CITY OF BREESE, ILLINOIS

AUDITED FINANCIAL STATEMENTS

APRIL 30, 2026

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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, 2026, 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, 2026, 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 24, 2026 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 the City of Breese, Illinois' internal control over financial reporting and compliance.

F.E.W. CPAs

F.E.W. CPAs
Columbia, Illinois
August 24, 2026

CITY OF BREESE, ILLINOIS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
APRIL 30, 2026

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 5,563,731	$ 14,586,546	$ 20,150,277
Certificates of deposit	10,973	2,098,195	2,109,168
Inventory	48,579	486,819	535,398
Total current assets	5,623,283	17,171,560	22,794,843
Noncurrent assets			
Internal balance	46,093	-	46,093
Capital assets, net of depreciation	13,203,223	17,506,111	30,709,334
Total noncurrent assets	13,249,316	17,506,111	30,755,427
Total assets	$ 18,872,599	$ 34,677,671	$ 53,550,270
LIABILITIES			
Current liabilities			
Gift cards payable	$ -	$ 27,446	$ 27,446
Current portion of long-term liabilities	142,373	457,905	600,278
Total current liabilities	142,373	485,351	627,724
Noncurrent liabilities			
Notes payable	419,769	200,313	620,082
Bonds payable	-	9,420,000	9,420,000
Internal balance	-	46,093	46,093
Total noncurrent liabilities	419,769	9,666,406	10,086,175
Total liabilities	$ 562,142	$ 10,151,757	$ 10,713,899
NET POSITION			
Net investment in capital assets	$ 12,641,081	$ 16,847,893	$ 29,488,974
Restricted for:			
Ambulance service	256,670	-	256,670
Streets and highways	401,928	-	401,928
Development within TIF Districts	139,525	-	139,525
Business district improvements	1,060,235	-	1,060,235
Police drug prevention	45,742	-	45,742
Unrestricted	3,765,276	7,678,021	11,443,297
Total net position	$ 18,310,457	$ 24,525,914	$ 42,836,371

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, 2026

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Business-Type Activities	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Total
Primary government							
Governmental activities							
General government	$ 1,603,270	$ 132,247	$ 591	$ -	$ (1,470,432)	$ -	$ (1,470,432)
Public safety	1,023,059	30,263	3,165	-	(989,631)	-	(989,631)
Roads and streets	1,148,314	-	-	-	(1,148,314)	-	(1,148,314)
Economic development	849,127	-	-	-	(849,127)	-	(849,127)
Health/EMS	1,199,726	1,033,968	3,765	-	(161,993)	-	(161,993)
Culture and recreation	622,778	107,647	-	-	(515,131)	-	(515,131)
Interest on long-term debt	21,178	-	-	-	(21,178)	-	(21,178)
Total governmental activities	6,467,452	1,304,125	7,521	-	(5,155,806)	-	(5,155,806)
Business-type activities							
Electric	6,220,606	7,817,147	-	-	-	1,596,541	1,596,541
Water	1,656,529	1,972,319	-	-	-	315,790	315,790
Sewer	698,810	1,197,671	-	-	-	498,861	498,861
Municipal golf course	738,955	717,546	-	-	-	(21,409)	(21,409)
Total business-type activities	9,314,900	11,704,683	-	-	-	2,389,783	2,389,783
Total primary government	$ 15,782,352	$ 13,008,808	$ 7,521	$ -	(5,155,806)	2,389,783	(2,766,023)
General revenues							
Taxes							
Property tax					1,856,140	-	1,856,140
Replacement tax					22,457	-	22,457
Intergovernmental tax					3,938,494	-	3,938,494
Gaming income					146,534	-	146,534
Interest income					94,824	161,710	256,534
Miscellaneous					36,768	15,014	51,782
Premium on bond issuance, net of discount					-	354,023	354,023
Gain on sale of asset					2,700	-	2,700
Transfers between funds					(29,996)	29,996	-
Total general revenue and transfers					6,067,921	560,743	6,628,664
Changes in net position					912,115	2,950,526	3,862,641
Net position - beginning					17,398,342	21,575,388	38,973,730
Net position - ending					$ 18,310,457	$ 24,525,914	$ 42,836,371

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, 2026

	Major Funds		Nonmajor Funds	
	General	Ambulance Service	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	$ 3,528,736	$ 351,339	$ 1,668,014	$ 5,548,089
Certificate of deposit	-	-	10,973	10,973
Interfund receivable	285,346	-	4,995	290,341
Inventory	37,777	-	10,802	48,579
Total assets	$ 3,851,859	$ 351,339	$ 1,694,784	$ 5,897,982
LIABILITIES				
Interfund payable	$ -	$ 94,669	$ 149,579	$ 244,248
Total liabilities	-	94,669	149,579	244,248
FUND BALANCES				
Nonspendable	37,777	-	10,802	48,579
Restricted for:				
Ambulance service	-	256,670	-	256,670
Motor fuel tax	-	-	391,126	391,126
Tax increment financing #2	-	-	119,194	119,194
Tax increment financing #4	-	-	20,331	20,331
Business district - New Highway 50	-	-	75,810	75,810
Business district - Downtown	-	-	201,832	201,832
Business district - Old Highway 50	-	-	782,443	782,443
Business district - Jansen Ford	-	-	150	150
Police drug prevention	-	-	45,742	45,742
Assigned	1,036,848	-	-	1,036,848
Unassigned	2,777,234	-	(102,225)	2,675,009
Total fund balances	3,851,859	256,670	1,545,205	5,653,734
Total liabilities and fund balances	$ 3,851,859	$ 351,339	$ 1,694,784	$ 5,897,982

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, 2026

Total fund balance - total governmental funds	$ 5,653,734
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.	13,203,223
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	(562,142)
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	15,642
Net position of governmental activities per the statement of net position - modified cash basis - government wide	$ 18,310,457

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, 2026

	Major Funds		Nonmajor Funds	
REVENUES	General	Ambulance Service	Other Governmental Funds	Total
Property tax	$ 1,169,140	$ -	$ 687,000	$ 1,856,140
Replacement tax	22,457	-	-	22,457
Intergovernmental tax	2,790,705	398,331	749,458	3,938,494
Franchise fees	50,473	-	-	50,473
Fines and forfeitures	22,302	-	7,961	30,263
Charges for services	148,648	1,033,968	-	1,182,616
Licenses and permits	40,773	-	-	40,773
Gaming income	146,534	-	-	146,534
Grants and donations	591	3,765	3,165	7,521
Interest income	80,313	444	14,067	94,824
Miscellaneous	17,567	19,201	-	36,768
Total revenues	4,489,503	1,455,709	1,461,651	7,406,863
EXPENDITURES				
Current				
General government	1,074,322	-	-	1,074,322
Public safety	1,069,634	-	1,548	1,071,182
Roads and streets	767,460	-	209,800	977,260
Economic development	-	-	849,127	849,127
Health/EMS	-	1,126,816	-	1,126,816
Culture and recreation	571,455	-	-	571,455
Capital outlay	575,014	64,428	2,644	642,086
Debt service				
Principal	69,236	-	68,276	137,512
Interest	7,778	-	13,400	21,178
Total expenditures	4,134,899	1,191,244	1,144,795	6,470,938
Excess (deficiency) of revenues over expenditures	354,604	264,465	316,856	935,925
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of asset	2,700	-	-	2,700
Transfers between funds	(283,451)	253,455	(100,000)	(129,996)
Total other financing sources (uses)	(280,751)	253,455	(100,000)	(127,296)
Net changes in fund balances	73,853	517,920	216,856	808,629
Fund balances - beginning	3,778,006	(261,250)	1,328,349	4,845,105
Fund balances - ending	$ 3,851,859	$ 256,670	$ 1,545,205	$ 5,653,734

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, 2026

Net change in fund balances - total governmental funds	$	808,629
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 depreciation exceeded capital outlay in the current period.		(2,639)
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		137,512
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 change in net position of the internal service funds is reported in net with the governmental activities		(31,387)
Change in net position of governmental activities per the statement of activities - modified cash basis - government wide	$	912,115

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, 2026

	Electric Light	Water System	Sewer System	Municipal Golf Course	Total	Governmental Activities Internal Service Fund
ASSETS						
Current assets						
Cash and cash equivalents	$ 3,589,783	$ 395,214	$ 10,505,793	$ 95,756	$ 14,586,546	$ 15,642
Certificates of deposit	2,098,195	-	-	-	2,098,195	-
Inventory	372,630	60,866	4,715	48,608	486,819	-
Total current assets	6,060,608	456,080	10,510,508	144,364	17,171,560	15,642
Noncurrent assets						
Capital assets, net of depreciation	4,499,284	9,474,899	3,003,826	528,102	17,506,111	-
Total noncurrent assets	4,499,284	9,474,899	3,003,826	528,102	17,506,111	-
Total assets	$ 10,559,892	$ 9,930,979	$ 13,514,334	$ 672,466	$ 34,677,671	$ 15,642
LIABILITIES						
Current liabilities						
Gift cards payable	$ -	$ -	$ -	$ 27,446	$ 27,446	$ -
Current portion of noncurrent liabilities	-	234,178	205,667	18,060	457,905	-
Total current liabilities	-	234,178	205,667	45,506	485,351	-
Noncurrent liabilities						
Notes payable	-	-	200,313	-	200,313	-
Bonds payable	-	-	9,420,000	-	9,420,000	-
Interfund payable	-	-	-	46,093	46,093	-
Total noncurrent liabilities	-	-	9,620,313	46,093	9,666,406	-
Total liabilities	$ -	$ 234,178	$ 9,825,980	$ 91,599	$ 10,151,757	$ -
NET POSITION						
Net investment in capital assets	$ 4,499,284	$ 9,240,721	$ 2,597,846	$ 510,042	$ 16,847,893	$ -
Unrestricted	6,060,608	456,080	1,090,508	70,825	7,678,021	15,642
Total net position	$ 10,559,892	$ 9,696,801	$ 3,688,354	$ 580,867	$ 24,525,914	$ 15,642

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

CITY OF BREESE, ILLINOIS
STATEMENT OF REVENUEUS, EXPENSES, AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED APRIL 30, 2026

	Electric Light	Water System	Sewer System	Municipal Golf Course	Total	Governmental Activities Internal Service Fund
OPERATING REVENUES						
Charges for services	$ 7,285,610	$ 1,949,473	$ 1,185,180	$ -	$ 10,420,263	$ -
Fees and other sales	531,537	22,846	12,491	717,546	1,284,420	-
Interfund services provided	-	-	-	-	-	1,003,536
Total operating revenues	7,817,147	1,972,319	1,197,671	717,546	11,704,683	1,003,536
OPERATING EXPENSES						
Cost of sales and service	5,811,510	1,262,052	514,914	683,255	8,271,731	-
Depreciation	409,096	394,477	77,811	55,700	937,084	-
Personnel	-	-	-	-	-	903,848
Contractual services	-	-	-	-	-	231,075
Total operating expenses	6,220,606	1,656,529	592,725	738,955	9,208,815	1,134,923
Operating income (loss)	1,596,541	315,790	604,946	(21,409)	2,495,868	(131,387)
NON-OPERATING REVENUES (EXPENSES)						
Premium on bond issuance, net of discount	-	-	354,023	-	354,023	-
Cost of issuance	-	-	(106,085)	-	(106,085)	-
Miscellaneous	-	-	575	14,439	15,014	-
Interest income	147,878	8,258	5,416	158	161,710	-
Total non-operating revenues (expenses)	147,878	8,258	253,929	14,597	424,662	-
Changes in net position before transfers	1,744,419	324,048	858,875	(6,812)	2,920,530	(131,387)
Transfers between funds	(922,604)	542,350	255,250	155,000	29,996	100,000
Change in net position	821,815	866,398	1,114,125	148,188	2,950,526	(31,387)
Net position - beginning	9,738,077	8,830,403	2,574,229	432,679	21,575,388	47,029
Net position - ending	$ 10,559,892	$ 9,696,801	$ 3,688,354	$ 580,867	$ 24,525,914	$ 15,642

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, 2026

	Electric Light	Water System	Sewer System	Municipal Golf Course	Total	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	$ 7,817,147	$ 1,972,319	$ 1,197,671	$ 722,579	$ 11,709,716	$ 1,003,536
Cash paid to suppliers	(4,207,389)	(821,017)	(268,694)	(400,643)	(5,697,743)	(1,134,923)
Cash paid to employees	(744,189)	(441,385)	(244,151)	(280,828)	(1,710,553)	-
Net cash provided (used) by operating activities	2,865,569	709,917	684,826	41,108	4,301,420	(131,387)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers between funds	(922,604)	542,350	255,250	155,000	29,996	100,000
Miscellaneous revenue	-	-	575	14,439	15,014	-
Net cash provided (used) by noncapital financing activities	(922,604)	542,350	255,825	169,439	45,010	100,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from borrowings	-	-	9,420,000	-	9,420,000	-
Principal payments on borrowings	-	(459,719)	(30,134)	(23,282)	(513,135)	-
Principal payments on interfund borrowings	-	(557,350)	(270,250)	(108,907)	(936,507)	-
Premium on bond issuance, net of discount	-	-	354,023	-	354,023	-
Cost of issuance	-	-	(106,085)	-	(106,085)	-
Purchases of capital assets	(2,018,803)	(437,752)	(234,895)	(68,789)	(2,760,239)	-
Net cash provided (used) by capital and related financing activities	(2,018,803)	(1,454,821)	9,132,659	(200,978)	5,458,057	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income	147,878	8,258	5,416	158	161,710	-
Certificates of deposit	(284,461)	-	-	-	(284,461)	-
Net cash provided (used) by investing activities	(136,583)	8,258	5,416	158	(122,751)	-
Net increase (decrease) in cash and cash equivalents	(212,421)	(194,296)	10,078,726	9,727	9,681,736	(31,387)
Cash and cash equivalents - beginning of year	3,802,204	589,510	427,067	86,029	4,904,810	47,029
Cash and cash equivalents - end of year	$ 3,589,783	$ 395,214	$ 10,505,793	$ 95,756	$ 14,586,546	$ 15,642
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	$ 1,596,541	$ 315,790	$ 604,946	$ (21,409)	$ 2,495,868	$ (131,387)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	409,096	394,477	77,811	55,700	937,084	-
Change in assets and liabilities						
Inventory	32,332	(350)	2,069	1,784	35,835	-
Interfund receivable	827,600	-	-	-	827,600	-
Gift cards payable	-	-	-	5,033	5,033	-
Net cash provided (used) by operating activities	$ 2,865,569	$ 709,917	$ 684,826	$ 41,108	$ 4,301,420	$ (131,387)

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

CITY OF BREESE, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
MODIFIED CASH BASIS
FIDUCIARY FUND
APRIL 30, 2026

ASSETS		
Cash and cash equivalents	$	27,464
Certificate of deposit		92,670
Total assets	$	120,134
LIABILITIES AND NET POSITION		
LIABILITIES		
None	$	-
Total liabilities	$	-
NET POSITION		
Held in trust for pension benefits and other purposes	$	120,134
Total net position	$	120,134

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

CITY OF BREESE, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
MODIFIED CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED APRIL 30, 2026

ADDITIONS		
Participant contributions	$	45,626
Total additions		45,626
DEDUCTIONS		
Plan distributions		51,311
Total deductions		51,311
Change in net position		(5,685)
Net position - beginning of year		125,819
Net position - end of year	$	120,134

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:

Reporting Entity

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.

Modified Cash Basis

These financial statements are presented 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 (GAAP). Under this basis, transactions are generally recognized when they result from cash receipts or cash disbursements, with modifications for certificates of deposit, inventory, notes receivable, capital assets, interfund balances, gift cards payable, notes payable, and bonds payable.

As a result, certain assets (such as accounts receivable and revenues earned but not yet collected) and certain liabilities (such as accounts payable and expenses incurred but not yet paid) are not recorded in these financial statements.

Basis of Presentation

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 service fund: Health Insurance.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 No. 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.

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 Ambulance, Motor Fuel Tax, Tax Increment Financing #2, Tax Increment Financing #4, Business District - New Highway 50, Business District - Downtown, Business District - Old Highway 50, Business District - Jansen Ford, and Police Drug Prevention Funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, Tax Increment Financing #3, Tax Increment Financing #5, 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.

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.

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.

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, 2026, TIF #5 had an overdraft balance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Interfund Receivables and Payables
Balances between individual funds within the governmental and business-type activities are eliminated. Balances between governmental and business-type activities are reported as internal balances in the governmental-wide statement of net position.

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.

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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. Under the modified cash basis of accounting, long-term liabilities 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 - DEFICIT BALANCES

The Tax Increment Financing #3, Tax Increment Financing #5, and Tax Increment Financing #6 Funds had deficit fund balances in the amounts of $100,121, $1,076, and $1,028, respectively. These deficits will be offset by future revenues.

NOTE 3 - DEPOSITS AND INVESTMENTS

In accordance with Illinois law, the City's investment policy complies with the requirements of the Public Funds Investment Act (30 ILCS 235/2).

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be returned. At April 30, 2026, the carrying amount of the City's cash and cash equivalents and certificates of deposit, including fiduciary funds, totaled $22,379,579, and the related bank balances totaled $22,533,428. As of April 30, 2026, none of the City's deposits were exposed to custodial credit risk.

Cash equivalents include investments in Illinois Funds, an external investment pool authorized under the Public Funds Investment Act. Illinois Funds operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 but is not registered with the Securities and Exchange Commission as an investment company.

NOTE 4 - 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, 2026. 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. Estimated unpaid claims 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 5 - 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 2025. Property tax collections reflected in the City's financial statements for the fiscal year ended April 30, 2026 represent taxes received for the 2024 tax levy.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended April 30, 2026, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 933,850	$ -	$ -	$ 933,850
Construction in progress	196,269	104,229	-	300,498
Total capital assets not being depreciated	1,130,119	104,229	-	1,234,348
Capital assets being depreciated:				
Building and improvements	2,196,145	35,864	-	2,232,009
Land improvements	1,703,823	189,766	-	1,893,589
Equipment and furnishings	3,389,019	264,218	-	3,653,237
Infrastructure	11,138,097	-	-	11,138,097
Total capital assets being depreciated	18,427,084	489,848	-	18,916,932
Less accumulated depreciation for:				
Building and improvements	1,238,189	53,036	-	1,291,225
Land improvements	1,081,060	67,688	-	1,148,748
Equipment and furnishings	2,303,602	252,825	-	2,556,427
Infrastructure	1,728,490	223,167	-	1,951,657
Total accumulated depreciation	6,351,341	596,716	-	6,948,057
Capital assets being depreciated, net	12,075,743	(106,868)	-	11,968,875
Governmental activity capital assets, net	$ 13,205,862	$ (2,639)	$ -	$ 13,203,223

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	$ 35,310
Public safety	77,804
Roads and streets	310,385
Culture and recreation	100,414
Health/EMS	72,803
Total Governmental activities	$ 596,716

NOTE 6 - CAPITAL ASSETS (continued)

Capital asset activity for business-type activities for the year ended April 30, 2026, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 541,116	$ 1,399,057	$ -	$ 1,940,173
Construction in progress	668,132	282,645	-	950,777
Total capital assets not being depreciated	1,209,248	1,681,702	-	2,890,950
Capital assets being depreciated:				
Building and improvements	1,571,218	-	-	1,571,218
Land improvements	29,827	346,550	-	376,377
Equipment and furnishings	4,565,989	731,987	51,706	5,246,270
Infrastructure	29,254,302	-	-	29,254,302
Total capital assets being depreciated	35,421,336	1,078,537	51,706	36,448,167
Less accumulated depreciation for:				
Building and improvements	1,108,095	29,161	-	1,137,256
Land improvements	26,029	262	-	26,291
Equipment and furnishings	2,871,130	356,319	51,706	3,175,743
Infrastructure	16,942,374	551,342	-	17,493,716
Total accumulated depreciation	20,947,628	937,084	51,706	21,833,006
Capital assets being depreciated, net	14,473,708	141,453	-	14,615,161
Business-type activities capital assets, net	$ 15,682,956	$ 1,823,155	$ -	$ 17,506,111

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

Business-type activities	
Electric	$ 409,096
Water	394,477
Sewer	77,811
Golf Course	55,700
Total Business-type activities	$ 937,084

NOTE 7 - COMMTMENTS AND CONTINGENCIES

The City is subject to various claims and legal proceedings arising in the ordinary course of operations. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the City's financial position.

NOTE 8 - TRANSFERS

Operating transfers during the year ended April 30, 2026, were as follows:

Transfer in	Transfer out	Amount
General	Business District - Old Highway 50	$ 100,000
General	Electric Light	95,004
General	Water System	15,000
General	Sewer System	15,000
Ambulance Service	General	253,455
Tax Increment Financing #3	Business District - New Highway 50	70,000
Health Insurance	General	100,000
Water System	Electric Light	557,350
Sewer System	Electric Light	270,250
Municipal Golf Course	General	155,000
	Total	$ 1,631,059

Transfers are used to (a) move revenues from the fund that statute, ordinance, or budget requires to collect them to the fund that is required or intended to expend them, (b) provide financial support for the operations of other funds, including the Health Insurance and Municipal Golf Course Funds, and (c) finance capital improvement projects and other City initiatives in accordance with City Council authorizations.

NOTE 9 - INTERFUND RECEIVABLES/PAYABLES

The composition of interfund balances as of April 30, 2026, was as follows:

Receivable Fund	Payable Fund	Amount
General	Ambulance Service	$ 94,669
General	Tax Increment Financing #3	144,584
General	Municipal Golf Course	46,093
Tax Increment Financing #2	Tax Increment Financing #6	2,997
Business District - Downtown	Business District - Old Highway 50	1,998
	Total	$ 290,341

The interfund balances represent temporary advances between funds to finance operations and other activities. Amounts expected to be repaid within one year are reported as current assets and liabilities, while amounts not expected to be repaid within one year are reported as noncurrent assets and liabilities. Amounts due to and from other funds are reported in the respective governmental and proprietary fund balance sheets. As of April 30, 2026, the net amount due between the governmental and proprietary funds was $46,093.

NOTE 10 - RETIREMENT FUND COMMITMENTS

Illinois Municipal Retirement Fund

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 affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information (RSI). That report may be obtained online at www.imrf.org.

Funding Policy: As set by statute, the City's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires the City to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its employees. The City's annual required contribution rate for calendar year 2025 was 9.52 percent. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

For plan years 2023, 2024 and 2025, the City contributed $342,089, $309,038, and $355,893, respectively. The City’s contributions for 2024 were equal to the actuarially determined contribution requirement, while contributions for 2023 and 2025 exceeded the actuarially determined contribution requirements for those years.

Section 457 Retirement Plan

The City sponsors a deferred compensation plan under Section 457 of the Internal Revenue Code, established on February 20, 2007, primarily for police officers who do not participate in the Social Security system. The City matches participating employees' contributions at 6.2% of covered salary. For the year ended April 30, 2026, the City's contributions totaled $42,702. The plan is administered by Lord Abbett Retirement Services, which maintains individual participant accounts. Plan assets are held for the exclusive benefit of participants and are not included in the accompanying financial statements.

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 $281,201, the total required contribution for the current year.

NOTE 11 - TAX INCREMENT FINANCING FUND

The City has entered into various redevelopment agreements with private organizations within its Tax Increment Financing (TIF) districts for the purpose of encouraging economic development. The agreements, which were approved by the City Council, generally provide for the rebate of a specified portion of property taxes, sales taxes, or other eligible tax revenues generated by the respective developments.

NOTE 11 - TAX INCREMENT FINANCING FUND

During the year ended April 30, 2026, the City made payments totaling $618,859 pursuant to these agreements. Future payments under the agreements are contingent upon the generation and receipt of the applicable tax revenues and other provisions of the respective agreements.

NOTE 12 - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended April 30, 2026, are as follows:

Governmental activities:	Beginning Balance	Increase	Decrease	Ending Balance	Amount Due Within One Year
Note payable - Soccer Park	$ 104,785	$ -	$ 23,373	$ 81,412	$ 24,447
Note payable - Street Department	137,670	-	45,863	91,807	47,293
Note payable - TIF 3	457,199	-	68,276	388,923	70,633
Total governmental activities	$ 699,654	$ -	$ 137,512	$ 562,142	$ 142,373
Business-type activities:					
IL Environmental Protection Agency	$ 693,897	$ -	$ 459,719	$ 234,178	$ 234,178
Note payable - Golf Course	41,342	-	23,282	18,060	18,060
Note payable - Sewer Lift Station	436,114	-	30,134	405,980	30,667
General Obligation Bonds - Sewer	-	9,420,000	-	9,420,000	175,000
Total business-type activities	$ 1,171,353	$ 9,420,000	$ 513,135	$10,078,218	$ 457,905

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
2027	$ 24,447	$ 3,208	$ 27,655
2028	25,582	2,073	27,655
2029	26,048	1,607	27,655
2030	5,335	37	5,372
Total	$ 81,412	$ 6,925	$ 88,337

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.

NOTE 12 - LONG-TERM LIABILITIES (continued)

Payments due on the note are as follows:

Year Ending April 30,	Principal	Interest	Total
2027	$ 47,293	$ 2,066	$ 49,359
2028	44,514	652	45,166
Total	$ 91,807	$ 2,718	$ 94,525

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
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	79,945	1,731	81,676
2032	12,838	44	12,882
Total	$ 388,923	$ 32,339	$ 421,262

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.

Payments due on the note are as follows:

Year Ending April 30,	Principal	Interest	Total
2027	$ 234,178	$ 2,928	$ 237,106
Total	$ 234,178	$ 2,928	$ 237,106

NOTE 12 - LONG-TERM LIABILITIES (continued)

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
2027	$ 18,060	$ 288	$ 18,348
Total	$ 18,060	$ 288	$ 18,348

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
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	32,894	4,784	37,678
2032-2036	173,400	14,990	188,390
2037-2038	73,727	1,629	75,356
Total	$ 405,980	$ 46,156	$ 452,136

Bonds Payable - Series 2025

On December 30, 2025, the City issued $9,420,000 General Obligation Bonds (Alternate Revenue Source), Series 2025, to finance improvements to the City's sewer system and to pay the costs of issuing the bonds. The bonds require annual principal installments beginning December 1, 2026, with a final maturity of December 1, 2055, and bear interest at rates ranging from 4.50% to 5.25%, payable semi-annually.

NOTE 12 - LONG-TERM LIABILITIES (continued)

Payments due on the bonds are as follows:

Year Ending April 30,	Principal	Interest	Total
2027	$ 175,000	$ 435,162	$ 610,162
2028	150,000	464,538	614,538
2029	155,000	457,038	612,038
2030	165,000	449,288	614,288
2031	170,000	441,038	611,038
2032-2036	1,000,000	2,067,690	3,067,690
2037-2041	1,270,000	1,791,940	3,061,940
2042-2046	1,610,000	1,442,440	3,052,440
2047-2051	2,065,000	990,376	3,055,376
2052-2056	2,660,000	394,126	3,054,126
Total	$ 9,420,000	$ 8,933,636	$18,353,636

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

Total valuation of 2025 Levy year	$ 148,838,029
Statutory Debt Limitation - 8.625% of Assessed Valuation	$ 12,837,280
Less: Outstanding Debt	
None	-
Legal Debt Margin	$ 12,837,280

NOTE 13 - CONSTRUCTION IN PROGRESS

Mine Street

During fiscal 2026, the City continued the Mine Street project and incurred costs of $134,664, bringing the total project cost to $273,909. The project is anticipated to be completed during fiscal 2027 or fiscal 2028.

12th Street Roundabout

During fiscal 2026, the City began preliminary engineering for the construction of a roundabout at the intersection of 12th Street and Walnut Street. The project is intended to improve traffic flow and provide a safe and direct route to the hospital. As of April 30, 2026, the City had incurred total project costs of $126,593. The project is currently estimated to be completed during fiscal 2030.

NOTE 13 - CONSTRUCTION IN PROGRESS (continued)

Sewer System- Engineering Study/Wastewater Treatment Plant Improvements
In 2007, an engineering study was developed for improvements to the wastewater treatment plant. During fiscal 2026, the City spent $170,095 on the project, bringing the total project cost to $713,010. The sewer system currently meets EPA requirements and capacity needs; however, improvements are considered necessary because the wastewater treatment plant is nearing its hydraulic capacity.

Subsequent to year-end, the City decided to proceed with construction and awarded a bid for the project. Completion is anticipated during fiscal 2027 or fiscal 2028.

South Water Tower
The City began a project in fiscal 2022 to replace its existing water tower. The existing water tower was erected in 1936 and is no longer cost-effective to repair. 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 2026, the City spent $20,052 on the project, bringing the total project cost to $145,267. The project is anticipated to be completed during fiscal 2027 or fiscal 2028.

Water Plant Upgrade
During fiscal 2026, the City determined that an expansion of its existing water treatment plant would be necessary in the near future. The City incurred $92,500 of preliminary engineering costs during fiscal 2026. There is currently no estimated completion date for the project.

NOTE 14 - SUBSEQUENT EVENTS

In preparing these financial statements, management evaluated events and transactions for potential recognition or disclosure through the date of the independent auditors' report, which was the date on which the financial statements were available to be issued. The following reportable events were noted.

On June 16, 2026, the City adopted an ordinance authorizing the issuance of up to $17,000,000 of Electric Revenue Bonds or, in lieu thereof, General Obligation Bonds (Alternate Revenue Source), to finance capital improvements to the City's electric system, including the construction of a new electric substation, and to pay related issuance costs. The ordinance provides for the issuance of the bonds following the applicable statutory petition and referendum periods, if required. Subsequent to year-end, the City also purchased certain equipment related to the substation project. As of the date the financial statements were available for issue, the bonds had not been issued and a construction contract for the substation project had not been awarded.

In addition, on July 7, 2026, the City awarded a construction contract totaling $13,199,000 to Korte & Luitjohan Contractors for improvements related to the City's sewer plant project. The City previously authorized financing for the sewer plant project, of which approximately $4,500,000 remained available to be issued as of the date the financial statements were available for issue. Management anticipates that some or all of the remaining authorized bonds may be issued during the fiscal year ending April 30, 2027.

Other Information

CITY OF BREESE, ILLINOIS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED APRIL 30, 2026

	Budgeted Amounts				Variance
	Original	Original-to-Final Variance	Final	Actual	Positive (Negative)
Revenues					
Property tax	$ 1,467,909	$ -	$ 1,467,909	$ 1,169,140	$ (298,769)
Replacement tax	31,250	-	31,250	22,457	(8,793)
Intergovernmental tax	3,365,889	-	3,365,889	2,790,705	(575,184)
Franchise fees	70,671	-	70,671	50,473	(20,198)
Fines and forfeitures	16,625	-	16,625	22,302	5,677
Charges for services	186,975	-	186,975	148,648	(38,327)
Licenses and permits	46,625	-	46,625	40,773	(5,852)
Gaming income	144,875	-	144,875	146,534	1,659
Grants and donations	1,875	-	1,875	591	(1,284)
Interest income	105,625	-	105,625	80,313	(25,312)
Miscellaneous	3,750	-	3,750	17,567	13,817
Total revenues	5,442,069	-	5,442,069	4,489,503	(952,566)
Expenditures					
Current					
General government	1,444,175	-	1,444,175	1,074,322	369,853
Public safety	1,347,000	-	1,347,000	1,069,634	277,366
Roads and streets	1,025,900	-	1,025,900	767,460	258,440
Culture and recreation	1,031,988	-	1,031,988	571,455	460,533
Capital outlay	1,098,703	-	1,098,703	575,014	523,689
Debt service					
Principal	86,440	-	86,440	69,236	17,204
Interest	9,827	-	9,827	7,778	2,049
Total expenditures	6,044,033	-	6,044,033	4,134,899	1,909,134
Excess (deficiency) of revenues over expenditures	(601,964)	-	(601,964)	354,604	956,568
Other financing sources (uses)					
Proceeds from sale of asset	-	-	-	2,700	2,700
Transfers between funds	156,255	-	156,255	(283,451)	(439,706)
Total other financing sources (uses)	156,255	-	156,255	(280,751)	(437,006)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	$ (445,709)	$ -	$ (445,709)	73,853	$ 519,562
Fund balance - beginning				3,778,006	
Fund balance - ending				$ 3,851,859	

CITY OF BREESE, ILLINOIS
BUDGETARY COMPARISON SCHEDULE
AMBULANCE SERVICE
FOR THE FISCAL YEAR ENDED APRIL 30, 2026

	Budgeted Amounts				Variance
	Original	Original-to-Final Variance	Final	Actual	Positive (Negative)
Revenues					
Intergovernmental tax	$ 494,154	$ -	$ 494,154	$ 398,331	$ (95,823)
Charges for services	1,031,250	-	1,031,250	1,033,968	2,718
Grants and donations	-	-	-	3,765	3,765
Interest income	188	-	188	444	256
Miscellaneous	22,500	-	22,500	19,201	(3,299)
Total revenues	1,548,092	-	1,548,092	1,455,709	(92,383)
Expenditures					
Current					
Health/EMS	1,477,500	-	1,477,500	1,126,816	350,684
Capital outlay	125,000	-	125,000	64,428	60,572
Total expenditures	1,602,500	-	1,602,500	1,191,244	411,256
Excess (deficiency) of revenues over expenditures	(54,408)	-	(54,408)	264,465	318,873
Other financing sources (uses)					
Transfers between funds	-	-	-	253,455	253,455
Total other financing sources (uses)	-	-	-	253,455	253,455
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	$ (54,408)	$ -	$ (54,408)	517,920	$ 572,328
Fund balance - beginning				(261,250)	
Fund balance - ending				$ 256,670	

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

The budgets for the governmental funds, proprietary funds, and Fiduciary Funds are 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, 2026

	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	Business District - Jansen Ford	Police Drug Prevention	Total
ASSETS													
Cash and cash equivalents	$ 391,126	$ 116,197	$ 44,463	$ 20,331	$ (1,076)	$ 1,969	$ -	$ 77,808	$ 199,834	$ 782,443	$ 150	$ 34,769	$ 1,668,014
Certificates of deposit	-	-	-	-	-	-	-	-	-	-	-	10,973	10,973
Interfund receivable	-	2,997	-	-	-	-	-	-	1,998	-	-	-	4,995
Inventory	10,802	-	-	-	-	-	-	-	-	-	-	-	10,802
Total assets	$ 401,928	$ 119,194	$ 44,463	$ 20,331	$ (1,076)	$ 1,969	$ -	$ 77,808	$ 201,832	$ 782,443	$ 150	$ 45,742	$ 1,694,784
LIABILITIES AND FUND BALANCES													
LIABILITIES													
Interfund payable	$ -	$ -	$ 144,584	$ -	$ -	$ 2,997	$ -	$ 1,998	$ -	$ -	$ -	$ -	$ 149,579
Total liabilities	-	-	144,584	-	-	2,997	-	1,998	-	-	-	-	149,579
FUND BALANCES													
Nonspendable	10,802	-	-	-	-	-	-	-	-	-	-	-	10,802
Restricted	391,126	119,194	-	20,331	-	-	-	75,810	201,832	782,443	150	45,742	1,636,628
Unassigned	-	-	(100,121)	-	(1,076)	(1,028)	-	-	-	-	-	-	(102,225)
Total fund balances (deficit)	401,928	119,194	(100,121)	20,331	(1,076)	(1,028)	-	75,810	201,832	782,443	150	45,742	1,545,205
Total liabilities and fund balances	$ 401,928	$ 119,194	$ 44,463	$ 20,331	$ (1,076)	$ 1,969	$ -	$ 77,808	$ 201,832	$ 782,443	$ 150	$ 45,742	$ 1,694,784

CITY OF BREESE, ILLINOIS
COMBINING SCHEDULE OF REVENUEUS, EXPENDITURES, AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED APRIL 30, 2026

	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	Business District - Jansen Ford	Police Drug Prevention	Total
REVENUES													
Property taxes	$ -	$ 282,901	$ 184,145	$ 157,502	$ 46,550	$ 15,902	$ -	$ -	$ -	$ -	$ -	$ -	$ 687,000
Intergovernmental tax	212,521	-	-	-	-	-	-	94,497	139,100	303,190	150	-	749,458
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	7,961	7,961
Grants and donations	-	-	-	-	-	-	-	-	-	-	-	3,165	3,165
Interest income	13,102	142	-	-	-	-	-	60	84	393	-	286	14,067
Total revenues	225,623	283,043	184,145	157,502	46,550	15,902	-	94,557	139,184	303,583	150	11,412	1,461,651
EXPENDITURES													
Current													
Public safety	-	-	-	-	-	-	-	-	-	-	-	1,548	1,548
Roads and streets	209,800	-	-	-	-	-	-	-	-	-	-	-	209,800
Economic development	-	260,179	169,051	151,551	47,641	15,912	-	34,899	78,320	91,574	-	-	849,127
Capital outlay	2,644	-	-	-	-	-	-	-	-	-	-	-	2,644
Debt service:													
Principal	-	-	68,276	-	-	-	-	-	-	-	-	-	68,276
Interest	-	-	13,400	-	-	-	-	-	-	-	-	-	13,400
Total expenditures	212,444	260,179	250,727	151,551	47,641	15,912	-	34,899	78,320	91,574	-	1,548	1,144,795
Excess (deficiency) of revenues over expenditures	13,179	22,864	(66,582)	5,951	(1,091)	(10)	-	59,658	60,864	212,009	150	9,864	316,856
Other financing sources (uses)													
Transfers between funds	-	-	70,000	-	-	-	-	(70,000)	-	(100,000)	-	-	(100,000)
Total other financing sources (uses)	-	-	70,000	-	-	-	-	(70,000)	-	(100,000)	-	-	(100,000)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	13,179	22,864	3,418	5,951	(1,091)	(10)	-	(10,342)	60,864	112,009	150	9,864	216,856
Fund balances - beginning	388,749	96,330	(103,539)	14,380	15	(1,018)	-	86,152	140,968	670,434	-	35,878	1,328,349
Fund balances - ending	$ 401,928	$ 119,194	$ (100,121)	$ 20,331	$ (1,076)	$ (1,028)	$ -	$ 75,810	$ 201,832	$ 782,443	$ 150	$ 45,742	$ 1,545,205

CITY OF BREESE, ILLINOIS
SCHEDULE OF ASSESSED VALUATIONS - TAX RATES
TAXES EXTENDED, AND COLLECTED FOR 2023, 2024, AND 2025
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED APRIL 30, 2026

	2023	2024	2025
ASSESSED VALUATION	$ 123,872,880	$ 133,645,046	$ 148,838,029
RATES PER $100 ASSESSED VALUATION:			
General corporate	0.22863	0.22000	0.24630
Police	0.06859	0.06600	0.07389
Park	0.22863	0.22000	0.24630
Insurance	0.09115	0.06908	0.06719
Retirement	0.13153	0.09323	0.07256
FICA	0.07596	0.05500	0.05375
Audit service	0.02399	0.02012	0.01881
Street lighting	0.04573	0.04400	0.04926
Total tax rates	0.89421	0.78743	0.82806
EXTENSIONS:			
General corporate	$ 285,943	$ 328,011	$ 366,588
Police	85,784	98,403	109,976
Park	285,943	328,011	366,588
Insurance	113,999	102,995	100,004
Retirement	164,502	139,002	107,997
FICA	95,002	82,003	80,000
Audit service	30,004	29,998	27,996
Street lighting	57,194	65,602	73,318
Total extensions	$ 1,118,371	$ 1,174,025	$ 1,232,467
COLLECTIONS:			
General corporate	$ 284,899	$ 326,581	
Police	85,471	97,970	
Park	285,189	326,809	
Insurance	113,583	102,995	
Retirement	163,901	138,391	
FICA	94,655	81,649	
Audit service	29,894	29,876	
Street lighting	56,985	65,313	
Total collections	1,114,577	1,169,584	
% COLLECTED ON THOSE EXTENDED:	99.66%	99.62%	

CITY OF BREESE, ILLINOIS
SCHEDULE OF ASSESSED VALUATIONS - TAX RATES
TAXES EXTENDED, AND COLLECTED FOR 2023, 2024, AND 2025
TAX INCREMENT FINANCING DISTRICTS #2 AND #3
FOR THE FISCAL YEAR ENDED APRIL 30, 2026

	TAX INCREMENT FINANCING DISTRICT #2		
	TAX YEAR		
	2023	2024	2025
ASSESSED VALUATION	$ 3,940,143	$ 4,217,103	$ 4,530,473
RATES PER $100 ASSESSED VALUATION:			
TIF District	0.07118	0.06708	0.07028
	0.07118	0.06708	0.07028
EXTENSIONS:			
TIF District	280,449	282,901	318,406
	$ 280,449	$ 282,901	$ 318,406
COLLECTIONS	$ 280,449	$ 282,901	
% COLLECTED ON THOSE EXTENDED:	100.00%	100.00%	

	TAX INCREMENT FINANCING DISTRICT #3		
	TAX YEAR		
	2023	2024	2025
ASSESSED VALUATION	$ 1,633,540	$ 2,744,990	$ 2,949,460
RATES PER $100 ASSESSED VALUATION:			
TIF District	0.07118	0.06708	0.07028
	0.07118	0.06708	0.07028
EXTENSIONS:			
TIF District	116,271	184,145	207,291
	$ 116,271	$ 184,145	$ 207,291
COLLECTIONS	$ 116,271	$ 184,145	
% COLLECTED ON THOSE EXTENDED:	100.00%	100.00%	

CITY OF BREESE, ILLINOIS
SCHEDULE OF ASSESSED VALUATIONS - TAX RATES
TAXES EXTENDED AND COLLECTED FOR 2023, 2024, AND 2025
TAX INCREMENT FINANCING DISTRICTS #4 AND #5
FOR THE FISCAL YEAR ENDED APRIL 30, 2026

	TAX INCREMENT FINANCING DISTRICT #4		
	TAX YEAR		
	2023	2024	2025
ASSESSED VALUATION	$ 2,193,710	$ 2,347,830	$ 2,533,190
RATES PER $100 ASSESSED VALUATION:			
TIF District	0.07118	0.06708	0.07028
	0.07118	0.06708	0.07028
EXTENSIONS:			
TIF District	156,143	157,502	178,035
	$ 156,143	$ 157,502	$ 178,035
COLLECTIONS	$ 156,143	$ 157,502	
% COLLECTED ON THOSE EXTENDED:	100.00%	100.00%	

	TAX INCREMENT FINANCING DISTRICT #5		
	TAX YEAR		
	2023	2024	2025
ASSESSED VALUATION	$ 651,073	$ 693,900	$ 546,080
RATES PER $100 ASSESSED VALUATION:			
TIF District	0.07118	0.06708	0.07028
	0.07118	0.06708	0.07028
EXTENSIONS:			
TIF District	46,342	46,550	38,379
	$ 46,342	$ 46,550	$ 38,379
COLLECTIONS	$ 46,342	$ 46,550	
% COLLECTED ON THOSE EXTENDED:	100.00%	100.00%	

CITY OF BREESE, ILLINOIS
SCHEDULE OF ASSESSED VALUATIONS - TAX RATES
TAXES EXTENDED AND COLLECTED FOR 2023, 2024, AND 2025
TAX INCREMENT FINANCING DISTRICTS #6 AND #7
FOR THE FISCAL YEAR ENDED APRIL 30, 2026

	TAX INCREMENT FINANCING DISTRICT #6		
	TAX YEAR		
	2023	2024	2025
ASSESSED VALUATION	$ 131,630	$ 237,040	$ 459,050
RATES PER $100 ASSESSED VALUATION:			
TIF District	0.07118	0.06708	0.07028
	0.07118	0.06708	0.07028
EXTENSIONS:			
TIF District	9,369	15,902	32,262
	$ 9,369	$ 15,902	$ 32,262
COLLECTIONS	$ 9,369	$ 15,902	
% COLLECTED ON THOSE EXTENDED:	100.00%	100.00%	

	TAX INCREMENT FINANCING DISTRICT #7		
	TAX YEAR		
	2023	2024	2025
ASSESSED VALUATION	$ -	$ -	$ 22,340
RATES PER $100 ASSESSED VALUATION:			
TIF District	-	-	0.07028
	-	-	0.07028
EXTENSIONS:			
TIF District	-	-	1,570
	$ -	$ -	$ 1,570
COLLECTIONS	$ -	$ -	
% COLLECTED ON THOSE EXTENDED:	-	-	

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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, 2026, and the related notes to the financial statements, which collectively comprise the City of Breese, Illinois' basic financial statements and have issued our report thereon dated August 24, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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 24, 2026

CITY OF BREESE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED APRIL 30, 2026

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	_____Yes	__X__No
Noncompliance material to financial statements noted?	_____Yes	__X__No

Federal Awards - N/A

Internal control over major programs:

Material weaknesses identified?	_____Yes	_____No
Significant deficiencies 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 with 2 CFR.200.516(a) _____Yes _____No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: $ 1,000,000

Auditee qualified as low-risk auditee? _____Yes _____No

CITY OF BREESE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED APRIL 30, 2026

Section II - Financial Statement Findings

There are no financial statement findings to disclose.

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, 2026

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

Status: Corrected

The prior-year audit identified instances in which the City maintained deposit balances in excess of FDIC insurance coverage without sufficient pledged collateral, resulting in noncompliance with the Illinois Public Funds Investment Act.

During the fiscal year ended April 30, 2026, the City implemented procedures to monitor deposit balances and pledged collateral to ensure that deposits in excess of FDIC insurance coverage were adequately secured. Current-year audit procedures noted no similar instances of insufficient collateralization. Accordingly, the prior-year finding is considered resolved.