actuarial cost method	Aggregate entry age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	Taxing bodies (Regular, SLEP and ECO groups): 20-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 SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 15 years for most employers (five employers were financed over 16 years; one employer was financed over 17 years; two employers were financed over 18 years; one employer was financed over 21 years; three employers were financed over 24 years; four employers were financed over 25 years and one employer was financed over 26 years).
Asset valuation method	5-year smoothed market; 20% corridor
Wage growth	2.75%
Inflation	2.25%
Salary increases	2.75% 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 2020 valuation pursuant to an experience study of the period 2017 - 2019.
Mortality	For non disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020. 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-2020. 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-2020.

#### Other Information:

Notes: There were no benefit changes during the year.

\* Based on Valuation Assumptions used in the December 31, 2021 actuarial valuation.

# City of Galena, Illinois

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

<i>April 30, 2024</i>	<b>Audit</b>	<b>Emergency Services Defense</b>	<b>Insurance</b>
<b>Assets</b>			
Cash, deposits, and investments	\$ 15,591	\$ 27,605	\$ 164,570
Total assets	15,591	27,605	164,570
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Due to other funds	-	-	-
Total liabilities	-	-	-
<b>Fund balances</b>			
Restricted for:			
General control and administration	15,591	-	164,570
Public safety	-	27,605	-
Public works	-	-	-
Employee benefits	-	-	-
Unassigned	-	-	-
Total fund balances	15,591	27,605	164,570
Total liabilities, deferred inflows of resources and fund balances	\$ 15,591	\$ 27,605	\$ 164,570

# City of Galena, Illinois

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

<i>April 30, 2024</i>	<b>MFT</b>	<b>IMRF</b>	<b>Parks and Recreation</b>
<b>Assets</b>			
Cash, deposits, and investments	\$ 445,029	\$ 430,090	\$ -
Total assets	445,029	430,090	-
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Due to other funds	-	-	6,896
Total liabilities	-	-	6,896
<b>Fund balances</b>			
Restricted for:			
General control and administration	-	-	-
Public safety	-	-	-
Public works	445,029	-	-
Employee benefits	-	430,090	-
Unassigned	-	-	(6,896)
Total fund balances	445,029	430,090	(6,896)
Total liabilities, deferred inflows of resources and fund balances	\$ 445,029	\$ 430,090	\$ -



# City of Galena, Illinois

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

<i>April 30, 2024</i>	<b>FICA</b>	<b>Flood Control</b>	<b>Debt Service</b>
<b>Assets</b>			
Cash, deposits, and investments	\$ 82,264	\$ 110,519	\$ -
Total assets	82,264	110,519	-
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Due to other funds	-	-	51,127
Total liabilities	-	-	51,127
<b>Fund balances</b>			
Restricted for:			
General control and administration	-	-	-
Public safety	-	110,519	-
Public works	-	-	-
Employee benefits	82,264	-	-
Unassigned	-	-	(51,127)
Total fund balances	82,264	110,519	(51,127)
Total liabilities, deferred inflows of resources and fund balances	\$ 82,264	\$ 110,519	\$ -

# City of Galena, Illinois

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

<i>April 30, 2024</i>	<b>Accrued Benefits</b>	<b>Total</b>
<b>Assets</b>		
Cash, deposits, and investments	\$ 250,754	\$ 1,526,422
Total assets	250,754	1,526,422
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>		
Due to other funds	-	58,023
Total liabilities	-	58,023
<b>Fund balances</b>		
Restricted for:		
General control and administration	250,754	430,915
Public safety	-	138,124
Public works	-	445,029
Employee benefits	-	512,354
Unassigned	-	(58,023)
Total fund balances	250,754	\$ 1,468,399
Total liabilities, deferred inflows of resources and fund balances	\$ 250,754	\$ 1,526,422

# City of Galena, Illinois

## Combining Statement of Revenues, Expenditures and Changes In Fund Balance - Nonmajor Governmental Funds

<i>Year Ended April 30, 2024</i>	<b>Audit</b>	<b>Emergency Services Defense</b>	<b>Insurance</b>	<b>MFT</b>
<b>Revenues</b>				
Property taxes	\$ 27,458	\$ 826	\$ 218,625	\$ -
Intergovernmental revenue	-	-	-	148,680
Investment income	518	475	3,763	26,136
Miscellaneous	-	-	-	-
Total revenues	27,976	1,301	222,388	174,816
<b>Expenditures</b>				
<b>Current</b>				
General control and administration	23,800	-	209,048	-
Public safety	-	1,913	-	-
Public works	-	-	-	142,004
Culture and recreation	-	-	-	-
<b>Debt service</b>				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	6,489
Total expenditures	23,800	1,913	209,048	148,493
Excess (deficiency) of revenues over expenditures	4,176	(612)	13,340	26,323
<b>Other financing sources (uses)</b>				
Transfers in	-	7,175	-	-
Gain (loss) sale of capital assets	-	-	-	-
Total other financing sources (uses)	-	7,175	-	-
Net change in fund balance	4,176	6,563	13,340	26,323
Fund balance, beginning of year as restated	11,415	21,042	151,230	418,706
Fund balance, end of year	\$ 15,591	\$ 27,605	\$ 164,570	\$ 445,029

# City of Galena, Illinois

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

<i>Year Ended April 30, 2024</i>	<b>IMRF</b>	<b>Parks and Recreation</b>	<b>FICA</b>	<b>Flood Control</b>
<b>Revenues</b>				
Property taxes	\$ 1,003	\$ 64,893	\$ 149,732	\$ 74,871
Intergovernmental revenue	150,149	-	-	-
Investment income	16,225	1,873	2,096	3,385
Miscellaneous	-	40,675	-	-
<b>Total revenues</b>	<b>167,377</b>	<b>107,441</b>	<b>151,828</b>	<b>78,256</b>
<b>Expenditures</b>				
<b>Current</b>				
General control and administration	86,686	-	65,532	-
Public safety	26,943	-	55,974	75,958
Public works	14,235	-	29,572	-
Culture and recreation	3,039	210,325	6,313	-
<b>Debt service</b>				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	270,578	-	-
<b>Total expenditures</b>	<b>130,903</b>	<b>480,903</b>	<b>157,391</b>	<b>75,958</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>36,474</b>	<b>(373,462)</b>	<b>(5,563)</b>	<b>2,298</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	352,620	-	-
Gain (loss) sale of capital assets	-	9,800	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>362,420</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>36,474</b>	<b>(11,042)</b>	<b>(5,563)</b>	<b>2,298</b>
<b>Fund balance, beginning of year as restated</b>	<b>393,616</b>	<b>4,146</b>	<b>87,827</b>	<b>108,221</b>
<b>Fund balance, end of year</b>	<b>\$ 430,090</b>	<b>\$ (6,896)</b>	<b>\$ 82,264</b>	<b>\$ 110,519</b>

# City of Galena, Illinois

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

<i>Year Ended April 30, 2024</i>	<b>Debt Service</b>	<b>Accrued Benefits</b>	<b>Total</b>
<b>Revenues</b>			
Property taxes	\$ -	\$ -	\$ 537,408
Intergovernmental revenue	-	-	298,829
Investment income	-	9,360	63,831
Miscellaneous	-	-	40,675
Total revenues	-	9,360	940,743
<b>Expenditures</b>			
Current			
General control and administration	-	3,671	388,737
Public safety	-	-	160,788
Public works	-	-	185,811
Culture and recreation	-	-	219,677
Debt service			
Principal	103,760	-	103,760
Interest	18,114	-	18,114
Capital outlay	-	-	277,067
Total expenditures	121,874	3,671	1,353,954
Excess (deficiency) of revenues over expenditures	(121,874)	5,689	(413,211)
<b>Other financing sources (uses)</b>			
Transfers in	-	-	359,795
Gain (loss) sale of capital assets	-	-	9,800
Total other financing sources (uses)	-	-	369,595
Net change in fund balance	(121,874)	5,689	(43,616)
Fund balance, beginning of year as restated	70,747	245,065	1,512,015
Fund balance, end of year	\$ (51,127)	\$ 250,754	\$ 1,468,399

**City of Galena, Illinois**  
**Combining Statement of Net Position - Modified Cash Basis**  
**Nonmajor Proprietary Funds**

<i>April 30, 2024</i>	<b>Shuttle and Parking</b>	<b>Turner Hall</b>	<b>Swimming Pool</b>
<b>Assets</b>			
Current assets:			
Cash, deposits, and investments	\$ 126,567	\$ 142,367	\$ -
<b>Total current assets</b>	<b>126,567</b>	<b>142,367</b>	<b>-</b>
Capital assets:			
Land and nondepreciable assets	28,437	-	-
Depreciable property and equipment, net of depreciation	488,967	603,909	131,097
<b>Total capital assets</b>	<b>517,404</b>	<b>603,909</b>	<b>131,097</b>
<b>Total noncurrent assets</b>	<b>517,404</b>	<b>603,909</b>	<b>131,097</b>
<b>Total assets</b>	<b>643,971</b>	<b>746,276</b>	<b>131,097</b>
<b>Liabilities</b>			
Current liabilities:			
Due to other funds	-	-	15,878
<b>Total current liabilities</b>	<b>-</b>	<b>-</b>	<b>15,878</b>
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>15,878</b>
<b>Net position</b>			
Net investment in capital assets	517,404	603,909	131,097
Unrestricted	126,567	142,367	(15,878)
<b>Total liabilities and fund balances</b>	<b>\$ 643,971</b>	<b>\$ 746,276</b>	<b>\$ 115,219</b>

**City of Galena, Illinois**  
**Combining Statement of Net Position - Modified Cash Basis**  
**Nonmajor Proprietary Funds (Continued)**

<i>April 30, 2024</i>	<b>Garbage</b>	<b>Total</b>
<b>Assets</b>		
Current assets:		
Cash, deposits, and investments	\$ 132,756	\$ 401,690
Total current assets	132,756	401,690
Capital assets:		
Land and nondepreciable assets	-	28,437
Depreciable property and equipment, net of depreciation	643	1,224,616
Total capital assets	643	1,253,053
Total noncurrent assets	643	1,253,053
Total assets	133,399	1,654,743
<b>Liabilities</b>		
Current liabilities:		
Due to other funds	-	15,878
Total current liabilities	-	15,878
Total liabilities	-	15,878
<b>Net position</b>		
Net investment in capital assets	643	1,253,053
Unrestricted	132,756	385,812
Total liabilities and fund balances	\$ 133,399	\$ 1,638,865

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

<i>Year Ended April 30, 2024</i>	<b>Shuttle and Parking</b>	<b>Turner Hall</b>	<b>Swimming Pool</b>
Operating revenues:			
Charges for services	\$ 139,038	\$ 34,100	\$ 104,382
Other	1,320	2,000	-
Miscellaneous	-	-	-
<b>Total operating revenues</b>	<b>140,358</b>	<b>36,100</b>	<b>104,382</b>
Operating expenses:			
Personnel	10,274	5,340	148,140
Commodities	-	16,279	56,508
Contractual	24,301	13,163	-
Other	7,064	21,193	103,147
Depreciation and amortization	9,488	35,556	9,561
<b>Total operating expenses</b>	<b>51,127</b>	<b>91,531</b>	<b>317,356</b>
<b>Operating income (loss)</b>	<b>89,231</b>	<b>(55,431)</b>	<b>(212,974)</b>
Non-operating revenues (expenses):			
Investment income	3,999	2,451	745
Property taxes	-	-	-
<b>Total non-operating revenues (expenses)</b>	<b>3,999</b>	<b>2,451</b>	<b>745</b>
<b>Income (loss) before</b>	<b>93,230</b>	<b>(52,980)</b>	<b>(212,229)</b>
Other financing sources (uses):			
Transfers in	-	101,385	120,110
<b>Total</b>	<b>-</b>	<b>101,385</b>	<b>120,110</b>
<b>Change in net position</b>	<b>93,230</b>	<b>48,405</b>	<b>(92,119)</b>
<b>Net position, beginning of year as restated</b>	<b>550,741</b>	<b>697,871</b>	<b>207,338</b>
<b>Net position, end of year</b>	<b>\$ 643,971</b>	<b>\$ 746,276</b>	<b>\$ 115,219</b>



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

<i>Year Ended April 30, 2024</i>	<b>Garbage</b>	<b>Total</b>
Operating revenues:		
Charges for services	\$ 241,383	\$ 518,903
Other	4,582	7,902
Miscellaneous	8,603	8,603
<b>Total operating revenues</b>	<b>254,568</b>	<b>535,408</b>
Operating expenses:		
Personnel	14,457	178,211
Commodities	-	72,787
Contractual	332,454	369,918
Other	7,684	139,088
Depreciation and amortization	712	55,317
<b>Total operating expenses</b>	<b>355,307</b>	<b>815,321</b>
<b>Operating income (loss)</b>	<b>(100,739)</b>	<b>(279,913)</b>
Non-operating revenues (expenses):		
Investment income	7,941	15,136
Property taxes	12	12
<b>Total non-operating revenues (expenses)</b>	<b>7,953</b>	<b>15,148</b>
<b>Income (loss) before</b>	<b>(92,786)</b>	<b>(264,765)</b>
Other financing sources (uses):		
Transfers in	56,615	278,110
<b>Total</b>	<b>56,615</b>	<b>278,110</b>
<b>Change in net position</b>	<b>(36,171)</b>	<b>13,345</b>
<b>Net position, beginning of year as restated</b>	<b>169,570</b>	<b>1,625,520</b>
<b>Net position, end of year</b>	<b>\$ 133,399</b>	<b>\$ 1,638,865</b>

**City of Galena, Illinois**  
**Combining Statement of Cash Flows - Modified Cash Basis**  
**Nonmajor Proprietary Funds**

<i>Year Ended April 30, 2024</i>	<b>Shuttle and Parking</b>	<b>Turner Hall</b>	<b>Swimming Pool</b>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 140,358	\$ 36,100	\$ 104,382
Cash paid to suppliers	(31,365)	(50,635)	(159,655)
Cash paid to employees	(10,274)	(5,340)	(148,140)
<b>Net cash flows from operating activities</b>	<b>98,719</b>	<b>(19,875)</b>	<b>(203,413)</b>
<b>Cash flows from non-capital financing activities</b>			
Transfers from other funds	-	101,385	120,110
Due to other funds	-	-	15,878
Property taxes	-	-	-
<b>Net cash flows from non-capital financing activities</b>	<b>-</b>	<b>101,385</b>	<b>135,988</b>
<b>Cash flows from capital and related financing activities</b>			
Acquisition and construction of land and capital assets	(237,150)	-	(46,682)
<b>Net cash flows from capital and related financing activities</b>	<b>(237,150)</b>	<b>-</b>	<b>(46,682)</b>
<b>Cash flows from investing activities</b>			
Interest received	3,998	2,450	743
<b>Net cash flows from investing activities</b>	<b>3,998</b>	<b>2,450</b>	<b>743</b>
<b>Net change in cash and cash equivalents</b>	<b>(134,433)</b>	<b>83,960</b>	<b>(113,364)</b>
Cash and cash equivalents, beginning of year	261,000	58,407	113,364
<b>Cash and cash equivalents, end of year</b>	<b>\$ 126,567</b>	<b>\$ 142,367</b>	<b>\$ -</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ 89,231	\$ (55,431)	\$ (212,974)
<b>Adjustment to reconcile operating income (loss) to net cash flows for operating activities:</b>			
Depreciation	9,488	35,556	9,561
<b>Effects of changes in assets and liabilities:</b>			
<b>Net cash flows from operating activities</b>	<b>\$ 98,719</b>	<b>\$ (19,875)</b>	<b>\$ (203,413)</b>

**City of Galena, Illinois**  
**Combining Statement of Cash Flows - Modified Cash Basis**  
**Nonmajor Proprietary Funds**

<i>Year Ended April 30, 2024</i>	<b>Garbage</b>	<b>Total</b>
Cash flows from operating activities		
Cash received from customers	\$ 254,568	\$ 535,408
Cash paid to suppliers	(340,138)	(581,793)
Cash paid to employees	(14,457)	(178,211)
Net cash flows from operating activities	(100,027)	\$ (224,596)
Cash flows from non-capital financing activities		
Transfers from other funds	56,615	278,110
Due to other funds	-	15,878
Property taxes	12	12
Net cash flows from non-capital financing activities	56,627	294,000
Cash flows from capital and related financing activities		
Acquisition and construction of land and capital assets	-	(283,832)
Net cash flows from capital and related financing activities	-	(283,832)
Cash flows from investing activities		
Interest received	7,941	15,132
Net cash flows from investing activities	7,941	15,132
Net change in cash and cash equivalents	(35,459)	(199,296)
Cash and cash equivalents, beginning of year	168,215	600,986
Cash and cash equivalents, end of year	\$ 132,756	\$ 401,690
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (100,739)	\$ (279,913)
Adjustment to reconcile operating income (loss) to net cash flows for operating activities:		
Depreciation	712	55,317
Effects of changes in assets and liabilities:		
Net cash flows from operating activities	\$ (100,027)	\$ (224,596)

# City of Galena, Illinois

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

	Tax Year 2023	Tax Year 2022
<b>Assessed valuations</b>	\$ 132,434,534	\$ 118,158,560

**Property tax rates (per \$100) and extensions**

	Rate	Amount	Rate	Amount
General Corporate	0.43609	577,534	0.43750	-
Fire Protection	0.31416	416,056	0.33534	-
Police Protection	0.09378	124,197	0.05602	-
Workmen's Compensation	0.06796	90,003	0.04232	-
Garbage	0.00001	13	0.00001	-
Street Lighting	0.00001	13	0.00001	-
Parks	0.05664	75,011	0.05502	-
Levee	0.06041	80,004	0.06348	-
Social Security	0.12459	165,000	0.12695	-
School Crossing Guard	0.00001	13	0.00001	-
Audit	0.01662	22,011	0.02328	-
Liability Insurance	0.02266	30,010	0.14219	-
Emergency Services Defense	0.00063	834	0.00070	-
Unemployment Insurance	0.00907	12,012	0.00085	-
IMRF	0.00076	1,007	0.00085	-
Waterworks	0.00001	13	0.00002	-
Chlorination	0.00001	13	-	-
	1.20342	\$ 1,593,744	1.28455	\$ -

**Tax collections**

General Corporate	\$ -	\$ 516,006
Fire Protection	-	395,519
Police Protection	-	66,074
Workmen's Compensation	-	49,915
Garbage	-	12
Street Lighting	-	12
Parks	-	64,893
Levee	-	74,871
Social Security	-	149,732
School Crossing Guard	-	12
Audit	-	27,458
Liability Insurance	-	167,707
Emergency Services Defense	-	826
Unemployment Insurance	-	1,003
IMRF	-	1,003
Waterworks	-	12
Chlorination	-	12
Revenue recapture	-	177
Township Road and Bridge	-	89,504
	\$ -	\$ 1,604,748

# City of Galena, Illinois

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

		Tax Year <b>2021</b>
<b>Assessed valuations</b>	\$	108,990,178

<b>Property tax rates (per \$100) and extensions</b>	<b>Rate</b>	<b>Amount</b>
General Corporate	0.43739	-
Fire Protection	0.34623	-
Police Protection	0.09224	-
Workmen's Compensation	0.06423	-
Garbage	0.00001	-
Street Lighting	0.00001	-
Parks	0.06056	-
Levee	0.06423	-
Social Security	0.13304	-
School Crossing Guard	0.00001	-
Audit	0.01973	-
Liability Insurance	0.12020	-
Emergency Services Defense	0.00076	-
Unemployment Insurance	0.00459	-
IMRF	0.05047	-
Waterworks	0.00002	-
Chlorination	-	-
	1.39372	\$ -

<b>Tax collections</b>		
General Corporate	\$	477,134
Fire Protection		377,362
Police Protection		100,535
Workmen's Compensation		70,006
Garbage		11
Street Lighting		11
Parks		66,005
Levee		70,006
Social Security		145,003
School Crossing Guard		11
Audit		21,503
Liability Insurance		131,007
Emergency Services Defense		828
Unemployment Insurance		5,002
IMRF		55,009
Waterworks		-
Chlorination		22
Revenue recapture		-
Township Road and Bridge		87,307
	\$	1,606,762

# Compliance

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## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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, as of and for the year ended April 30, 2024 and the related notes to the basic financial statements, which collectively comprise the City of Galena, Illinois' basic basic financial statements, and have issued our report thereon dated August 22, 2024.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered City of Galena, Illinois' 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 City of Galena, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Galena, Illinois' 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 City of Galena, Illinois' 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 2024-001 that we consider to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Galena, Illinois' 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 of Galena, Illinois' 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 City of Galena, Illinois' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Galena, Illinois' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Sterling, Illinois  
August 22, 2024



# City of Galena, Illinois

## Schedule of Findings and Responses

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### Section I - Audit Findings in Relation to Financial Statements

2024-001

**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 City Council'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.

# City of Galena, Illinois

## Summary Schedule of Prior Audit Findings

Year Ended April 30, 2024

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

**Finding 2023-001** Adequate segregation of duties is lacking in the current system of internal accounting control. - **Ongoing**

**Finding 2023-002** The City's performance of the financial reporting and accounting procedures appears to be lacking oversight procedures.

- **Resolved**