CITY OF BREESE, ILLINOIS

AUDITED FINANCIAL STATEMENTS

APRIL 30, 2025

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Breese, Illinois
Breese, Illinois

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Breese, Illinois, as of and for the year ended April 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Breese, Illinois' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Breese, Illinois, as of April 30, 2025, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Breese, 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 financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 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 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 Breese, 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Breese, 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 budgetary comparison schedules and related notes, combining schedules, and schedules of assessed valuation but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2025 on our consideration of the City of Breese, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Breese, 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 City of Breese, Illinois' internal control over financial reporting and compliance.

F.E.W. CPAs

F.E.W. CPAs
Columbia, Illinois
August 11, 2025

CITY OF BREESE, ILLINOIS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
APRIL 30, 2025

ASSETS	Governmental Activities	Business-Type Activities	Total
Current assets			
Cash and cash equivalents	$ 4,589,313	$ 4,904,810	$ 9,494,123
Certificates of deposit	37,811	1,813,734	1,851,545
Inventory	110,010	522,654	632,664
Total current assets	4,737,134	7,241,198	11,978,332
Noncurrent assets			
Interfund receivable	155,000	-	155,000
Capital assets, net of depreciation	13,205,862	15,682,956	28,888,818
Total noncurrent assets	13,360,862	15,682,956	29,043,818
Total assets	$ 18,097,996	$ 22,924,154	$ 41,022,150
LIABILITIES			
Current liabilities			
Gift cards payable	$ -	$ 22,413	$ 22,413
Current portion of long-term liabilities	137,759	281,868	419,627
Total current liabilities	137,759	304,281	442,040
Noncurrent liabilities			
Notes payable	561,895	889,485	1,451,380
Interfund payable	-	155,000	155,000
Total noncurrent liabilities	561,895	1,044,485	1,606,380
Total liabilities	$ 699,654	$ 1,348,766	$ 2,048,420
NET POSITION			
Net investment in capital assets	$ 12,506,208	$ 14,511,603	$ 27,017,811
Restricted for:			
Streets and highways	388,749	-	388,749
Development within TIF Districts	110,725	-	110,725
Business district improvements	897,554	-	897,554
Police drug prevention	35,878	-	35,878
Unrestricted	3,459,228	7,063,785	10,523,013
Total net position	$ 17,398,342	$ 21,575,388	$ 38,973,730

The notes to the financial statements are an integral part of this statement.

CITY OF BREESE, ILLINOIS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED APRIL 30, 2025

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
					Primary Government		
FUNCTIONS/PROGRAMS	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities							
General government	$ 1,196,572	$ 135,401	$ 2,133	$ -	$ (1,059,038)	$ -	$ (1,059,038)
Public safety	1,068,145	21,824	-	-	(1,046,321)	-	(1,046,321)
Roads and streets	1,034,834	-	-	-	(1,034,834)	-	(1,034,834)
Economic development	698,699	-	-	-	(698,699)	-	(698,699)
Health/EMS	1,102,179	959,334	-	-	(142,845)	-	(142,845)
Culture and recreation	648,561	89,014	-	-	(559,547)	-	(559,547)
Interest on long-term debt	25,672	-	-	-	(25,672)	-	(25,672)
Total governmental activities	5,774,662	1,205,573	2,133	-	(4,566,956)	-	(4,566,956)
Business-type activities							
Electric	6,440,184	6,925,607	-	-	-	485,423	485,423
Water	1,648,388	1,885,298	-	-	-	236,910	236,910
Sewer	602,757	931,857	-	-	-	329,100	329,100
Municipal golf course	633,068	604,776	-	-	-	(28,292)	(28,292)
Total business-type activities	9,324,397	10,347,538	-	-	-	1,023,141	1,023,141
Total primary government	$ 15,099,059	$ 11,553,111	$ 2,133	$ -	(4,566,956)	1,023,141	(3,543,815)

	Governmental Activities	Business-Type Activities	Total
General revenues			
Taxes			
Property tax	2,056,198	-	2,056,198
Replacement tax	23,444	-	23,444
Intergovernmental tax	3,467,007	-	3,467,007
Gaming income	132,905	-	132,905
Interest income	110,683	133,229	243,912
Miscellaneous	35,720	13,767	49,487
Transfers between funds	125,004	(125,004)	-
Total general revenue and transfers	5,950,961	21,992	5,972,953
Changes in net position	1,384,005	1,045,133	2,429,138
Net position - beginning	16,014,337	20,530,255	36,544,592
Net position - ending	$ 17,398,342	$ 21,575,388	$ 38,973,730

The notes to the financial statements are an integral part of this statement.

CITY OF BREESE, ILLINOIS
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
APRIL 30, 2025

	Major Funds		Nonmajor Funds	
	General	Ambulance Service	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	$ 3,019,932	$ 126,047	$ 1,396,305	$ 4,542,284
Certificate of deposit	27,109	-	10,702	37,811
Interfund receivable	675,205	-	2,997	678,202
Inventory	55,760	-	54,250	110,010
Total assets	$ 3,778,006	$ 126,047	$ 1,464,254	$ 5,368,307
LIABILITIES				
Interfund payable	$ -	$ 387,297	$ 135,905	$ 523,202
Total liabilities	-	387,297	135,905	523,202
FUND BALANCES				
Nonspendable	55,760	-	54,250	110,010
Restricted for:				
Motor fuel tax	-	-	334,499	334,499
Tax increment financing #2	-	-	96,330	96,330
Tax increment financing #4	-	-	14,380	14,380
Tax increment financing #5	-	-	15	15
Business district - New Highway 50	-	-	86,152	86,152
Business district - Downtown	-	-	140,968	140,968
Business district - Old Highway 50	-	-	670,434	670,434
Police drug prevention	-	-	35,878	35,878
Assigned	322,914	-	-	322,914
Unassigned	3,399,332	(261,250)	(104,557)	3,033,525
Total fund balances	3,778,006	(261,250)	1,328,349	4,845,105
Total liabilities and fund balances	$ 3,778,006	$ 126,047	$ 1,464,254	$ 5,368,307

The notes to the financial statements are an integral part of this statement.

CITY OF BREESE, ILLINOIS
RECONCILIATION OF THE STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS - TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS
APRIL 30, 2025

Total fund balance - total governmental funds	$ 4,845,105
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of depreciation, used in governmental activities are not financial resources, and therefore are not reported in the governmental funds statement of assets, liabilities, and fund balances - modified cash basis.	13,205,862
Long-term notes payable are not due and payable in the current period and are not reported in the governmental funds statement of assets, liabilities, and fund balances - modified cash basis	(699,654)
Internal service funds are used by management to charge the cost of certain activities such as health insurance and municipal utilities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net position	47,029
Net position of governmental activities per the statement of net position - modified cash basis - government wide	$ 17,398,342

The notes to the financial statements are an integral part of this statement.

CITY OF BREESE, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED APRIL 30, 2025

	Major Funds		Nonmajor Funds	
REVENUES	General	Ambulance Service	Other Governmental Funds	Total
Property tax	$ 1,447,624	$ -	$ 608,574	$ 2,056,198
Replacement tax	23,444	-	-	23,444
Intergovernmental tax	2,360,623	379,528	726,856	3,467,007
Franchise fees	54,176	-	-	54,176
Fines and forfeitures	16,164	-	3,765	19,929
Charges for services	129,206	959,334	-	1,088,540
Licenses and permits	41,034	-	-	41,034
Gaming income	132,905	-	-	132,905
Grants and donations	4,028	-	-	4,028
Interest income	87,940	176	22,567	110,683
Miscellaneous	17,842	17,878	-	35,720
Total revenues	4,314,986	1,356,916	1,361,762	7,033,664
EXPENDITURES				
Current				
General government	995,064	-	-	995,064
Public safety	999,500	-	1,780	1,001,280
Roads and streets	612,818	-	145,033	757,851
Economic development	-	-	698,699	698,699
Health/EMS	-	1,035,622	-	1,035,622
Culture and recreation	548,837	-	-	548,837
Capital outlay	710,168	40,471	510,024	1,260,663
Debt service				
Principal	66,804	-	66,213	133,017
Interest	10,209	-	15,463	25,672
Total expenditures	3,943,400	1,076,093	1,437,212	6,456,705
Excess (deficiency) of revenue over expenditures	371,586	280,823	(75,450)	576,959
OTHER FINANCING SOURCES (USES)				
Transfers between funds	125,004	-	-	125,004
Total other financing sources (uses)	125,004	-	-	125,004
Net changes in fund balances	496,590	280,823	(75,450)	701,963
Fund balances - beginning (resated)	3,281,416	(542,073)	1,403,799	4,143,142
Fund balances - ending	$ 3,778,006	$ (261,250)	$ 1,328,349	$ 4,845,105

The notes to the financial statements are an integral part of this statement.

CITY OF BREESE, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED APRIL 30, 2025

Net change in fund balances - total governmental funds	$ 701,963
Amounts reported for governmental activities in the statement of activities - modified cash basis are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities - modified cash basis, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	622,287
The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. These amounts are the net effect of these differences in the treatment of long-term debt and related items:	
Principal payments on long-term debt	133,017
Internal service funds are used by management to charge the costs of certain activities, such as health insurance and municipal utilities, to individual funds. The net profit (loss) of the internal service funds is reported in net with the governmental activities	(73,262)
Change in net position of governmental activities per the statement of activities - modified cash basis - government wide	$ 1,384,005

The notes to the financial statements are an integral part of this statement.

CITY OF BREESE, ILLINOIS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
APRIL 30, 2025

	Electric	Water System	Sewer System	Municipal Golf Course	Total	Governmental Activities Internal Service Fund
ASSETS						
Current assets						
Cash and cash equivalents	$ 3,802,204	$ 589,510	$ 427,067	$ 86,029	$ 4,904,810	$ 47,029
Certificates of deposit	1,813,734	-	-	-	1,813,734	-
Inventory	404,962	60,516	6,784	50,392	522,654	-
Total current assets	6,020,900	650,026	433,851	136,421	7,241,198	47,029
Noncurrent assets						
Interfund receivable	827,600	-	-	-	827,600	-
Capital assets, net of depreciation	2,889,577	9,431,624	2,846,742	515,013	15,682,956	-
Total noncurrent assets	3,717,177	9,431,624	2,846,742	515,013	16,510,556	-
Total assets	$ 9,738,077	$ 10,081,650	$ 3,280,593	$ 651,434	$ 23,751,754	$ 47,029
LIABILITIES						
Current liabilities						
Gift cards payable	$ -	$ -	$ -	$ 22,413	$ 22,413	$ -
Current portion of notes payable	-	228,432	23,302	30,134	281,868	-
Total current liabilities	-	228,432	23,302	52,547	304,281	-
Noncurrent liabilities						
Notes payable	-	465,465	412,812	11,208	889,485	-
Interfund payable	-	557,350	270,250	155,000	982,600	-
Total noncurrent liabilities	-	1,022,815	683,062	166,208	1,872,085	-
Total liabilities	$ -	$ 1,251,247	$ 706,364	$ 218,755	$ 2,176,366	$ -
NET POSITION						
Net investment in capital assets	$ 2,889,577	$ 8,737,727	$ 2,410,628	$ 473,671	$ 14,511,603	$ -
Unrestricted	6,848,500	92,676	163,601	(40,992)	7,063,785	47,029
Total net position	$ 9,738,077	$ 8,830,403	$ 2,574,229	$ 432,679	$ 21,575,388	$ 47,029

The notes to the financial statements are an integral part of this statement.

CITY OF BREESE, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED APRIL 30, 2025

	Electric Light	Water System	Sewer System	Municipal Golf Course	Total	Governmental Activities Internal Service Fund
OPERATING REVENUES						
Charges for services	$ 6,681,386	$ 1,857,252	$ 923,579	$ -	$ 9,462,217	$ -
Fees and other sales	244,221	28,046	8,278	604,776	885,321	-
Interfund services provided	-	-	-	-	-	893,290
Total operating revenues	6,925,607	1,885,298	931,857	604,776	10,347,538	893,290
OPERATING EXPENSES						
Cost of sales and service	6,047,514	1,275,568	533,548	586,306	8,442,936	-
Depreciation	392,670	372,820	69,209	46,762	881,461	-
Personnel	-	-	-	-	-	738,684
Contractual services	-	-	-	-	-	227,868
Total operating expenses	6,440,184	1,648,388	602,757	633,068	9,324,397	966,552
Operating income (loss)	485,423	236,910	329,100	(28,292)	1,023,141	(73,262)
NON-OPERATING REVENUES (EXPENSES)						
Miscellaneous	-	-	-	13,767	13,767	-
Interest income	125,291	7,275	431	232	133,229	-
Total non-operating revenues (expenses)	125,291	7,275	431	13,999	146,996	-
Changes in net position before transfers	610,714	244,185	329,531	(14,293)	1,170,137	(73,262)
Transfers between funds	(95,004)	(15,000)	(15,000)	-	(125,004)	-
Change in net position	515,710	229,185	314,531	(14,293)	1,045,133	(73,262)
Net position - beginning (restated)	9,222,367	8,601,218	2,259,698	446,972	20,530,255	120,291
Net position - ending	$ 9,738,077	$ 8,830,403	$ 2,574,229	$ 432,679	$ 21,575,388	$ 47,029

The notes to the financial statements are an integral part of this statement.

CITY OF BREESE, ILLINOIS
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED APRIL 30, 2025

	Electric Light	Water System	Sewer System	Municipal Golf Course	Total	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	$ 6,925,607	$ 1,885,298	$ 931,857	$ 616,056	$ 10,358,818	$ 893,290
Cash paid to suppliers	(5,234,718)	(840,874)	(248,255)	(360,705)	(6,684,552)	(966,552)
Cash paid to employees	(729,045)	(453,138)	(285,731)	(238,537)	(1,706,451)	-
Net cash provided (used) by operating activities	961,844	591,286	397,871	16,814	1,967,815	(73,262)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers between funds	(95,004)	(15,000)	(15,000)	-	(125,004)	-
Miscellaneous revenue	-	-	-	13,767	13,767	-
Net cash provided (used) by noncapital financing activities	(95,004)	(15,000)	(15,000)	13,767	(111,237)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal payments on borrowings	-	(448,438)	(29,611)	(22,393)	(500,442)	-
Purchases of capital assets	(517,113)	(250,923)	(202,534)	(30,282)	(1,000,852)	-
Net cash provided (used) by capital and related financing activities	(517,113)	(699,361)	(232,145)	(52,675)	(1,501,294)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income	125,291	7,275	431	232	133,229	-
Certificates of deposit	(23,870)	-	239,861	-	215,991	-
Net cash provided (used) by investing activities	101,421	7,275	240,292	232	349,220	-
Net increase (decrease) in cash and cash equivalents	451,148	(115,800)	391,018	(21,862)	704,504	(73,262)
Cash and cash equivalents - beginning of year (restated)	3,351,056	705,310	36,049	107,891	4,200,306	120,291
Cash and cash equivalents - end of year	$ 3,802,204	$ 589,510	$ 427,067	$ 86,029	$ 4,904,810	$ 47,029
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	$ 485,423	$ 236,910	$ 329,100	$ (28,292)	$ 1,023,141	$ (73,262)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	392,670	372,820	69,209	46,762	881,461	-
Change in assets and liabilities						
Inventory	(39,349)	(18,444)	(438)	(12,936)	(71,167)	-
Interfund receivable	123,100	-	-	-	123,100	-
Credit card payable	-	-	-	11,280	11,280	-
Net cash provided (used) by operating activities	$ 961,844	$ 591,286	$ 397,871	$ 16,814	$ 1,967,815	$ (73,262)

The notes to the financial statements are an integral part of this statement.

CITY OF BREESE, ILLINOIS
STATEMENT OF FIDCUIARY NET POSITION
MODIFIED CASH BASIS
FIDUCIARY FUND
APRIL 30, 2025

ASSETS		
Cash and cash equivalents	$	36,646
Certificate of deposit		89,173
Total assets	$	125,819
LIABILITIES AND NET POSITION		
LIABILITIES		
None	$	-
Total liabilities	$	-
NET POSITION		
Held in trust for pension benefits and other purposes	$	125,819
Total net position	$	125,819

The notes to the financial statements are an integral part of this statement.

CITY OF BREESE, ILLINOIS
STATEMENT OF CHANGES NET POSITION
MODIFIED CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED APRIL 30, 2025

ADDITIONS	
Participant contributions	$ 44,762
Total additions	44,762
DEDUCTIONS	
Plan distributions	38,614
Total deductions	38,614
Change in net position	6,148
Net position - beginning of year	119,671
Net position - end of year	$ 125,819

The notes to the financial statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Breese, Illinois (the City), was incorporated under the laws of the State of Illinois on January 19, 1905. The City is a Non-Home Rule Unit governed by an elected Mayor and City Council and provides the following services as authorized by its charter: public safety (police protection), roads and streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services. The City provides utility services through its electric energy system, the treated water supply system, and wastewater treatment system. The City also owns and operates a municipal golf course.

These financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by the modified cash basis of accounting and used by the City are discussed below:

<u>Reporting Entity</u>
These financial statements present the City (the primary government). The City does not have any component units. As defined by GASB No. 14, component units are legally separate entities that are included in the reporting entity because of the significance of their operating or financial relationships with the City.

<u>Modified Cash Basis</u>
In the government-wide statement of net position - modified cash basis and statement of activities - modified cash basis, both governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

The modifications to the cash basis include certificates of deposit, inventory, notes receivable, capital assets, interfund balances, gift cards payable, notes payable, and bonds payable.

<u>Basis of Presentation</u>
Government-wide Financial Statements
The Statement of Net Position - Modified Cash Basis and Statement of Activities - Modified Cash Basis report information on all of the non-fiduciary activities of the City. The statements distinguish between governmental and business-type activities. As a general rule, the effect of interfund activity has been removed from these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

A. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least ten percent of the corresponding total for all funds of that category or type; and
B. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least five percent of the corresponding total for all governmental and proprietary funds combined.
C. Or, it is specifically designated by the City as a major fund.

Fund Accounting - Financial activities of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expend funds for certain purposes.

Proprietary Funds

Proprietary funds are 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.

Internal Service Fund

Internal service funds are used to account for activities that provide goods or services to other funds, departments, or agencies of the primary government, or to other governments, on a cost reimbursement basis. The City has one internal services fund: Health Insurance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds
Fiduciary funds, which are not included in government-wide statements, account for assets held by the City in a purely custodial capacity. These activities are financed by participant and employer contributions for health insurance.

Major

Below are the descriptions of the major funds:

Governmental Funds:
General - See above for a description

Ambulance Service - This fund is a special revenue fund that accounts for EMS/ambulance service for the City and other nearby communities.

Proprietary Funds:
Electric - Accounts for the operation of the City's electric activities.

Water System - Accounts for the operation of the City's water system activities.

Sewer System - Accounts for the operation of the City's sewer treatment plant, sewage pumping stations, and collection systems.

Municipal Golf Course - Accounts for the operation of the City's nine-hole golf course, driving range, clubhouse, and pavilion for the use of the public.

Internal Service Fund:
Health Insurance - Accounts for premiums collected for the payment of claims associated with the City's self-insurance activities.

Governmental Fund Balances
Fund balance is the difference between assets and liabilities in a Governmental Fund. In accordance with Government Accounting Standards Board 54, Fund Balance Reporting, and Government Fund Type Definitions, the following types of fund balances are presented in the Governmental Funds Balance Sheet:

Nonspendable - the portion of a Governmental Fund's balance that is not available to be spent, either short-term or long-term, in either form or through legal restrictions. The following accounts fund balances are reported in the General and Motor Fuel Tax Funds. The nonspendable portion is inventory.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted - the portion of a Governmental Fund's balance that is subject to external enforceable legal restrictions by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law. The following accounts fund balance is reported in the Motor Fuel Tax, Tax Increment Financing #2, Tax Increment Financing #4, Tax Increment Financing #5, Business District - New Highway 50, Business District - Downtown, Business District - Old Highway 50, and Police Drug Prevention Funds.

Committed - the portion of a Governmental Fund's balance sheet that represents amounts that can be used for specific purposes pursuant to constraints imposed by formal actions of the Board. The following accounts fund balances is reported in the General Fund.

Assigned - the portion of a Governmental Fund's balance sheet that represents amounts the City intends to be used for specific purposes but are neither restricted nor committed. The following accounts fund balances is reported in the General Fund.

Unassigned - available expendable financial resources in a governmental fund that are not designated for a specific purpose. This is the residual classification of the General Fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. The following accounts comprise the unassigned fund balance: General, Ambulance Service, Tax Increment Financing #3, and Tax Increment Financing #6 Funds.

The City uses restricted amounts first when both restricted and unassigned fund balances are available unless there are legal contracts that prohibit doing this.

Measurement Focus and Basis of Accounting
Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. In the government-wide Statement of net position - modified cash basis and the statement of activities - modified cash basis, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

Governmental activities and business-type activities in the government-wide financial statements and the governmental funds' financial statements are presented on the modified cash basis of accounting. This differs from the accounting principles generally accepted in the United States of America of recording revenues and expenditures of governmental funds when they become measurable and available and when the related liability is incurred.

Cash and Cash Equivalents
The City considers all demand and savings accounts and certificates of deposit with an original maturity of three months or less to be cash and cash equivalents.

Certificates of deposit held at local banks with an original maturity of more than three months are valued at cost and labeled as certificates of deposit in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets represents the cost 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 the use of assets, either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

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

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities - modified cash basis, all interfund transfers between individual governmental funds have been eliminated.

Common Bank Account

Separate bank accounts are not maintained for all City funds, instead, certain funds maintain their uninvested cash balances in a common check account with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund.

Occasionally, certain funds participating in the common bank account will incur overdrafts (deficits) in the account. The overdrafts result from expenditures, which have been approved by the City Council. As of April 30, 2025, there were no funds that had an overdraft balance.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) would be reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position - modified cash basis.

Inventory

Inventory is stated at cost on a first-in, first-out basis under the purchase method of accounting. Under this method, inventory is expensed when purchased. Inventory in the governmental fund consists of expendable street department supplies held for consumption. Inventory held in the business-type fund consists of electric, waterworks, sewer, golf maintenance, and clubhouse supplies. Fiscal counts are taken at year-end and inventory is adjusted accordingly.

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally designated resources are reported as general revenues rather than as program revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

Operating and Non-Operating Revenues and Expenses - Proprietary Funds

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Statement of Cash Flows

For purposes of the proprietary fund's statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Capital Assets

The accounting treatment of property, plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities - modified cash basis, with accumulated depreciation reflected in the statement of net position - modified cash basis. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives and asset threshold by type of asset are as follows:

Class	Useful Lives	Asset Threshold
Building and improvements	20 - 40 years	$10,000
Land improvements	20 - 50 years	$5,000 - $10,000
Infrastructure	20 - 50 years	$5,000 - $50,000
Equipment and furnishings	5 - 20 years	$1,000 - $5,000

Government-wide Statement

In government-wide financial statements, capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Liabilities
The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Consistent with the modified cash basis of accounting, long-term liabilities only consist of notes payable and bonds payable.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Illinois or political subdivision debt obligations, or surety bonds.

The City requires that its invested funds meet the requirements of the Public Funds Investment Act (30 ILCS 235/2).

Deposits
Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's investment policy requires all investments to be made in accordance with applicable legal requirements with consideration of investment safety. Accordingly, the City maintains collateral agreements with its financial institutions. As of April 30, 2025, cash and certificates of deposit with the City's various municipal depositories were $11,471,487 (including $36,646 of fiduciary cash, and $89,173 of fiduciary certificate of deposit), and the related bank balances totaled $11,533,489. Of the bank balances, including demand deposits, $680,632 was insured by the Federal Deposit Insurance Corporation (FDIC), $4,570,929 was held in the Illinois Funds Money Market, $5,984,622 was secured by pledged collateral held by the banks, and $297,306 was unsecured as of April 30, 2025.

Some deposits made by the City consist of participants in the "Illinois Fund," a local government public treasurers' investment pool, and Goldman Sachs Treasury Shares (GTS). Both the Illinois Funds and GSTS are investments that are not subject to risk categorization. Investments in both are stated at fair value. The Illinois Fund is considered to be a 2a7-like-pool that operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The pool is not registered with the SEC as an investment company.

NOTE 3 - NOTES RECEIVABLE

Notes receivable of the governmental activities consist of loans made to local businesses to support economic development in the community. As of April 30, 2025, all loans owed to the City have been paid in full.

NOTE 4 - DEFICIT BALANCES

The Ambulance Service, Tax Increment Financing #3, and Tax Increment Financing #6 Funds had deficit fund balances in the amounts of $261,250, $103,539, and $1,018, respectively. These deficits will be offset by future revenues.

NOTE 5 - RISK MANAGEMENT

The City is exposed to the risk of loss from normal items typically applicable to all Municipalities. These include workers' injury, property damage, and others too numerous to mention. To reduce the City's risk of loss from damages and claims, the City is a participant in the Illinois Municipal League Risk Management Association. For an annual contribution, the League provides insurance coverage for property and liability claims. The League has more than 600 Illinois Municipalities in the pool. There is no indication from the League or the City that there are any claims either existing or implied that would result in an additional liability to the City as of April 30, 2025. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The City has established an employee health benefits fund (an internal service fund) to account for the City's comprehensive health plan providing medical and prescription drug coverage for the benefit of eligible employees and their eligible dependents.

The costs associated with this self-insurance plan are reported as interfund transactions. Accordingly, they are treated as operating revenues of the employee health benefits fund and operating expenditures (expenses) of the other funds. Claims payable include provisions for claims incurred, but not reported. The provision for claims incurred, but not yet reported, is computed by the City's third party administrator based on historical data. The liability has not been recorded in the financial statements.

NOTE 6 - PROPERTY TAXES

The City's property tax is levied each year on all taxable real property located in the City. The property taxes attach as an enforceable lien on property as of January 1 and are payable in installments. The City received significant distributions of tax receipts during July and October of 2024. Property tax collections reflected in the City's financial statements for the fiscal year ended April 30, 2025 represent taxes received for the 2023 tax levy.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended April 30, 2025, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 583,525	$ 350,325	$ -	$ 933,850
Construction in progress	1,121,122	24,703	949,556	196,269
Total capital assets not being depreciated	1,704,647	375,028	949,556	1,130,119
Capital assets being depreciated:				
Building and improvements	2,151,175	44,970	-	2,196,145
Land improvements	1,703,823	-	-	1,703,823
Equipment and furnishings	3,141,746	247,273	-	3,389,019
Infrastructure	9,694,403	1,443,694	-	11,138,097
Total capital assets being depreciated	16,691,147	1,735,937	-	18,427,084
Less accumulated depreciation for:				
Building and improvements	1,187,174	51,015	-	1,238,189
Land improvements	1,014,868	66,192	-	1,081,060
Equipment and furnishings	2,070,500	233,102	-	2,303,602
Infrastructure	1,539,678	188,812	-	1,728,490
Total accumulated depreciation	5,812,220	539,121	-	6,351,341
Capital assets being depreciated, net	10,878,927	1,196,816	-	12,075,743
Governmental activity capital assets, net	$ 12,583,574	$ 1,571,844	$ 949,556	$ 13,205,862

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	$ 28,992
Public safety	66,865
Roads and streets	276,983
Culture and recreation	99,724
Health/EMS	66,557
Total Governmental activities	$ 539,121

NOTE 7 - CAPITAL ASSETS (continued)

Capital asset activity for business-type activities for the year ended April 30, 2025, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 541,116	$ -	$ -	$ 541,116
Construction in progress	522,777	145,355	-	668,132
Total capital assets not being depreciated	1,063,893	145,355	-	1,209,248
Capital assets being depreciated:				
Building and improvements	1,571,218	-	-	1,571,218
Land improvements	28,673,165	581,137	-	29,254,302
Equipment and furnishings	4,335,044	274,360	43,415	4,565,989
Infrastructure	29,827	-	-	29,827
Total capital assets being depreciated	34,609,254	855,497	43,415	35,421,336
Less accumulated depreciation for:				
Building and improvements	1,076,498	31,597	-	1,108,095
Land improvements	16,401,507	540,867	-	16,942,374
Equipment and furnishings	2,605,810	308,735	43,415	2,871,130
Infrastructure	25,767	262	-	26,029
Total accumulated depreciation	20,109,582	881,461	43,415	20,947,628
Capital assets being depreciated, net	14,499,672	(25,964)	-	14,473,708
Business-type activities capital assets, net	$ 15,563,565	$ 119,391	$ -	$ 15,682,956

Depreciation expense was charged to business-type activities as follows:

Business-type activities	
Electric	$ 392,670
Water	372,820
Sewer	69,209
Golf Course	46,762
Total Business-type activities	$ 881,461

NOTE 8 - TRANSFERS

Operating transfers during the year ended April 30, 2025, were as follows:

Fund	Transfer In	Transfer Out	Net Transfers
General	$ 125,004	$ -	$ 125,004
Electric	-	95,004	(95,004)
Water System	-	15,000	(15,000)
Sewer System	-	15,000	(15,000)
Total	$ 125,004	$ 125,004	$ -

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9 - INTERFUND RECEIVABLES/PAYABLES

The composition of interfund balances as of April 30, 2025, was as follows:

Receivable Fund	Payable Fund	Amount
General	Ambulance	$ 133,842
General	Ambulance	253,455
General	Golf	155,000
General	Tax Increment Financing #3	132,908
Tax Increment Financing #2	Tax Increment Financing #6	2,997
Electric	Sewer System	270,250
Electric	Water System	557,350
	Total	$ 1,505,802

The interfund balances relate to amounts loaned among the funds that are expected to be repaid within the next year. Any debt due to other funds is shown on the respective government funds or proprietary funds balance sheet. The net amount due between governmental funds and proprietary funds is $155,000 as of April 30, 2025.

NOTE 10 - RESTATEMENT OF BEGINNING FUND BALANCE

During the fiscal year ended April 30, 2025, the City began reporting its Health Insurance Fund as a separate internal service fund in the proprietary fund financial statements due to its increased materiality. In prior years, the activity was included within the General Fund and reported as part of governmental activities.

As a result, the beginning fund balance of the General Fund was restated by $120,291, which was reclassified to the proprietary fund financial statements and is now reported in its own column as an internal service fund. In the government-wide financial statements, the activity continues to be included within governmental activities in accordance with governmental accounting standards.

NOTE 11 - RETIREMENT FUND COMMITMENTS

Illinois Municipal Retirement Fund
Plan Description: 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 their beneficiaries. The City's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of an agent multiple-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Annual Comprehensive Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Funding Policy: 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 2024 was 8.54%. 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. For plans year 2022, 2023 and 2024, the City contributed $312,411, $342,089, and $309,038, respectively, as required.

Social Security
Employees not qualifying for coverage under the Illinois Municipal Retirement Fund are considered "non-participating employees." These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under Social Security. The City paid $271,954, the total required contribution for the current year.

NOTE 11 - RETIREMENT FUND COMMITMENTS (continued)

Section 457 Retirement Plan

The City initiated a Section 457 Retirement Plan on February 20, 2007. This plan was started mainly to assist policemen who do not participate in the social security system. The City matches the policemen's contribution which is 6.2% of salary. The City contributions for the year ended April 30, 2025, were $40,522. Lord Abbett Retirement Services administers the plan and accounts for the money by each participant. The value of these accounts is not included in these financial statements.

NOTE 12 - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended April 30, 2025, are as follows:

Governmental activities:	Beginning Balance	Increase	Decrease	Ending Balance	Amount Due Within One Year
Note payable - Soccer Park	$ 127,076	$ -	$ 22,291	$ 104,785	$ 23,359
Note payable - Street Department	182,183	-	44,513	137,670	45,920
Note payable - TIF 3	523,412	-	66,213	457,199	68,480
Total governmental activities	$ 832,671	$ -	$ 133,017	$ 699,654	$ 137,759
Business-type activities:					
IL Environmental Protection Agency	$ 1,142,335	$ -	$ 448,438	$ 693,897	$ 228,432
Note payable - Golf Course	63,735	-	22,393	41,342	23,302
Note payable - Sewer Lift Station	465,725	-	29,611	436,114	30,134
Total business-type activities	$ 1,671,795	$ -	$ 500,442	$ 1,171,353	$ 281,868

Governmental Activities:

Notes Payable - Soccer Park

The City obtained a note of $375,000 to finance the purchase of 17 acres of land (3 acres gifted) and the development of a park. The note was refinanced on June 5, 2019. The note requires monthly installments of $2,305, maturing June 5, 2029, and an interest rate of 4.5% paid semi-annually.

Payments due on the note are as follows:

Year Ending April 30,	Principal	Interest	Total
2026	$ 23,359	$ 4,296	$ 27,655
2027	24,447	3,208	27,655
2028	25,581	2,073	27,654
2029	26,047	1,607	27,654
2030	5,351	37	5,388
Total	$ 104,785	$ 11,221	$ 116,006

NOTE 12 - LONG-TERM LIABILITIES (continued)

Notes Payable - Street Department
The City obtained a note of $270,886 to finance the purchase of equipment for the street department. The note requires monthly installments of $4,113, maturing April 25, 2028, and an interest rate of 2.95% paid monthly.

Payments due on the note are as follows:

Year Ending April 30,	Principal	Interest	Total
2026	$ 45,920	$ 3,439	$ 49,359
2027	47,293	2,066	49,359
2028	44,457	652	45,109
Total	$ 137,670	$ 6,157	$ 143,827

Notes Payable - Tax Increment Financing #3
The City obtained a note of $700,000 to finance the development of a local business within the redevelopment district. The note requires monthly installments of $6,806, maturing June 28, 2031, and an interest rate of 3.10% paid monthly.

Payments due on the note are as follows:

Year Ending April 30,	Principal	Interest	Total
2026	$ 68,480	$ 13,196	$ 81,676
2027	70,633	11,043	81,676
2028	72,854	8,822	81,676
2029	75,145	6,531	81,676
2030	77,508	4,168	81,676
2031-2032	92,579	1,775	94,354
Total	$ 457,199	$ 45,535	$ 502,734

Business-Type Activities:

Note Payable - Illinois Environmental Protection Agency
In September 2004, the City entered into an agreement with the Illinois Environmental Protection Agency to assist with funding a new water treatment plant. The final loan amount as of February 2, 2007, was $7,283,530. The note requires semi-annual principal payments of $269,283 to $237,106, a maturity date of November 1, 2026, and an interest rate of 2.5% paid semi-annually.

NOTE 12 - LONG-TERM LIABILITIES (continued)

Payments due on the note are as follows:

Year Ending April 30,	Principal	Interest	Total
2026	$ 228,432	$ 8,674	$ 237,106
2027	465,465	8,747	474,212
Total	$ 693,897	$ 17,421	$ 711,318

Note Payable - Golf Course

On July 15, 2022, the City entered into an agreement to finance and purchase equipment for the golf course. The note requires monthly principal payments of $2,040, maturing January 15, 2027, and an interest rate of 3.85% paid monthly.

Payments due on the note are as follows:

Year Ending April 30,	Principal	Interest	Total
2026	$ 23,302	$ 1,180	$ 24,482
2027	18,040	288	18,328
Total	$ 41,342	$ 1,468	$ 42,810

Notes Payable - Sewer Lift Station

In January 2019, the City obtained a note of $628,472 to finance the purchase of a sewer lift station. The note requires semi-annual installments of $18,839, maturing April 8, 2038, and an interest rate of 1.76% paid semi-annually.

Payments due on the note are as follows:

Year Ending April 30,	Principal	Interest	Total
2026	$ 30,134	$ 7,544	$ 37,678
2027	30,667	7,011	37,678
2028	31,209	6,469	37,678
2029	31,761	5,917	37,678
2030	32,322	5,356	37,678
2031-2035	170,388	18,002	188,390
2036-2038	109,633	3,401	113,034
Total	$ 436,114	$ 53,700	$ 489,814

NOTE 12 - LONG-TERM LIABILITIES (continued)

The City's legal debt margin is limited to 8.625% of the most recent assessed valuation as follows:

Total valuation of 2024 Levy year	$	125,067,753
Statutory Debt Limitation - 8.625% of Assessed Valuation	$	10,787,094
Less: Outstanding Debt		
None		-
Legal Debt Margin	$	10,787,094

NOTE 13 - CONSTRUCTION IN PROGRESS

Downtown Revitalization
The downtown business area located within Business District 2 is undergoing ADA compliance enhancements for businesses within the downtown area, as well as enhancements to the City sewer mains and lighting structures. The City completed the project during fiscal year 2025, with a total cost at completion of $949,556.

Mine Street
During fiscal 2025, the City continued the project for Mine Street. The City spent $4,886 during fiscal 2025, bringing the total cost of the project to $139,245. The project is estimated to be completed during fiscal 2026.

Sewer System- Engineering Study/Wastewater Treatment Plant Improvements
In 2007, an engineering study was developed for improvements to the waste-water treatment plant. During fiscal 2025, the City spent $142,415 on the project bringing the total cost of the project to $542,916. The sewer system meets EPA requirements and capacity presently, however, it is thought that improvements will need to begin near-term, as the sewer plant is near hydraulic capacity.

South Water Tower
The City began a project in fiscal 2022 to replace its existing water tower. The old water tower was erected in 1936 and is currently too cost-ineffective to repair. Currently, the project design has been completed, the property has been purchased and the water line has been extended to the new site. The City is currently waiting for additional funding from the Illinois Environmental Protection Agency Public Water Supply Loan Program to continue with the project. During fiscal 2025, the City spent $2,940 on the project bringing the total cost to $125,216. There is currently no estimated completion date for the project.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 11, 2025, the date which the financial statements were available for issue, and noted the following reportable event. On July 28, 2025, the City entered into agreements for legal counsel and underwriting services in connection with the planned issuance of its General Obligation Bonds (Alternate Revenue Source), Series 2025. The bonds will finance sewer system and related infrastructure improvements and pay costs of issuance. The City will be obligated to make scheduled debt service payments regardless of budgetary constraints and comply with applicable federal tax law requirements to maintain the bonds' tax-exempt status. Final terms of the bonds had not been determined as of the date of these financial statements, and issuance is expected during fiscal year 2026.

Other Information

CITY OF BREESE, ILLINOIS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED APRIL 30, 2025

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Property tax	$ 1,812,018	$ 1,812,018	$ 1,447,624	$ (364,394)
Replacement tax	56,250	56,250	23,444	(32,806)
Intergovernmental tax	2,766,875	2,766,875	2,360,623	(406,252)
Franchise fees	70,671	70,671	54,176	(16,495)
Fines and forfeitures	15,375	15,375	16,164	789
Charges for services	137,538	137,538	129,206	(8,332)
Licenses and permits	48,875	48,875	41,034	(7,841)
Gaming income	138,875	138,875	132,905	(5,970)
Grants and donations	1,875	1,875	4,028	2,153
Interest income	89,000	89,000	87,940	(1,060)
Miscellaneous	918,290	918,290	17,842	(900,448)
Total revenues	6,055,642	6,055,642	4,314,986	(1,740,656)
Expenditures				
Current				
General government	2,381,653	2,381,653	995,064	1,386,589
Public safety	1,325,375	1,325,375	999,500	325,875
Roads and streets	1,029,750	1,029,750	612,818	416,932
Culture and recreation	836,338	836,338	548,837	287,501
Capital outlay	1,456,875	1,456,875	710,168	746,707
Debt service				
Principal	80,802	80,802	66,804	13,998
Interest	12,739	12,739	10,209	2,530
Total expenditures	7,123,532	7,123,532	3,943,400	3,180,132
Excess (deficiency) of revenues over expenditures	(1,067,890)	(1,067,890)	371,586	1,439,476
Other financing sources (uses)				
Transfers between funds	156,255	156,255	125,004	(31,251)
Total other financing sources (uses)	156,255	156,255	125,004	(31,251)
Excess (deficiency) of revenues over expenditures and other uses	$ (911,635)	$ (911,635)	496,590	$ 1,408,225
Fund balance - beginning (restated)			3,281,416	
Fund balance - ending			$ 3,778,006	

CITY OF BREESE, ILLINOIS
BUDGETARY COMPARISON SCHEDULE
AMBULANCE SERVICE
FOR THE FISCAL YEAR ENDED APRIL 30, 2025

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues				
Intergovernmental tax	$ 470,619	$ 470,619	$ 379,528	$ (91,091)
Charges for services	1,028,750	1,028,750	959,334	(69,416)
Interest income	75	75	176	101
Miscellaneous	22,500	22,500	17,878	(4,622)
Total revenues	1,521,944	1,521,944	1,356,916	(165,028)
Expenditures				
Current				
Health/EMS	1,415,573	1,415,573	1,035,622	379,951
Capital outlay	80,000	80,000	40,471	39,529
Debt service				
Principal	22,500	22,500	-	22,500
Total expenditures	1,518,073	1,518,073	1,076,093	441,980
Excess (deficiency) of revenues over expenditures	$ 3,871	$ 3,871	280,823	$ 276,952
Fund balance - beginning			(542,073)	
Fund balance - ending			$ (261,250)	

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

The budget for all governmental fund types and for the expendable trust fund is prepared on the modified cash basis of accounting.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the City Clerk submits to the City Council a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures disbursed and the means of financing them.

2. Prior to enactment, a public hearing is held on the proposed budget to obtain citizen comments.

3. Subsequent to the public hearing and prior to May 1, the budget is enacted by passage in a City Council meeting.

4. Amendments may be made by the Council during the year by the same procedures required for its original adoption.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Fiduciary Funds, and Proprietary Funds.

6. Appropriations lapse at the end of each fiscal year.

CITY OF BREESE, ILLINOIS
COMBINING SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCES
MODIFIED CASH BASIS
NONMAJOR SPECIAL REVENUE FUNDS
APRIL 30, 2025

	Motor Fuel Tax	Tax Increment Financing #2	Tax Increment Financing #3	Tax Increment Financing #4	Tax Increment Financing #5	Tax Increment Financing #6	Tax Increment Financing #7	Business District - New Highway 50	Business District Downtown	Business District - Old Highway 50	Police Drug Prevention	Total
ASSETS												
Cash and cash equivalents	$ 334,499	$ 93,333	$ 29,369	$ 14,380	$ 15	$ 1,979	$ -	$ 86,152	$ 140,968	$ 670,434	$ 25,176	$ 1,396,305
Certificates of deposit	-	-	-	-	-	-	-	-	-	-	10,702	10,702
Interfund receivable	-	2,997	-	-	-	-	-	-	-	-	-	2,997
Inventory	54,250	-	-	-	-	-	-	-	-	-	-	54,250
Total assets	$ 388,749	$ 96,330	$ 29,369	$ 14,380	$ 15	$ 1,979	$ -	$ 86,152	$ 140,968	$ 670,434	$ 35,878	$ 1,464,254
LIABILITIES AND FUND BALANCES												
LIABILITIES												
Interfund payable	$ -	$ -	$ 132,908	$ -	$ -	$ 2,997	$ -	$ -	$ -	$ -	$ -	$ 135,905
Total liabilities	-	-	132,908	-	-	2,997	-	-	-	-	-	135,905
FUND BALANCES												
Nonspendable	54,250	-	-	-	-	-	-	-	-	-	-	54,250
Restricted	334,499	96,330	-	14,380	15	-	-	86,152	140,968	670,434	35,878	1,378,656
Unassigned	-	-	(103,539)	-	-	(1,018)	-	-	-	-	-	(104,557)
Total fund balances (deficit)	388,749	96,330	(103,539)	14,380	15	(1,018)	-	86,152	140,968	670,434	35,878	1,328,349
Total liabilities and fund balances	$ 388,749	$ 96,330	$ 29,369	$ 14,380	$ 15	$ 1,979	$ -	$ 86,152	$ 140,968	$ 670,434	$ 35,878	$ 1,464,254

CITY OF BREESE, ILLINOIS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED APRIL 30, 2025

	Motor Fuel Tax	Tax Increment Financing #2	Tax Increment Financing #3	Tax Increment Financing #4	Tax Increment Financing #5	Tax Increment Financing #6	Tax Increment Financing #7	Business District - New Highway 50	Business District Downtown	Business District - Old Highway 50	Police Drug Prevention	Total
REVENUES												
Property taxes	$ -	$ 280,449	$ 116,271	$ 156,143	$ 46,342	$ 9,369	$ -	$ -	$ -	$ -	$ -	$ 608,574
Intergovernmental tax	209,684	-	-	-	-	-	-	91,979	110,814	314,379	-	726,856
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	3,765	3,765
Interest income	21,863	106	-	-	-	-	-	55	62	270	211	22,567
Total revenues	231,547	280,555	116,271	156,143	46,342	9,369	-	92,034	110,876	314,649	3,976	1,361,762
EXPENDITURES												
Current												
Public safety	-	-	-	-	-	-	-	-	-	-	1,780	1,780
Roads and streets	145,033	-	-	-	-	-	-	-	-	-	-	145,033
Economic development	-	281,810	100,101	148,336	46,342	7,474	-	6,193	66,608	41,835	-	698,699
Capital outlay	494,138	11,000	-	-	-	-	-	-	-	4,886	-	510,024
Debt service:												
Principal	-	-	66,213	-	-	-	-	-	-	-	-	66,213
Interest	-	-	15,463	-	-	-	-	-	-	-	-	15,463
Total expenditures	639,171	292,810	181,777	148,336	46,342	7,474	-	6,193	66,608	46,721	1,780	1,437,212
Excess (deficiency) of revenues over expenditures	(407,624)	(12,255)	(65,506)	7,807	-	1,895	-	85,841	44,268	267,928	2,196	(75,450)
Other financing sources (uses)												
Transfers between funds	-	-	70,000	-	-	-	-	(70,000)	-	-	-	-
Total other financing sources (uses)	-	-	70,000	-	-	-	-	(70,000)	-	-	-	-
Excess (deficiency) of revenues over expenditures, and other uses	(407,624)	(12,255)	4,494	7,807	-	1,895	-	15,841	44,268	267,928	2,196	(75,450)
Fund balances - beginning	796,373	108,585	(108,033)	6,573	15	(2,913)	-	70,311	96,700	402,506	33,682	1,403,799
Fund balances - ending	$ 388,749	$ 96,330	$ (103,539)	$ 14,380	$ 15	$ (1,018)	$ -	$ 86,152	$ 140,968	$ 670,434	$ 35,878	$ 1,328,349

CITY OF BREESE, ILLINOIS
SCHEDULE OF ASSESSED VALUATIONS - TAX RATES,
TAXES EXTENDED, AND COLLECTED FOR 2022, 2023, AND 2024
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED APRIL 30, 2025

	2022	2023	2024
ASSESSED VALUATION			
	$ 111,136,876	$ 123,872,880	$ 133,645,046
RATES PER $100 ASSESSED VALUATION:			
General corporate	0.24789	0.22863	0.22000
Police	0.07437	0.06859	0.06600
Park	0.02479	0.22863	0.22000
Insurance	0.08994	0.09115	0.06908
Retirement	0.15021	0.13153	0.09323
FICA	0.07430	0.07596	0.05500
Audit service	0.02429	0.02399	0.02012
Street lighting	0.04958	0.04573	0.04400
Total tax rates	0.73537	0.89421	0.78743
EXTENSIONS:			
General corporate	$ 275,604	$ 285,943	$ 328,011
Police	82,684	85,784	98,403
Park	275,604	285,943	328,011
Insurance	99,995	113,999	102,995
Retirement	167,003	164,502	139,002
FICA	82,607	95,002	82,003
Audit service	26,994	30,004	29,998
Street lighting	55,123	57,194	65,602
Total extensions	$ 1,065,614	$ 1,118,371	$ 1,174,025
COLLECTIONS:			
General corporate	$ 272,943	$ 285,942	
Police	81,886	85,471	
Park	272,943	285,189	
Insurance	99,030	113,583	
Retirement	165,391	163,901	
FICA	81,809	94,655	
Audit service	26,734	29,894	
Street lighting	54,591	56,985	
Total collections	1,055,327	1,115,620	
% COLLECTED ON THOSE EXTENDED:	99.03%	99.75%	

CITY OF BREESE, ILLINOIS
SCHEDULE OF ASSESSED VALUATION - TAX RATES,
TAXES EXTENDED, AND COLLECTED FOR 2022, 2023, AND 2024
TAX INCREMENT FINANCING DISTRICT'S #2 AND #3
FOR THE FISCAL YEAR ENDED APRIL 30, 2025

	TAX INCREMENT FINANCING #2		
	TAX YEAR		
	2022	2023	2024
ASSESSED VALUATION	$ 3,283,913	$ 3,940,143	$ 4,217,103
RATES PER $100 ASSESSED VALUATION:			
TIF District	0.07324	0.07118	0.06708
	0.07324	0.07118	0.06708
EXTENSIONS:			
TIF District	240,520	280,449	282,901
	$ 240,520	$ 280,449	$ 282,901
COLLECTIONS	$ 240,520	$ 280,449	
% COLLECTED ON THOSE EXTENDED:	100.00%	100.00%	

	TAX INCREMENT FINANCING #3		
	TAX YEAR		
	2022	2023	2024
ASSESSED VALUATION	$ 542,590	$ 1,633,540	$ 2,744,990
RATES PER $100 ASSESSED VALUATION:			
TIF District	0.07324	0.07118	0.06708
	0.07324	0.07118	0.06708
COLLECTIONS:			
TIF District	39,740	116,271	184,145
	$ 39,740	$ 116,271	$ 184,145
TAXES COLLECTED	$ 39,740	$ 116,271	
% COLLECTED ON THOSE EXTENDED:	100.00%	100.00%	

CITY OF BREESE, ILLINOIS
SCHEDULE OF ASSESSED VALUATION - TAX RATES
TAXES EXTENDED AND COLLECTED FOR 2022, 2023, AND 2024
TAX INCREMENT FINANCING DISTRICT'S #4 AND #5
FOR THE FISCAL YEAR ENDED APRIL 30, 2025

	TAX INCREMENT FINANCING #4		
	TAX YEAR		
	2022	2023	2024
ASSESSED VALUATION	$ 1,940,570	$ 2,193,710	$ 2,347,830
RATES PER $100 ASSESSED VALUATION:			
TIF District	0.07324	0.07118	0.06708
	0.07324	0.07118	0.06708
EXTENSIONS:			
TIF District	142,131	156,143	157,502
	$ 142,131	$ 156,143	$ 157,502
COLLECTIONS:	$ 142,131	$ 156,143	
% COLLECTED ON THOSE EXTENDED:	100.00%	100.00%	

	TAX INCREMENT FINANCING #5		
	TAX YEAR		
	2022	2023	2024
ASSESSED VALUATION	$ 725,583	$ 651,073	$ 693,900
RATES PER $100 ASSESSED VALUATION:			
TIF District	0.07324	0.07118	0.06708
	0.07324	0.07118	0.06708
COLLECTIONS:			
TIF District	53,143	46,342	46,550
	$ 53,143	$ 46,342	$ 46,550
TAXES COLLECTED	$ 53,143	$ 46,342	
% COLLECTED ON THOSE EXTENDED:	100.00%	100.00%	

CITY OF BREESE, ILLINOIS
SCHEDULE OF ASSESSED VALUATION - TAX RATES
TAXES EXTENDED AND COLLECTED FOR 2022, 2023, AND 2024
TAX INCREMENT FINANCING DISTRICT'S #6
FOR THE FISCAL YEAR ENDED APRIL 30, 2025

	TAX INCREMENT FINANCING #6		
	TAX YEAR		
	2022	2023	2024
ASSESSED VALUATION	$ 620	$ 131,630	$ 237,040
RATES PER $100 ASSESSED VALUATION:			
TIF District	0.07258	0.07118	0.06709
	0.07258	0.07118	0.06709
COLLECTIONS:			
TIF District	45	9,369	15,902
	$ 45	$ 9,369	$ 15,902
TAXES COLLECTED	$ 45	$ 9,369	
% COLLECTED ON THOSE EXTENDED:	100.00%	100.00%	

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INDEPENDENT AUDITORS' 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 City Council
City of Breese, Illinois
Breese, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Breese, Illinois, as of and for the year ended April 30, 2025, and the related notes to the financial statements, which collectively comprise City of Breese, Illinois' basic financial statements and have issued our report thereon dated August 11, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Breese, 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Breese, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Breese, 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 a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a 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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Breese, 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2025-001.

City of Breese, Illinois' Response to Findings

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

Purpose of This Report

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

F.E.W. CPAs

F.E.W. CPAs
Columbia, Illinois
August 11, 2025

CITY OF BREESE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED APRIL 30, 2025

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified	______Yes	__X__No
Significant deficiencies identified that are not considered to be material weaknesses	__X__Yes	______No
Noncompliance material to financial statements noted?	______Yes	__X__No

Federal Awards - N/A

Internal control over major programs:

Material weaknesses identified?	______Yes	______No
Reportable conditions identified that are not considered to be material weaknesses	______Yes	______No

Type of auditors' report issued on compliance for major programs:

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	______Yes	_______No

Identification of major programs:

CFDA Numbers	***Name of Federal Program or Cluster***
None	

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee?	______Yes	_______No

Section II - Financial Statement Findings

2025-001 - Significant Deficiency and Noncompliance with State Law - Excess Uncollateralized Deposits

Condition:
Throughout the fiscal year ended April 30, 2025, the City maintained deposit balances with a financial institution that exceeded both the $250,000 Federal Deposit Insurance Corporation (FDIC) coverage limit and the collateralization requirements of the Illinois Public Funds Investment Act (30 ILCS 235/6). As of April 30, 2025, the excess amount of uncollateralized deposits totaled approximately $297,306. Similar excesses were noted in other months during the year, indicating that the condition was not limited to a single reporting date.

Criteria:
The Illinois Public Funds Investment Act requires that all public funds deposited in excess of FDIC insurance coverage be secured by eligible collateral, valued at fair market value, equal to or greater than the amount of uninsured deposits. Internal controls should ensure that public deposits are adequately collateralized at all times.

Cause:
The City did not have adequate monitoring procedures in place to verify that pledged collateral was sufficient to cover deposits exceeding FDIC limits on an ongoing basis.

Effect:
This condition resulted in noncompliance with the Illinois Public Funds Investment Act and represents a significant deficiency in internal control over compliance. The lack of sufficient collateralization placed $297,306 of public funds at risk as of April 30, 2025. Additional testing identified uncollateralized balances of approximately $1,134,460 in one month and $32,090 in another month during the fiscal year, demonstrating that the issue occurred at multiple points throughout the year and was not an isolated incident. These deficiencies increased the City's exposure to potential loss in the event of a financial institution failure.

Recommendation:
We recommend the City implement procedures to monitor deposit balances and pledged collateral on an ongoing basis, including obtaining and reviewing pledged securities reports directly from financial institutions at month-end, to ensure compliance with statutory collateralization requirements.

Response:
The City concurs with the finding. Management will strengthen procedures to verify that all deposits in excess of FDIC coverage are fully collateralized at all times and will obtain month-end pledged securities reports directly from each financial institution to confirm coverage.

Section III - Federal Award Findings

There are no federal award findings to disclose.

CITY OF BREESE, ILLINOIS
SCHEDULE OF RESOLUTION OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED APRIL 30, 2025

There were no prior year audit findings.

ALDERMAN
Ward 1 -
Dan Robben
Jason Davinroy
Ward 2 -
Jeff Jung
Carl Ratermann
Ward 3 -
Steve Hellige
Timothy Schleper
Ward 4 -
Lucas Essenpreis
Gary Usselmann

City of Breese

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Kevin Timmermann - *Mayor*
Jackie Hummert - *City Clerk & Collector*
Robert J. Venhaus - *City Treasurer*

Don Voss
Public Works Manager/Building Inspector
Jason Deering
Electric Operations Manager
Tom Tebbe
Street & Drainage Supervisor
Trevor Schubert
City Business Administrator
Mark Berndsen
Police Chief
Joanne Stevenson
City Attorney
John J. Becker
Zoning Administrator
Paul Smith
Golf Superintendent
Doug Schulte
Clubhouse Manager
Allen Pollmann
EMS Director

CORRECTIVE ACTION PLAN

Finding #2025-001 - Significant Deficiency and Noncompliance with State Law - Excess Uncollateralized Deposits

Contact for corrective action: Trevor Schubert, Business Administrator
City's response: Concur
Anticipated completion date: August 12th, 2025

Corrective Action:

The City agrees with the finding and will implement the following corrective actions:

- Collateral Monitoring Procedures:
  - Establish and implement procedures to monitor deposit balances and pledged collateral on an ongoing basis, including during high-cash-flow periods such as property tax distributions and grant receipts. Procedures will include obtaining deposit balance reports and pledged securities reports directly from each financial institution to verify that all deposits in excess of FDIC coverage are fully collateralized.
- Compliance with Illinois Public Funds Investment Act:
  - Incorporate collateralization checks into the City's monthly closing process to ensure compliance with 30 ILCS 235/6. Any identified deficiencies will be addressed immediately by working directly with the City's financial institutions to secure adequate collateral.
- Documentation and Retention:
  - Maintain all pledged securities reports and related correspondence as part of the City's permanent financial records for a minimum of seven years to support audit and compliance reviews.
- Staff Training and Oversight:
  - Provide training to applicable staff on collateralization requirements under Illinois law and on how to review pledged securities reports. Assign a primary and backup staff member to perform reviews and ensure continuity of compliance. Supervisory review will confirm that procedures are being followed and that compliance is maintained throughout the year.

Kevin Timmermann

City of Breese, Illinois