

McGladrey & Pullen

Certified Public Accountants

**Independent Auditor's Report
on Compliance with Illinois Municipal Code
Subsection (Q) Section 11-74.4-3 of Public Act 85-1142**

To the Honorable Mayor and
Members of the City Council
City of Galesburg, Illinois
Galesburg, Illinois

We have audited the financial statements of the City of Galesburg, Illinois as of and for the year ended December 31, 2007, and have issued our report thereon dated May 29, 2008. The financial statements are the responsibility of the management of the City of Galesburg, Illinois. Our responsibility is to express an opinion on the eligibility of expenditures pursuant to Subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Compliance with laws, regulations, contracts and grants applicable to the City of Galesburg, Illinois, is the responsibility of the City of Galesburg, Illinois' management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of Galesburg, Illinois' compliance with provisions of Subsection (q) of Section 11-74.4-3 of Public Act 85-1142. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance with Subsection (q) of Section 11-74.4-3 of Public Act 85-1142.

This report is intended solely for the information and use of the City Council, management, State of Illinois and others within the City and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
May 29, 2008

City of Galesburg, Illinois

TIF III GO Bond Series '99 Fund - Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2007

	Budget	Actual
Revenues:		
Property taxes	\$ 35,030	\$ 33,820
Use of money and property	240	368
Total revenues	<u>35,270</u>	<u>34,188</u>
Expenditures:		
Debt service:		
Principal	25,000	25,000
Interest and fiscal charges	22,830	22,353
Total expenditures	<u>47,830</u>	<u>47,353</u>
(Deficiency) of revenues over expenditures	<u>(12,560)</u>	<u>(13,165)</u>
Other financing sources, transfers in	<u>12,560</u>	<u>13,165</u>
Net change in fund balances	<u><u>\$ -</u></u>	<u>-</u>
Fund balances (deficits), beginning of year		<u>(90,598)</u>
Fund balances (deficits), end of year		<u><u>\$ (90,598)</u></u>

City of Galesburg, Illinois

**TIF Downtown Fund - Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2007**

	Budget	Actual
Revenues:		
Property taxes	\$ 152,500	\$ 132,542
Other taxes	7,200	4,830
Intergovernmental	61,200	-
Use of money and property	2,350	16,978
Total revenues	<u>223,250</u>	<u>154,350</u>
Expenditures, current, economic development	<u>196,100</u>	<u>38,325</u>
Excess of revenues over expenditures	27,150	116,025
Other financing sources, transfer in	<u>-</u>	<u>215,207</u>
Net change in fund balances	<u>\$ 27,150</u>	331,232
Fund balances, beginning of year		<u>157,670</u>
Fund balances, end of year		<u>\$ 488,902</u>

City of Galesburg, Illinois

TIF East Main Fund - Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2007

	Budget	Actual
Revenues:		
Property taxes	\$ 392,000	\$ 280,166
Other taxes	8,700	7,100
Intergovernmental	175,600	-
Use of money and property	51,870	72,327
Miscellaneous	-	43,922
Total revenues	<u>628,170</u>	<u>403,515</u>
Expenditures:		
Current, economic development	277,520	194,164
Capital outlay	780,600	18,771
Total expenditures	<u>1,058,120</u>	<u>212,935</u>
Excess (deficiency) of revenues over expenditures	<u>(429,950)</u>	<u>190,580</u>
Other financing sources (uses):		
Transfer in	-	205,143
Transfer out	-	(153,255)
Total other financing sources (uses)	<u>-</u>	<u>51,888</u>
Net change in fund balances	<u><u>\$ (429,950)</u></u>	<u>242,468</u>
Fund balances, beginning of year		<u>1,481,668</u>
Fund balances, end of year		<u><u>\$ 1,724,136</u></u>