

**CITY OF TUSCOLA
Tuscola, Illinois**

Annual Financial Report

For the Year Ended April 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Tuscola
Tuscola, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tuscola, Illinois, as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tuscola, Illinois, as of April 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net position liability and related ratios, schedule of employer contributions, and budgetary comparison information on pages 3-12, 55, 56, and 57-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tuscola, Illinois's basic financial statements. The equalized assessed valuations, tax rates, taxes extended and collected on pages 65-66 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The equalized assessed valuations, tax rates, taxes extended and collected are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the equalized assessed valuations, tax rates, taxes extended and collected are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Kemper CPA Group LLP

Certified Public Accountants and Consultants
Champaign, Illinois
November 10, 2016

City of Tuscola

Management's Discussion and Analysis

April 30, 2016

As management of the City of Tuscola, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City of Tuscola for the fiscal year ended April 30, 2016.

Financial Highlights

- The assets of the City of Tuscola exceeded its liabilities at the close of the most recent fiscal year by \$37,242,962 (*net position*).
- The City's total net position increased by \$878,295 during the year compared to last fiscal year's restated Net Position.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,270,421. Of this amount, (\$3,513,746) is not specifically assigned to a particular use so it is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was (\$277,737). Due to the timing of the end of the TIF life, and needing to complete TIF projects, the TIF fund is borrowing from the general fund. These funds will be repaid with property tax increment.
- City of Tuscola's total debt decreased by \$164,451 during the current fiscal year. On-going reported debt decreased by \$685,636. However, new accounting standards require the reporting of pension unfunded liability as debt for the first time in this fiscal year. For that reason, \$521,185 was added to the City's financial statements, thus adding that amount to the total debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Tuscola's basic financial statements. The City of Tuscola's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Tuscola's finances, in a manner similar to a private-sector business.

- The *statement of net position* presents information on all of the City of Tuscola's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Tuscola is improving or deteriorating.
- The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Tuscola include general government, public safety, public recreation, development, public library, tourism and roadways. The business-type activities of the City of Tuscola include the City of Tuscola Water and Sewer services.

The government-wide financial statements do not include funds classified as Fiduciary Funds (discussed further below), because the resources of those funds are not available to support the City's programs.

The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Tuscola, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Tuscola can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Tuscola maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, TIF Fund, Motor Fuel Tax Fund, Tourism Fund and Library Fund all of which are considered to be major funds.

The City of Tuscola adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for the funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15 & 17 of this report.

Proprietary funds. The City of Tuscola maintains two proprietary funds (also called Enterprise Funds). Enterprise Funds are presented as *business-type activities* in the government-wide financial statements. The City of Tuscola uses one enterprise fund to account for its Water service activities and one enterprise fund to account for its Sewer service activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer services, which are considered to be major funds of the City of Tuscola.

The basic proprietary fund financial statements can be found on pages 19-21 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Tuscola's own programs. The City of Tuscola maintains two fiduciary funds. The Garbage Fund is for the purpose of billing and collecting revenue for Advanced Disposal, the contracted garbage hauler in the City. The Section 125 Fund is used to hold employee deposits and reimburse employees for approved medical and daycare expenses. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-54 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* and *supplementary information*. The required supplementary information includes information concerning the City of Tuscola's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison schedules for all major governmental funds. The supplementary information includes the assessed valuations, tax rates, taxes extended and collected information about the property tax funding system. Required supplementary information can be found on pages 55-64 and the supplementary information can be found on pages 65-66 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Tuscola, assets exceeded liabilities by \$37,242,962 at the close of the most recent fiscal year.

The largest portion of the City of Tuscola's net position (88 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Tuscola uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Tuscola's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following table reflects the condensed Statement of Net position.

Summary of City of Tuscola's Net Position

	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total 2016	Total 2015
	2016	2015	2016	2015		
Current and Other Assets	\$ 5,635,671	\$ 7,050,186	\$ 1,350,402	\$ 1,358,226	\$ 6,986,073	\$ 8,408,412
Capital Assets	25,266,760	23,836,690	10,767,204	11,180,027	36,033,964	35,016,717
Total Assets	30,902,431	30,886,876	12,117,606	12,538,253	43,020,037	43,425,129
Deferred Outflows to Pensions	388,443	-	-	-	388,443	-
Deferred Charge on Refunding	-	-	41,114	58,735	41,114	58,735
Defer'd Outflows of Resources	388,443	-	41,114	58,735	429,557	58,735
Long-term Liabilities	1,078,880	673,098	2,051,232	3,265,321	3,130,112	3,938,419
Other Liabilities	225,106	1,517,866	718,724	145,595	943,830	1,663,461
Total Liabilities	1,303,986	2,190,964	2,769,956	3,410,916	4,073,942	5,601,880
Deferred Inflows to Pensions	7,504	-	-	-	7,504	-
Unavai. Rev. - Property Taxes	2,125,186	1,897,030	-	-	2,125,186	1,897,030
Defer'd Inflows of Resources	2,132,690	1,897,030	-	-	2,132,690	1,897,030
Net Position:						
Net Invest. in Capital Assets	24,646,760	23,117,690	8,110,505	7,914,706	32,757,265	31,032,396
Restricted	584,822	1,179,050	902,603	835,541	1,487,425	2,014,591
Unrestricted	2,622,616	2,502,142	375,656	435,825	2,998,272	2,937,967
Total Net Position	\$ 27,854,198	\$ 26,798,882	\$ 9,388,764	\$ 9,186,072	\$ 37,242,962	\$ 35,984,954

An additional portion of the City of Tuscola's net position \$1,487,425 represents resources that are subject to external restrictions on how they may be used. The remaining balance of Net position, *unrestricted net position* \$2,998,272 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

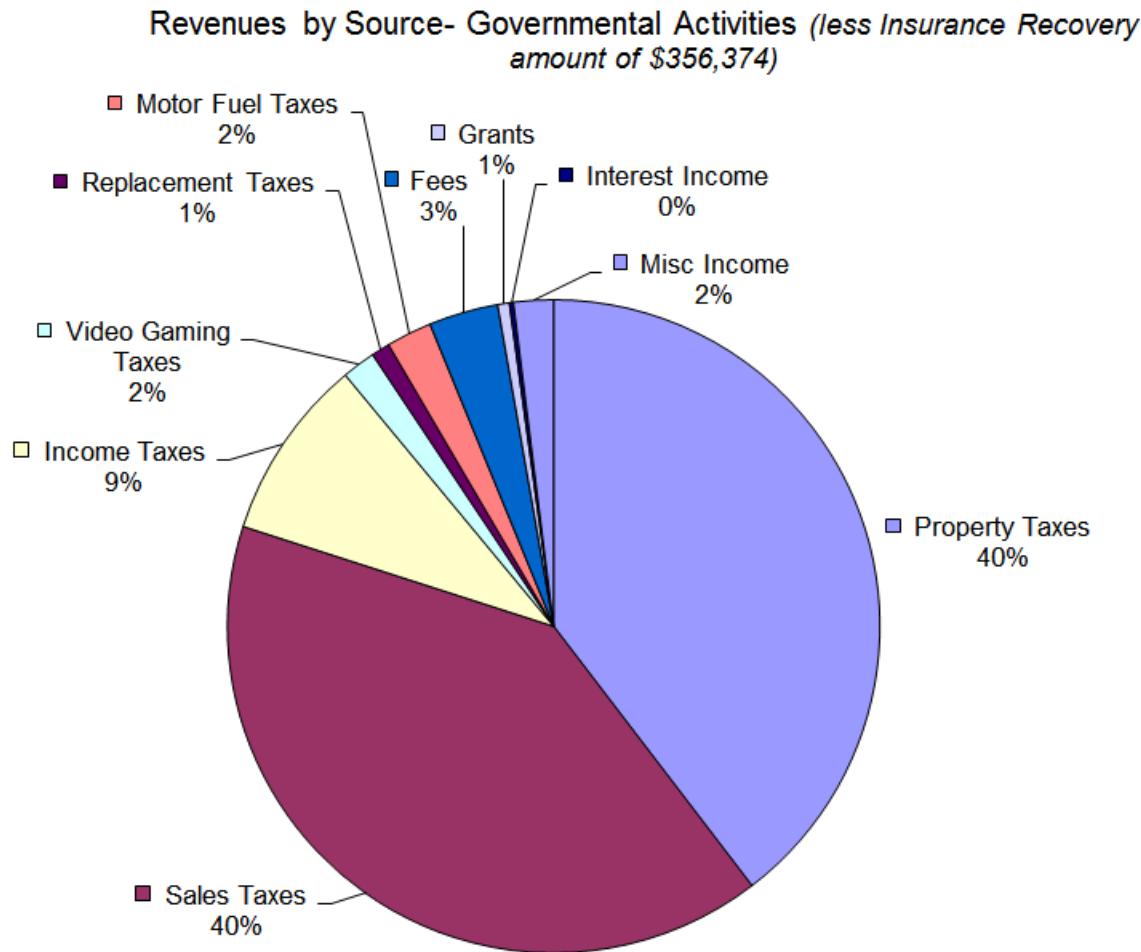
The following table summarizes the revenues and expenses of the City's activities:

City of Tuscola's Revenues, Expenses and Net Position

	Governmental Activities	Governmental Activities	Business- Type Activities	Business- Type Activities	Total 2016	Total 2015
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues						
Charges for Services	\$ 174,569	\$ 208,662	\$ 1,719,674	\$ 1,695,581	\$ 1,894,243	\$ 1,904,243
Grants & Contributions	29,366	118,700	-	-	29,366	118,700
General Revenues:						
Property Taxes	2,011,634	1,857,647	-	-	2,011,634	1,857,647
Sales Taxes	2,049,746	2,131,130	-	-	2,049,746	2,131,130
Income Taxes	458,244	451,341	-	-	458,244	451,341
Replacement Taxes	46,715	39,702	-	-	46,715	39,702
Motor Fuel Taxes	114,593	148,424	-	-	114,593	148,424
Video Gaming Taxes	84,686	67,006	-	-	84,686	67,006
Investment Earnings	17,271	1,834	1,366	740	18,637	2,574
Insurance Recovery	356,374	-	43,980	-	400,354	-
Investment Impairment	(6,913)	-	-	-	(6,913)	-
Miscellaneous	101,614	17,679	8,809	-	110,423	17,679
Total Revenues	<u>5,437,899</u>	<u>5,042,125</u>	<u>1,773,829</u>	<u>1,696,321</u>	<u>7,211,728</u>	<u>6,738,446</u>
Expenses:						
General Government	267,815	619,491	-	-	267,815	619,491
Public Safety	1,391,966	894,565	-	-	1,391,966	894,565
Public Works	680,079	975,084	-	-	680,079	975,084
Culture and Recreation	565,770	240,718	-	-	565,770	240,718
Development	1,774,688	1,925,438	-	-	1,774,688	1,925,438
Interest on L-T Debt	20,837	22,019	-	-	20,837	22,019
Water Department	-	-	933,972	1,042,222	933,972	1,042,222
Sewer Department	-	-	637,166	570,729	637,166	570,729
Total Expenses	<u>4,701,155</u>	<u>4,677,315</u>	<u>1,571,138</u>	<u>1,612,951</u>	<u>6,272,293</u>	<u>6,290,266</u>
Change in Net Position	736,744	364,810	202,691	83,370	939,435	448,180
Net Position, Beginning as originally reported	27,178,594	28,858,464	9,186,073	9,102,702	36,364,667	37,961,166
Restatement	<u>(61,140)</u>	<u>(2,424,392)</u>	<u>-</u>	<u>-</u>	<u>(61,140)</u>	<u>(2,424,392)</u>
Net Position, Beginning as restated	<u>27,117,454</u>	<u>26,434,072</u>	<u>9,186,073</u>	<u>9,102,702</u>	<u>36,303,527</u>	<u>35,536,774</u>
Net Position, Ending	<u>\$ 27,854,198</u>	<u>\$ 26,798,882</u>	<u>\$ 9,388,764</u>	<u>\$ 9,186,072</u>	<u>\$ 37,242,962</u>	<u>\$ 35,984,954</u>

Revenues for the City are generated from a number of different sources and for the most part are dependent on different financial factors. The majority of revenue is derived from sales taxes and property taxes, as illustrated in the chart below. Property taxes are a stable source of revenues, not dependent on economic trends and fluctuations. Sales tax revenues, conversely, are heavily dependent on economic trends and the success of a smaller number of local businesses. Property taxes are derived solely from local property owners, while sales taxes are partly paid by out of town shoppers. Keeping sales tax revenues strong and the local economy growing is taking some of the financial burden of running the City's programs off of the local citizenry. Having a balance between those two revenues is essential to the stability of the operations of the City.

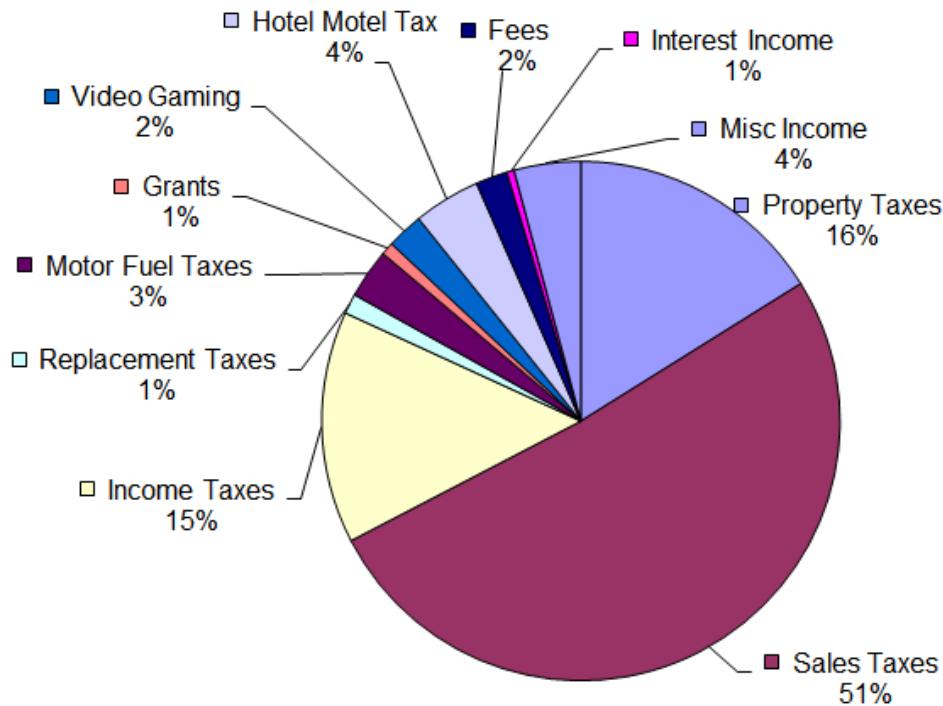
The City also accounts for income, sales and use taxes collected by the State of Illinois and vouchered by the Illinois Department of Revenue that is being held by the Illinois State Treasurer until the funds are available to pay the vouchers. In FY 2015, that amount was \$235,369 and in FY 2016 the amount was \$140,370.



The City of Tuscola is unique in that it has a very successful Tax Increment Financing (TIF) District that provides revenues from property tax increment to fund most of the City's economic development plans. While property tax revenues are a main sources of overall revenue for the City's combined funds, the amounts of these types of revenues that are attributable to the TIF District are significant (70%).

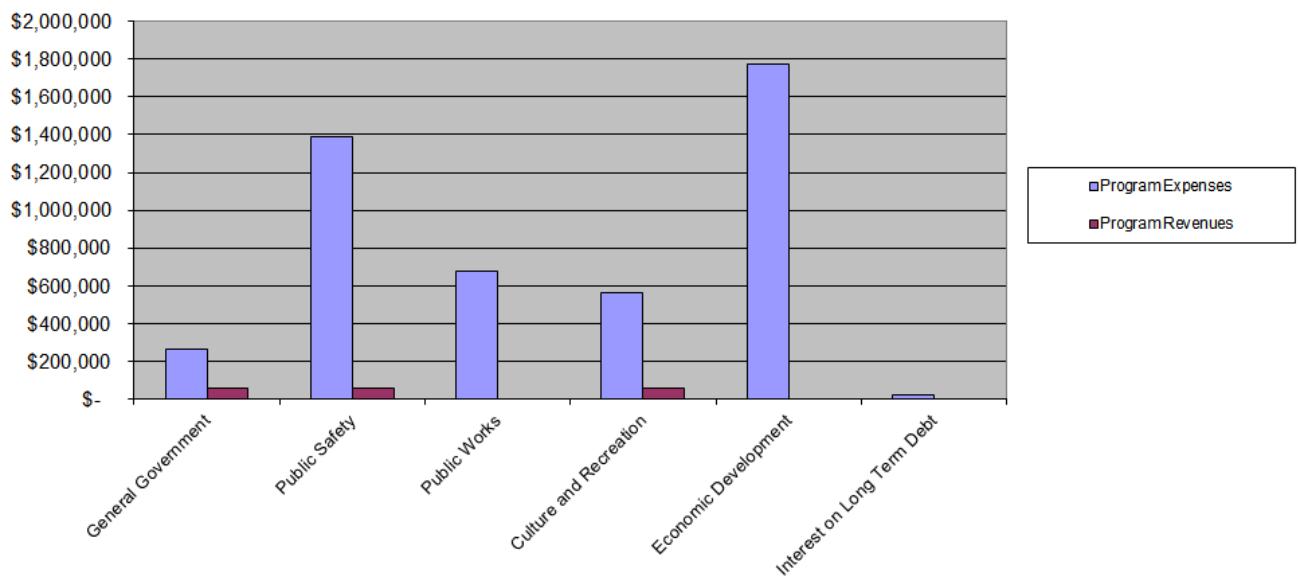
When the general government funds are analyzed independently of the Tax Increment Financing Fund, one gets a clearer picture of the priorities of the City's government. As shown in the chart below, the City government has made a priority of keeping property tax levies low to keep the burden off local residents. This is possible due to the high percentage (51%) of sales taxes, paid in large part by out of town shoppers.

Revenues by Source- Governmental Activities Only (not including TIF)



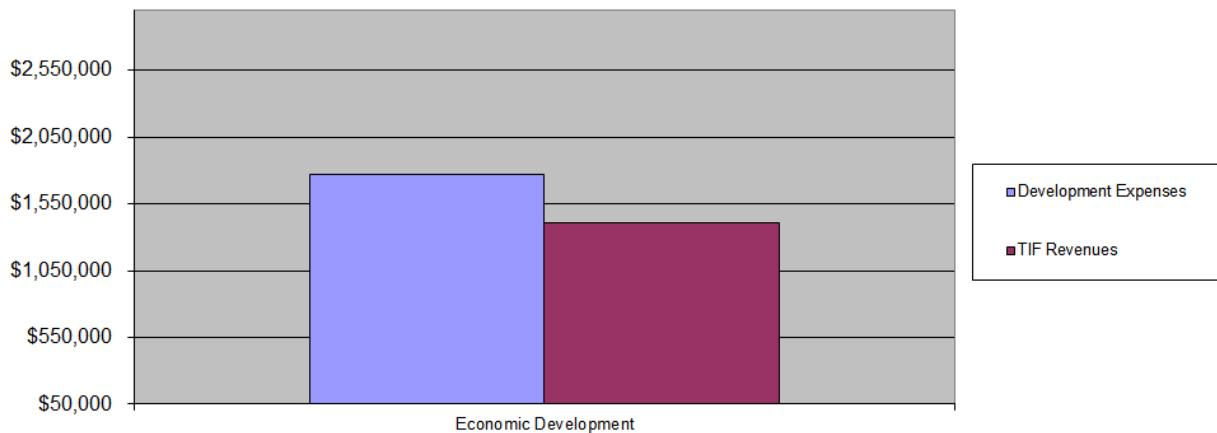
Economic Development expenses were the largest program expense with \$1,774,688 spent toward development of the local economy. As explained later, that focus on economic development would not be possible without the City's Tax Increment Financing District Revenue. Other than development, the largest program expenses include public safety at \$1,391,996, and public works at \$680,079, which are both high priorities for the city. Culture and recreation programs were \$565,770 for the fiscal year. Those high priority program expenses far outweigh the general government expenses of the city, which at \$267,815 for the year is only 6% of the total program expenses. A breakdown by program of expenses and program revenues follows.

Program Expenses and Revenues- General Government



The City of Tuscola funds a vast majority of the economic development programs with Tax Increment Financing revenues, not with General Fund revenues. The following chart shows the current year TIF revenues were the primary means to fund all other expenditures for economic development projects for FY 2016.

Economic Development Expenses Primarily Funded with TIF Revenues



Financial Analysis of the Government's Funds

As noted earlier, the City of Tuscola uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Tuscola's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Tuscola's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Tuscola. At the end of the current fiscal year, total fund balance of the general fund was \$5,034,370, of that \$3,407,516 is nonspendable or restricted while \$1,626,854 is committed by the city council to specific future purposes. For the near term, the city council has allowed those committed funds to be used as a loan to the TIF fund. The TIF fund is using the money to fund projects that will be repaid from property tax increment over the next few years until the expiration of the TIF districts. This intra-government loan will ultimately save taxpayers tens of thousands of dollars over issuing bonds for these final TIF projects.

The City's TIF funds are primarily used to assist local businesses in funding projects for economic growth within the TIF districts. A few of those projects in FY 2016 were Flesor's Candy Kitchen expansion, Bailey James Enterprises and South Court Street businesses. The TIF fund also has on-going receipts of principal and interest income from low interest loans on past TIF funded projects. A complete accounting of TIF funded activities is available in the annual TIF report compiled by the City and submitted to the Office of the Comptroller-State of Illinois.

The City Motor Fuel Tax Funds are used mostly to meet debt service obligations on the 2011 road improvements to portions of Main, Sale, Daggy, Pembroke and Prairie Streets and the 2012 improvements to South Main Street.

The City's Tourism Funds are derived from a tax on local hotel operators. In FY 2008, the City Council voted to raise the tax percentage from 5% to 6%. Funds derived from the tax are dedicated to tourism and marketing efforts within the City. With the increase in the tax, the City Council further directed a portion of those funds to be used to commission a marketing study and fund marketing efforts for the City of Tuscola.

Proprietary funds. The City of Tuscola maintains two proprietary funds, the Water Fund and the Sewer Fund. These fund financials provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position of the proprietary funds at the end of the year amounted to \$9,388,764.

The Water Fund revenues come from fees charged to users of the City's water system. Expenses for the operation of the water system are paid exclusively from those funds. The City's water system, as any infrastructure system, is continually being upgraded and maintained. The Water Fund revenues are also used for debt service on bonds originally sold to fund the purchase of the water system, upgrades to the water system and the construction of a water pipeline to transport purchased water from Illinois American Water Company in Champaign County to the City of Tuscola. More recently, Illinois EPA revolving loan funds were used to complete a major pipeline upgrade and maintenance to the city's water tower. Those funds are also being repaid from the water fund revenues.

The Sewer Fund revenues come from fees charged to users of the City's sewer system. Expenses for the operation of the sewer system are paid exclusively from those funds. The City's sewer system, as any infrastructure system, is continually being upgraded and maintained using sewer system fund balances. The Sewer Fund revenues are also used for debt service on bonds originally sold to fund major upgrades to the system and the building of a new waste water treatment facility. More recently, Illinois EPA revolving loan funds were used to upgrade the city's sewer treatment facility. Those funds are also being repaid from the water fund revenues.

General Fund Budgetary Highlights

The City staff develops a working budget prior to the beginning of each fiscal year. This working budget is based on City Council goals of what programs to fund, capital projects and purchases desired, levels of taxation, types and amounts of user fees, estimates of State revenues, historical operating expenses and desired cash reserves and fund balance. The working budget is presented to the City Council and adopted by majority vote. The City staff use this budget to guide operations throughout the fiscal year.

The legal spending limits of the City of Tuscola, as in most municipal governments, are set by the appropriation budget. The appropriation budget is also developed by City staff taking into account the maximum acceptable spending for operations and other possible contingencies. The appropriation budget is passed via ordinance of the City Council in accordance with State statutes.

The City Council may vote to transfer appropriated amounts between departments or line items as needed during the year. But there are very few remedies, as described in the State statutes, if the total appropriation amount needs to be raised or lowered.

During the fiscal year 2016 there was no change in overall appropriations amounts between the original and final amended appropriation budget.

Capital Asset and Debt Administration

Capital assets. The City of Tuscola's investment in capital assets for its governmental and business-type activities as of April 30, 2016, amounts to \$36,033,964 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, water system, sewer system, storm sewer system, parks, roads, highways, and bridges. The following Comparative Statement of Capital Assets, net of depreciation shows the change in assets for the governmental and business-type activities.

	Governmental Activities		Business-type Activities		Total	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Land	\$ 3,012,027	\$ 3,011,803	\$ 637,198	\$ 637,198	\$ 3,649,225	\$ 3,649,001
Land Improvements	928,285	897,037	-	-	928,285	897,037
Buildings	3,332,134	2,056,592	-	-	3,332,134	2,056,592
Plant, Machinery & Equipment	412,039	363,090	5,787,490	6,019,053	6,199,529	6,382,143
Vehicles	1,345,720	1,392,735	216,295	201,579	1,562,015	1,594,314
Distribution System	-	-	4,126,221	4,322,197	4,126,221	4,322,197
Infrastructure Work in Progress	16,236,555	16,115,433	-	-	16,236,555	16,115,433
	<u>\$ 25,266,760</u>	<u>\$ 23,836,690</u>	<u>\$ 10,767,204</u>	<u>\$ 11,180,027</u>	<u>\$ 36,033,964</u>	<u>\$ 35,016,717</u>

Additional information on the City of Tuscola's capital assets can be found in Note 3 in the Notes to Financial Statements of this report.

Long-term debt. At the end of the current fiscal year, the City of Tuscola had bond debt outstanding of \$2,030,000. The City also had two (2) IEPA loans totaling \$1,246,699 and the City also incurs long-term debt in the form of accrued compensated absences and pension liabilities. Following is a comparative statement of outstanding debt:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds						
Alternate Revenue Bonds	\$ 620,000	\$ 719,000	\$ 1,410,000	\$ 1,955,000	\$ 2,030,000	\$ 2,674,000
IEPA Loan Payable	-	-	1,246,699	1,310,321	1,246,699	1,310,321
Less Deferred Charge on Refunding	-	-	(41,114)	(58,735)	(41,114)	(58,735)
Net Pension Liability	521,185	-	-	-	521,185	-
Compensated Absences	55,406	53,098	14,167	12,110	69,573	65,208
Total	<u>\$ 1,196,591</u>	<u>\$ 772,098</u>	<u>\$ 2,629,752</u>	<u>\$ 3,218,696</u>	<u>\$ 3,826,343</u>	<u>\$ 3,990,794</u>

The City of Tuscola's total debt decreased by \$164,451 during the current fiscal year. Additional information on the City's long-term debt can be found in Note 3 in the Notes to Financial Statements of this report.

Economic Factors and Next Year's Budgets and Rates

The Outlets of Tuscola Shopping Center lies within the limits of the City of Tuscola and is a major contributor to the area's economy, as the Center is a large employer (estimated at 300) and a large generator of local taxes. Approximately 35% of the City's overall sales tax revenue is generated from Center sales and the City realizes approximately \$350,000 in annual property tax revenues from the property. This contribution helps make the City of Tuscola more financially sound than many communities of similar size or population. Conversely, this also creates financial vulnerabilities for the City in the event of a drastic change in the Center operation. Outlets of Tuscola Shopping Center continues to offer top name brand apparel at outlet center pricing.

The rate setting (not including TIF EAV of \$18,703,691) equalized assessed value (EAV) of taxable property in the City for 2015 levy year was \$57,354,796, which represents one-third market value. Residential properties make up 83% of the EAV for the 2015 levy year. Commercial developments constitute 15% of the EAV. Keeping the City's tax rate low has been a long-standing goal of the City's leadership. After a 10 year period of lowering rates each year, the Council has in recent years maintained a flat rate with only small increases in the prior few years' levies. It is expected that, barring unforeseen events, this goal will continue to drive tax levy decisions in future years.

The State of Illinois collects and distributes sales and income tax revenues to the City of Tuscola, as it does to all local governments. Those tax revenues are a significant portion of the general fund revenues for the City. In recent years, the State of Illinois has encountered a mounting fiscal crisis, punctuated by the fact that the General Revenue fund of the state is reaching the largest backlog of unpaid bills in state history. The State is currently one month behind in distribution of the local portion of state distributed taxes, which accounts for \$140,370 in revenues that the State of Illinois owes the City of Tuscola. Due to these financial problems, some state legislators have proposed changes to state law that could negatively impact the City's revenues of sales, replacement taxes and/or income tax. At this point, none of these changes have been enacted into law, but the State's financial issues, and how the state will address them, remain a potential future dilemma for the City's state tax revenues.

There are currently no other known contingencies that would force a major change in the City's budgeting, spending, or taxation.

Requests for Information

This financial report is designed to provide a general overview of the City of Tuscola's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Tuscola, 214 N. Main St., Tuscola, IL 61953.

BASIC FINANCIAL STATEMENTS

CITY OF TUSCOLA
Tuscola, Illinois
Statement of Net Position
April 30, 2016

<u>ASSETS</u>	Governmental Activities	Business-Type Activities	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 407,745	\$ 317,686	\$ 725,431
Due from Douglas County	2,126,791	-	2,126,791
Due from State of Illinois	574,598	-	574,598
Receivables, net	21,046	113,519	134,565
Loans receivable	877,977	-	877,977
Prepaid items	104,946	13,783	118,729
Investment in joint venture	-	2,811	2,811
Restricted Assets:			
Cash and cash equivalents	1,529,481	902,603	2,432,084
Allowance for impairment loss on investment	(6,913)	-	(6,913)
Total current assets	<u>5,635,671</u>	<u>1,350,402</u>	<u>6,986,073</u>
Noncurrent Assets			
Capital Assets (not being depreciated):			
Land	3,012,027	637,198	3,649,225
Capital Assets (net of accumulated depreciation):			
Land improvements	928,285	-	928,285
Buildings	3,332,134	-	3,332,134
Plant, machinery and equipment	412,039	5,787,490	6,199,529
Vehicles	1,345,720	216,295	1,562,015
Infrastructure	16,236,555	4,126,221	20,362,776
Total noncurrent assets	<u>25,266,760</u>	<u>10,767,204</u>	<u>36,033,964</u>
Total Assets	<u>30,902,431</u>	<u>12,117,606</u>	<u>43,020,037</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	388,443	-	388,443
Deferred charges on refunding	<u>-</u>	<u>41,114</u>	<u>41,114</u>
Total Deferred Outflows of Resources	<u>388,443</u>	<u>41,114</u>	<u>429,557</u>
LIABILITIES			
Current Liabilities			
Accounts payable	68,521	52,032	120,553
Accrued payroll	31,173	6,251	37,424
Accrued interest	7,701	6,207	13,908
Customer deposits	-	34,600	34,600
Accrued compensated absences - current	17,711	5,214	22,925
Debt - due within one year	100,000	614,420	714,420
Total current liabilities	<u>225,106</u>	<u>718,724</u>	<u>943,830</u>
Noncurrent Liabilities:			
Accrued compensated absences	37,695	8,953	46,648
Net pension liability	521,185	-	521,185
Debt - due after more than one year	<u>520,000</u>	<u>2,042,279</u>	<u>2,562,279</u>
Total noncurrent liabilities	<u>1,078,880</u>	<u>2,051,232</u>	<u>3,130,112</u>
Total Liabilities	<u>1,303,986</u>	<u>2,769,956</u>	<u>4,073,942</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	7,504	-	7,504
Unavailable revenue - property taxes	<u>2,125,186</u>	<u>-</u>	<u>2,125,186</u>
Total Deferred Inflows of Resources	<u>2,132,690</u>	<u>-</u>	<u>2,132,690</u>
NET POSITION			
Net investment in capital assets	24,646,760	8,110,505	32,757,265
Restricted for:			
General services	51,079	-	51,079
Public safety	39,086	-	39,086
Debt service	158,222	902,603	1,060,825
Transportation projects	81,322	-	81,322
Development	255,113	-	255,113
Unrestricted	<u>2,622,616</u>	<u>375,656</u>	<u>2,998,272</u>
Total Net Position	<u>\$ 27,854,198</u>	<u>\$ 9,388,764</u>	<u>\$ 37,242,962</u>

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

**City of Tuscola
Tuscola, Illinois**
Statement of Activities
For the Year Ended April 30, 2016

Functions/Programs	Program Revenues					Net (Expenses) Revenue and Changes in Net Position		
	Expenses	<i>Operating</i>			Governmental Activities	<i>Business-Type Activities</i>		Total
		Charges for Services	Grants and Contributions	Capital Grants and Contributions		Business-Type Activities		
Governmental activities:								
General government	\$ 267,815	\$ 59,561	\$ 20,495	\$ -	\$ (187,759)	\$ -	\$ -	\$ (187,759)
Public safety	1,391,966	57,021	-	-	(1,334,945)	-	-	(1,334,945)
Public works	680,079	-	-	-	(680,079)	-	-	(680,079)
Culture and recreation	565,770	57,987	-	-	(507,783)	-	-	(507,783)
Development	1,774,688	-	8,871	-	(1,765,817)	-	-	(1,765,817)
Interest on long-term debt	20,837	-	-	-	(20,837)	-	-	(20,837)
Total governmental activities	<u>4,701,155</u>	<u>174,569</u>	<u>29,366</u>	<u>-</u>	<u>(4,497,220)</u>	<u>-</u>	<u>-</u>	<u>(4,497,220)</u>
Business-type activities:								
Water	933,972	1,015,453	-	-	-	81,481	81,481	81,481
Sewer	637,166	704,221	-	-	-	67,055	67,055	67,055
Total business-type activities	<u>1,571,138</u>	<u>1,719,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,536</u>	<u>148,536</u>	<u>148,536</u>
Total primary government	\$ 6,272,293	\$ 1,894,243	\$ 29,366	\$ -	(4,497,220)	148,536	(4,348,684)	
General revenues								
Property taxes					2,011,634	-	-	2,011,634
Sales taxes					2,049,746	-	-	2,049,746
Income taxes					458,244	-	-	458,244
Replacement taxes					46,715	-	-	46,715
Motor fuel taxes					114,593	-	-	114,593
Video gaming taxes					84,686	-	-	84,686
Interest income					17,271	1,366	18,637	
Memorial income					1,527	-	-	1,527
Insurance recovery					356,374	43,980	400,354	
Impairment loss on investment					(6,913)	-	-	(6,913)
Miscellaneous income					100,087	8,809	108,896	
Total general revenues					<u>5,233,964</u>	<u>54,155</u>	<u>5,288,119</u>	
Change in Net Position					736,744	202,691	939,435	
Net Position - beginning of year, as previously stated					<u>27,178,594</u>	<u>9,186,073</u>	<u>36,364,667</u>	
Cummulative effect of change in accounting principle					<u>(61,140)</u>	<u>-</u>	<u>(61,140)</u>	
Net Position - beginning of year, restated					<u>27,117,454</u>	<u>9,186,073</u>	<u>36,303,527</u>	
Net Position - ending					\$ 27,854,198	\$ 9,388,764	\$ 37,242,962	

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

CITY OF TUSCOLA
Tuscola, Illinois
Balance Sheet - Governmental Funds
April 30, 2016

	General	Tax Increment Financing	Motor Fuel Tax	Tourism	Library	Total Governmental Funds
Assets						
Cash and investments	\$ 200	\$ -	\$ 71,126	\$ 255,113	\$ 81,306	\$ 407,745
Due from Douglas County	484,131	1,506,041	-	-	136,619	2,126,791
Due from State of Illinois	562,940	-	10,196	-	1,462	574,598
Due from other Funds	3,215,032	-	-	-	-	3,215,032
Accounts receivable	-	-	-	21,046	-	21,046
Loans receivable	-	877,977	-	-	-	877,977
Prepaid items	102,319	-	-	905	1,722	104,946
Restricted Assets:						
Cash and investments	1,371,259	-	158,222	-	-	1,529,481
Allowance for Impairment Loss on Investment	(6,913)	-	-	-	-	(6,913)
Total Assets	<u>\$ 5,728,968</u>	<u>\$ 2,384,018</u>	<u>\$ 239,544</u>	<u>\$ 277,064</u>	<u>\$ 221,109</u>	<u>\$ 8,850,703</u>
Liabilities						
Accounts payable	\$ 46,202	\$ 18,444	\$ -	\$ 2,055	\$ 1,820	\$ 68,521
Accrued salaries	25,500	2,533	-	1,105	2,035	31,173
Due to other funds	-	3,215,032	-	-	-	3,215,032
Total Liabilities	<u>71,702</u>	<u>3,236,009</u>	<u>-</u>	<u>3,160</u>	<u>3,855</u>	<u>3,314,726</u>
Deferred Inflows of Resources						
Unavailable revenue - property taxes	482,526	1,506,041	-	-	136,619	2,125,186
Unavailable revenue - intergovernmental	140,370	-	-	-	-	140,370
Total Deferred Inflows of Resources	<u>622,896</u>	<u>1,506,041</u>	<u>-</u>	<u>-</u>	<u>136,619</u>	<u>2,265,556</u>
Fund Balances						
Nonspendable						
Prepaid items	102,319	-	-	905	1,722	104,946
Long term receivables	3,215,032	877,977	-	-	-	4,093,009
Restricted						
General services	51,079	-	-	-	-	51,079
Public safety	39,086	-	-	-	-	39,086
Development	-	-	-	255,113	-	255,113
Restrictions by State Statutes	-	-	239,544	-	-	239,544
Committed						
Reserve funds	1,034,829	-	-	-	-	1,034,829
Capital replacement funds	869,762	-	-	-	-	869,762
Development	-	-	-	-	-	-
Assigned						
Development	-	-	-	17,886	-	17,886
Culture and recreation	-	-	-	-	78,913	78,913
Unassigned	<u>(277,737)</u>	<u>(3,236,009)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,513,746)</u>
Total Fund Balances	<u>5,034,370</u>	<u>(2,358,032)</u>	<u>239,544</u>	<u>273,904</u>	<u>80,635</u>	<u>3,270,421</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,728,968</u>	<u>\$ 2,384,018</u>	<u>\$ 239,544</u>	<u>\$ 277,064</u>	<u>\$ 221,109</u>	<u>\$ 8,850,703</u>

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

CITY OF TUSCOLA

Tuscola, Illinois

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

April 30, 2016

Total Fund Balance - Governmental Funds	\$ 3,270,421
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.	25,266,760
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Revenues in the Statement of Activities that do not provide current financial resources; therefore, are not reported as revenue in the funds.	140,370
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Pension related deferred outflows of resources and deferred inflows of resources are not due and
payable in the current year and, therefore are not reported in the governmental funds as follows:

Deferred outflows of resources	388,443
Deferred inflows of resources	(7,504)

Some liabilities are not due and payable in the current period and, therefore,
are not reported in the funds. Those liabilities are as follows:

Net pension liability	(521,185)
Accrued compensated absences	(55,406)
Accrued interest	(7,701)
Bonds payable	<u>(620,000)</u>

Net Position of Governmental Activities	\$ 27,854,198
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The notes to the financial statements are an integral part of this statement.

City of Tuscola
Tuscola, Illinois
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended April 30, 2016

	General	Tax Increment Financing	Motor Fuel Tax	Tourism	Library	Total Governmental Funds
Revenues						
Property taxes	\$ 468,150	\$ 1,410,985	\$ -	\$ -	\$ 132,499	\$ 2,011,634
Sales taxes	1,908,803	-	-	-	-	1,908,803
State income taxes	538,551	-	-	-	-	538,551
Replacement taxes	37,204	-	-	-	9,511	46,715
Motor fuel taxes	-	-	114,593	-	-	114,593
Sales taxes - city	-	-	-	155,636	-	155,636
Video gaming taxes	84,686	-	-	-	-	84,686
Fines and fees	24,244	-	-	14,240	9,339	47,823
Grant income	20,495	-	-	8,871	-	29,366
Licenses and permits	24,161	-	-	-	-	24,161
Rent	4,789	-	-	-	-	4,789
Franchise fees	35,400	-	-	-	-	35,400
Interest income	3,454	13,073	208	386	150	17,271
Fire insurance	9,198	-	-	-	-	9,198
Pool income	53,198	-	-	-	-	53,198
Memorial funds	-	-	-	-	1,527	1,527
Miscellaneous	96,915	-	-	1,499	1,673	100,087
Total revenues	<u>3,309,248</u>	<u>1,424,058</u>	<u>114,801</u>	<u>180,632</u>	<u>154,699</u>	<u>5,183,438</u>
Expenditures						
Current						
General government	475,543	-	-	-	-	475,543
Public safety	890,646	-	-	-	-	890,646
Public works	682,777	-	-	-	-	682,777
Culture and recreation	216,712	-	-	-	138,247	354,959
Development	28,248	1,152,910	-	175,911	-	1,357,069
Debt Service						
Principal	-	-	99,000	-	-	99,000
Interest	-	-	20,837	-	-	20,837
Capital outlay	573,738	1,320,481	-	-	20,124	1,914,343
Total expenditures	<u>2,867,664</u>	<u>2,473,391</u>	<u>119,837</u>	<u>175,911</u>	<u>158,371</u>	<u>5,795,174</u>
Excess of revenues over (under) expenditures	<u>441,584</u>	<u>(1,049,333)</u>	<u>(5,036)</u>	<u>4,721</u>	<u>(3,672)</u>	<u>(611,736)</u>
Other Financing Sources (Uses)						
Insurance recovery	352,228	-	-	-	4,146	356,374
Impairment loss on investment	(6,913)	-	-	-	-	(6,913)
Total other financing sources (uses)	<u>345,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,146</u>	<u>349,461</u>
Net Change in Fund Balance	786,899	(1,049,333)	(5,036)	4,721	474	(262,275)
Fund Balances - beginning	<u>4,247,471</u>	<u>(1,308,699)</u>	<u>244,580</u>	<u>269,183</u>	<u>80,161</u>	<u>3,532,696</u>
Fund Balances - ending	<u><u>\$ 5,034,370</u></u>	<u><u>\$ (2,358,032)</u></u>	<u><u>\$ 239,544</u></u>	<u><u>\$ 273,904</u></u>	<u><u>\$ 80,635</u></u>	<u><u>\$ 3,270,421</u></u>

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

City of Tuscola

Tuscola, Illinois

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended April 30, 2016**

Net change in fund balances - total governmental funds \$ (262,275)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while government activities report depreciation expense to allocate those expenditures over the life of the assets.

Capital asset purchases capitalized	1,934,368
Gain (Loss) on Asset Disposal	(15,632)
Depreciation expense	(845,976)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

(95,000)

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions	40,548
Cost of benefits earned, net	(119,654)

New debt is another financing source in governmental funds, while repayment of bond and loan principal is an expenditure in the governmental funds, but the new debt increases long-term liabilities and the repayment reduces long-term liabilities in the statement of Net Position.

99,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds as follows:

Accrued compensated absences	2,308
Accrued Interest	(943)

Change in Net Position of Governmental Activities \$ 736,744

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

CITY OF TUSCOLA
Tuscola, Illinois
Statement of Net Position - Proprietary Funds
April 30, 2016

	Water Fund	Sewer Fund	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 2,113	\$ 315,573	\$ 317,686
Accounts receivable, net	65,909	47,610	113,519
Prepaid items	7,354	6,429	13,783
Total Current Assets	<u>75,376</u>	<u>369,612</u>	<u>444,988</u>
Noncurrent assets			
Cash and cash equivalents-restricted	461,923	440,680	902,603
Investment in joint venture	2,811	-	2,811
Capital assets:			
Property, plant and equipment	7,788,283	11,653,633	19,441,916
Accumulated Depreciation	<u>(3,098,649)</u>	<u>(5,576,063)</u>	<u>(8,674,712)</u>
Total Noncurrent Assets	<u>5,154,368</u>	<u>6,518,250</u>	<u>11,672,618</u>
Total Assets	<u>5,229,744</u>	<u>6,887,862</u>	<u>12,117,606</u>
Deferred Outflows of Resources			
Deferred charges on refunding	-	41,114	41,114
Total Deferred Outflows of Resources	<u>-</u>	<u>41,114</u>	<u>41,114</u>
Liabilities			
Current Liabilities			
Accounts payable	35,539	16,493	52,032
Customer deposits	34,600	-	34,600
Accrued payroll	3,300	2,951	6,251
Accrued interest	3,165	3,042	6,207
Accrued compensated absences - current	3,577	1,637	5,214
General obligation bonds - current	260,000	290,000	550,000
IEPA loans - current	56,026	8,394	64,420
Total Current Liabilities	<u>396,207</u>	<u>322,517</u>	<u>718,724</u>
Noncurrent Liabilities			
Accrued compensated absences	4,921	4,032	8,953
General obligation bonds	265,000	595,000	860,000
IEPA loans	<u>1,032,726</u>	<u>149,553</u>	<u>1,182,279</u>
Total Noncurrent Liabilities	<u>1,302,647</u>	<u>748,585</u>	<u>2,051,232</u>
Total Liabilities	<u>1,698,854</u>	<u>1,071,102</u>	<u>2,769,956</u>
Net Position			
Net investment in capital assets	3,075,882	5,034,623	8,110,505
Restricted:			
Restricted for debt service	461,923	440,680	902,603
Unrestricted	<u>(6,915)</u>	<u>382,571</u>	<u>375,656</u>
Total Net Position	<u>\$ 3,530,890</u>	<u>\$ 5,857,874</u>	<u>\$ 9,388,764</u>

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

City of Tuscola
Tuscola, Illinois
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
For the Year Ended April 30, 2016

	Water	Sewer	Total
Operating Revenues			
Charges for services	\$ 1,015,453	\$ 704,221	\$ 1,719,674
Miscellaneous	8,067	742	8,809
Total operating revenues	<u>1,023,520</u>	<u>704,963</u>	<u>1,728,483</u>
Operating Expenses			
Personnel services	175,345	154,941	330,286
Supplies and materials	51,039	69,947	120,986
Contractual services	448,472	89,280	537,752
Depreciation and amortization	234,558	294,755	529,313
Total operating expenses	<u>909,414</u>	<u>608,923</u>	<u>1,518,337</u>
Operating Income (Loss)	<u>114,106</u>	<u>96,040</u>	<u>210,146</u>
Non-operating Revenues (Expenses)			
Interest income	479	887	1,366
Insurance recovery	22,075	21,905	43,980
Sprayfield farm income (loss), net	-	(4,726)	(4,726)
Gain (loss) on disposal of capital assets	-	(3,754)	(3,754)
Interest expense	(24,558)	(19,763)	(44,321)
Total non-operating revenues (expenses)	<u>(2,004)</u>	<u>(5,451)</u>	<u>(7,455)</u>
Change in net position	<u>112,102</u>	<u>90,589</u>	<u>202,691</u>
Net Position - beginning	<u>3,418,788</u>	<u>5,767,285</u>	<u>9,186,073</u>
Net Position - ending	<u>\$ 3,530,890</u>	<u>\$ 5,857,874</u>	<u>\$ 9,388,764</u>

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

CITY OF TUSCOLA
Tuscola, Illinois
Statement of Cash Flows
Proprietary Funds
For the Year Ended April 30, 2016

Cash Flows from Operating Activities:	Water	Sewer	Totals
Receipts from users	\$ 1,011,959	\$ 703,474	\$ 1,715,433
Payments to suppliers	(493,266)	(154,293)	(647,559)
Payments to employees	(173,721)	(152,988)	(326,709)
Other receipts (payments)	(14,008)	(21,163)	(35,171)
Net cash provided (used) by operating activities	<u>330,964</u>	<u>375,030</u>	<u>705,994</u>
Cash Flows from Capital and Related Financing Activities:			
(Purchase) of capital assets	(40,801)	(61,821)	(102,622)
Interest paid on capital debt	(25,298)	(20,528)	(45,826)
Insurance recovery	22,075	21,905	43,980
Principal paid on capital debt	(310,332)	(298,290)	(608,622)
Net cash provided (used) by capital and related financing activities	<u>(354,356)</u>	<u>(358,734)</u>	<u>(713,090)</u>
Cash Flows from Investing Activities:			
Interest on cash and investments	479	887	1,366
Sprayfield farm income (loss)	-	(4,726)	(4,726)
Net cash provided (used) by investing activities	<u>479</u>	<u>(3,839)</u>	<u>(3,360)</u>
Net increase (decrease) in cash and cash equivalents	(22,913)	12,457	(10,456)
Cash and cash equivalents, beginning of the year	486,949	743,796	1,230,745
Cash and cash equivalents, end of the year	<u>\$ 464,036</u>	<u>\$ 756,253</u>	<u>\$ 1,220,289</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities			
Operating income (loss)	\$ 114,106	\$ 96,040	\$ 210,146
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	234,558	294,755	529,313
Change in assets and liabilities:			
(Increase) decrease-accounts receivable	(5,794)	(747)	(6,541)
(Increase) decrease-prepaid insurance	(324)	(449)	(773)
(Increase) decrease-joint venture equity	4,682	-	4,682
Increase (decrease)-accounts payable	1,887	5,383	7,270
Increase (decrease)-accrued payroll	777	743	1,520
Increase (decrease)-unearned revenue	(22,075)	(21,905)	(43,980)
Increase (decrease)-customer deposits	2,300	-	2,300
Increase (decrease)-accrued compensated absences	847	1,210	2,057
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 330,964</u>	<u>\$ 375,030</u>	<u>\$ 705,994</u>

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

CITY OF TUSCOLA
Tuscola, Illinois
Statement of Fiduciary Net Position - Fiduciary Funds
April 30, 2016

	Agency Funds
ASSETS	
Current assets	
Cash	\$ 63
Accounts receivable	19,245
Total assets	<u>\$ 19,308</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 19,308
Total liabilities	<u>\$ 19,308</u>

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

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 1 - Summary of Significant Accounting Policies

General Statement

The City of Tuscola (City) complies with generally accepted accounting principles (GAAP) as applied to governmental units. This requires the use of the accrual basis of accounting for government-wide financial statements and proprietary funds financial statements and a modified accrual basis of accounting for the governmental funds financial statements. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial reporting entity, basis of accounting, and other significant policies employed by the City are summarized as follows:

Financial Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Tuscola (the primary government) and all funds of the City.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditure or 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. 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 enterprise 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 enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The City has decided all funds will be presented as major funds.

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

The funds of the financial reporting entity are described below:

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund – To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Special Revenue Funds – To account for the proceeds of specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The reporting entity includes the following special revenue funds:

TIF Fund – To account for the incremental property taxes realized within the TIF District of the City. Expenditures of these revenues are restricted to capital improvements and redevelopment.

Motor Fuel Tax Fund – To account for revenues received and expenditures paid for street maintenance.

Tourism Fund – To account for revenues and expenditures for promoting tourism in the City. Hotel/motel taxes provide revenues for operations.

Library Fund – To account for revenues received and expenditures paid for library operations.

The City has presented the following major proprietary funds:

Water Fund – To account for the operation of water services to the residents of the City.

Sewer Fund – To account for the operation of sewer services to the residents of the City.

Agency funds report resources held in trust by the City as an agent for individuals or private organizations. The City has the following agency funds:

Garbage Fund – To account for amounts billed and collected for sanitary services provided to residents of the City.

Section 125 Plan Fund – To account for amounts withheld from employees' wages and payments to providers.

The City's agency funds are presented in the fiduciary fund financial statement. Since by definition these assets are being held for the benefit of a third party (see above) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus (Continued)

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. (The City’s deferred outflows of resources and deferred inflows of resources are noncurrent.) Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. Agency funds are presented using the accrual basis of accounting.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year end.

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

Revenues – Exchange and Non-Exchange Transactions (Continued)

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include employee license taxes, property taxes, grants, entitlements, and donations. The City considers property taxes as available in the year for which the taxes were levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The revenues susceptible to accrual are taxes, intergovernmental, interest revenue, and charges for services. Permit revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Unearned revenue

The City reports unearned revenue on its government-wide statement of net position and the fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

Budgets and Budgetary Accounting

The City legally adopts annual budgets for all governmental and proprietary funds. The City follows these procedures in establishing the budgetary data reflected in these financial statements:

1. Prior to the end of the first quarter, the City Treasurer submits to the City Council a proposed operating budget for the fiscal year commencing on May 1. The operating budget includes proposed expenditures and the means of financing those.
2. Public hearings are conducted by the City to obtain taxpayer comments. At least one public hearing must be held no later than 10 days prior to final approval of the budget.
3. Prior to July 31, the appropriations budget is legally enacted through passage of an ordinance. The appropriations ordinance/budget was adopted on July 13, 2015.
4. The City Treasurer is authorized to transfer budgeted amounts between departments and their line items; however, any revisions that alter the total expenditures must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year; and, the budget is legally adopted. Budget amendments are also legally adopted.
6. The budget is adopted on the modified accrued basis of accounting.

The legal level of control at which expenditures may not legally exceed appropriations is the fund.

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Continued)

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. In accordance with generally accepted accounting principles (GAAP), encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. There are no encumbrances at April 30, 2016.

Cash and Cash Equivalents

For the purpose of the Statement of Net Position, "cash and cash equivalents" includes all demand and savings accounts of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts and certificates of deposit, or short-term investments with an original maturity of three months or less.

Cash deposits and certificates of deposit are reported at carrying amount which reasonably estimates fair value. Additional cash disclosures are presented in Note 3.

Receivables

Major receivable balances for the governmental activities include property taxes, intergovernmental receivables, hotel/motel taxes, and tax increment financing note receivables. Business-type activities report amounts owed for utility services as their major receivables.

In the fund financial statements, receivables in governmental funds include revenue accruals such as hotel/motel taxes and other similar intergovernmental revenues, as well as, tax increment financing note receivables since they are usually both measurable and available.

Nonexchange transactions collectible but not available are deferred. Interest and investment earnings are recorded when earned only if paid within sixty days since they would be considered both measurable and available. Proprietary fund receivables include revenues earned at year end and not yet received. Utility accounts receivable compose all of the proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

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) are 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. See Note 3 for details of interfund transactions, including receivables and payables, at year end.

Capital Assets

The accounting treatment of property, plant and equipment (capital assets) 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.

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Government-wide Statement

In the government-wide financial statements, property, plant and equipment are accounted for as capital assets. All 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. Estimated historical cost was used to value the majority of the assets acquired prior to May 1, 2004.

Assets capitalized have an original cost of \$5,000. Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Capital assets of the primary government are depreciated over the estimated useful lives using the straight-line method. Depreciation of all exhaustible capital assets is recorded as all allocated expense in the Statement of Activities, with the accumulated depreciation reflected in the Statement of Net Position. The estimated useful lives are as follows:

Land improvements	30-50 Years
Buildings	5-100 Years
Building improvements	30-50 Years
Infrastructure	30-125 Years
Equipment	5-30 Years
Furnishings and fixtures	5-30 Years
Vehicles	3-30 Years

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.

Prepaid Items

In the government-wide and fund financial statements, prepaid expenditures/expenses are deferred and expensed over the term when the services are received.

Deferred Outflows/Inflows of Resources

Government-wide Statement

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents the consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualifies for reporting in the category. These are the deferred charges on refunding and deferred outflows related to pensions (deferred pension contributions and deferred difference between projected and actuarial earnings on pension plans investments reported in the Statement of Net Position).

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources (Continued)

Government-wide Statement (Continued)

A deferred pension contribution results from pension contributions subsequent to the measurement date of the pension plan. This amount is deferred and recognized as a component of the change in pension plan liability in the next measurement period. A difference between projected and actuarial earnings on pension plan investments results from actual investment earnings above or below actuarial projected earnings. This item, difference between projected and actuarial earnings on pension plan investments, is deferred and amortized over 5 years in future periods as a component of the pension expense.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Government has only one type of item related to the City's pension plans that qualifies for reporting in this category. A difference between projected and actuarial earnings on pension plan investments results from actual investment earnings above or below actuarial projected earnings. This item, difference between projected and actuarial earnings on pension plan investments, is deferred and amortized over 5 years in future periods as a component of the pension expense.

Fund Financial Statements

The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting as deferred inflows of resources. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for two sources: property taxes and intergovernmental taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Restricted Assets

Certain proceeds of enterprise fund debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited to applicable bond covenants.

Certain resources in the governmental funds are set aside and classified as restricted because their use has been limited by legal or contractual provisions.

Long-Term Debt

The accounting treatment of long-term debt 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 debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, loans payable and accrued compensated absences.

Accumulations for paid time off (PTO) are recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the matured compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-Term Debt (Continued)

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

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements

Governmental fund equity is classified as fund balance and displayed in five components:

- a. Nonspendable fund balance includes amounts that are not in a spendable form or are required to be maintained intact indefinitely.
- b. Restricted fund balance includes amounts that can be spent only for the specific purpose stipulated by creditors, grantors, contributors, or laws or regulations of other governments.
- c. Committed fund balance includes amounts that can be used only for the specific purposes determined by the City Council through the approval of City ordinances. Commitments may be changed or lifted only by the City Council making the same formal action that imposed the constraint originally.
- d. Assigned fund balance comprises the amounts intended to be used for a specific purpose. Intent can be expressed by the City Council. No formal action is required.
- e. Unassigned fund balance is the residual balance not contained in nonspendable fund balance or restricted fund balance or committed fund balance or assigned fund balance.

When both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Proprietary fund equity is classified the same as in the government-wide statements.

As of April 30, 2016, the Tax Increment Financing Fund had a deficit fund balance of (\$2,358,032).

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Interfund Transactions

Amounts provided with a requirement for repayment are reported as interfund receivables and payables. Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions are reported as transfers.

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 dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – by function:	Current (further classified by character) Debt Service Capital Outlay
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Proprietary Fund – by operating and nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Use of Estimates

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

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Stewardship, Compliance, and Accountability

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds.

Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements or contractual agreements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions on Use</u>
Motor Fuel Tax	Projects approved by the State of Illinois
Grants	Grant Program Expenditures
Bond Proceeds	Defeasance of debt and Capital Projects

For the year ended April 30, 2016, the City complied in all material respects with these revenue restrictions.

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 10, 2016, the date financial statements were available to be issued.

Note 2 - Property Taxes

Property tax bills are prepared by the County and issued on or about May 1 of each year. City property tax revenues are recorded as a receivable when assessed because the City has an enforceable legal claim to the resources. At this time, the receivable is offset by a deferred inflow since this amount is normally not collected within a time period to be available and is intended to finance the operations of fiscal year ending April 30, 2017. Property taxes are recognized during the period for which they are levied.

The due dates and collection period for all property taxes for the fiscal year ended April 30, 2016, are as follows:

<u>Description</u>	<u>Date</u>
Assessment and enforceable lien	January 1, 2015
Levy	December 14, 2015
Face value amount payment dates	1 st half by June 1, 2015 2 nd half by September 1, 2015

No provision has been made for delinquent property taxes since the amount has historically been immaterial to the financial statements.

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 3 - Detail Notes on Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

Deposits and Investments

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 be made in accordance with applicable legal requirements with consideration of investment safety. Accordingly, the City maintains collateral agreements with its financial institutions. Deposits are secured with collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). The City's investment in The Illinois Funds and Illinois Municipal Investment Fund are not subject to custodial credit risk.

Deposits of the City's reporting entity are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City. During the year ended April 30, 2016, the City's cash and cash equivalents consisted of demand deposits, deposits in The Illinois Funds (described below), deposits in Illinois Municipal Investment Fund (described below), petty cash of \$350, and unapplied payments of \$1,025. At year end, the carrying amount and the bank balance of the City's demand deposits were \$1,288,631 and \$1,389,386, respectively.

The City maintains deposits in The Illinois Funds. The activities of The Illinois Funds are governed by the Treasurer's published investment policies, which were developed in accordance with the State statute. Deposits in The Illinois Funds are valued at share price, the price for which the investment could be sold. As of April 30, 2016, \$1,847,245 was deposited into accounts with The Illinois Funds.

Also, the City maintains deposits in the Illinois Municipal Investment Fund (IMET). This fund is a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and is managed by a Board of Trustees elected from the participating members. Deposits in the IMET are valued at share price, the price for which the investment could be sold. On September 29, 2014, certain repurchase agreements with IMET, which were part of IMET's Convenience Fund, that were backed by First Farmers Financial, LLC (FFF) securities, that were believed to be guaranteed by the United States Department of Agriculture (USDA), were in default. The loans were allegedly guaranteed by the USDA but since the loan documents were forged, by FFF, the USDA has decided at this time to not provide a financial guarantee for the loans. As a result, as of September 30, 2014, each member's proportionate share of the Convenience Fund was placed into a restricted account at IMET and not eligible for withdrawal. On October 24, 2014 the IMET Board of Trustees voted to remove the value of the repurchase agreements from the books and records of the Convenience Fund and transfer the member's proportionate share of the IMET restricted account; therefore setting up a Liquidating Trust with each member's proportionate share from which IMET will distribute future proceeds from recovery efforts that are currently on-going. As of April 30, 2016, \$7,134 was invested into accounts with the Illinois Municipal Investment Fund, with an additional \$13,193 investment impairment being recorded as the City's share of the value removed as a result of the fraud into the Liquidating Trust. Allowance for Impairment Loss on Investment and Impairment Loss on Investment amounts were calculated and recorded, in the amount of \$6,913, to reflect the amount IMET has determined to be realizable as of April 30, 2016.

Credit rating risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the City's Treasurer. Investing is performed in accordance with investment policies adopted by the City complying with State Statutes. The Illinois Funds investment pools were rated AAAm by Standard & Poor's as of December 25, 2015. The Illinois Metropolitan Investment Fund was rated AA Af by Standard & Poor's.

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 3 - Detail Notes on Transaction Classes/Accounts (Continued)

Deposits and Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments are diversified to minimize the risk of loss resulting from overconcentration of assets in a specific maturity period, a single issuer, or an individual class of securities. Interest rate risk is minimized by having maturities of less than 1 year for 100% of the City's investments.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City policy states that investments are subject to concentration of credit risk when 5% or more of the total are in securities of a single issuer. As of April 30, 2016, the City's investment in The Illinois Funds represent more than 5% of the total cash investment portfolio.

Capital Assets

Capital asset activity for the year ended April 30, 2016, was as follows:

Governmental Activities:	Balance			Balance April 30, 2016
	May 1, 2015	Additions	Deductions	
Capital assets, not being depreciated:				
Land	\$ 1,644,832	\$ -	\$ -	\$ 1,644,832
Land-Rights of way	<u>1,367,195</u>	<u>-</u>	<u>-</u>	<u>1,367,195</u>
Total capital assets, not being depreciated	<u>3,012,027</u>	<u>-</u>	<u>-</u>	<u>3,012,027</u>
Capital assets, being depreciated:				
Land improvements	1,563,031	88,708	-	1,651,739
Buildings	4,236,737	1,130,207	-	5,366,944
Infrastructure	23,386,835	592,780	-	23,979,615
Equipment & Vehicles	2,512,326	81,009	48,569	2,544,766
PME-Portable Machinery/Equip	1,195,227	21,536	37,729	1,179,034
Library Collection	<u>424,888</u>	<u>20,128</u>	<u>-</u>	<u>445,016</u>
Totals at historical cost	<u>33,319,044</u>	<u>1,934,368</u>	<u>86,298</u>	<u>35,167,114</u>
Less accumulated depreciation:				
Land improvements	665,999	57,455	-	723,454
Buildings	1,941,274	93,536	-	2,034,810
Infrastructure	7,271,402	471,658	-	7,743,060
Equipment & Vehicles	1,119,590	127,404	47,948	1,199,046
PME-Portable Machinery/Equip	832,281	69,421	22,718	878,984
Library Collection	<u>306,525</u>	<u>26,502</u>	<u>-</u>	<u>333,027</u>
Total accumulated depreciation	<u>12,137,071</u>	<u>845,976</u>	<u>70,666</u>	<u>12,912,381</u>
Total capital assets, being depreciated, net	<u>21,181,973</u>	<u>1,088,392</u>	<u>15,632</u>	<u>22,254,733</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$24,194,000</u>	<u>\$ 1,088,392</u>	<u>\$ 15,632</u>	<u>\$25,266,760</u>

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 3 - Detail Notes on Transaction Classes/Accounts (Continued)

Capital Assets (Continued)

Depreciation expense was charged to governmental activities as follows:

General government	\$ 42,632
Public safety	118,838
Public works	590,082
Culture and recreation	<u>94,424</u>
 TOTAL DEPRECIATION EXPENSE – GOVERNMENTAL ACTIVITIES	 <u>\$845,976</u>

Business-type Activities:	Balance May 1, 2015	Increases	Decreases	Balance April 30, 2016
Capital assets, not being depreciated:				
Land	<u>\$ 637,198</u>	\$ _____ -	\$ _____ -	<u>\$ 637,198</u>
Total capital assets, not being depreciated	<u>637,198</u>	_____ -	_____ -	<u>637,198</u>
Capital assets, being depreciated:				
Infrastructure	<u>7,099,622</u>	-	-	<u>7,099,622</u>
Plant/Mechanical	<u>11,237,646</u>	61,204	-	<u>11,298,850</u>
Vehicles & Equipment	<u>313,990</u>	41,420	5,775	<u>349,635</u>
PME-Portable Machinery/Equip	<u>60,743</u>	_____ -	4,132	<u>56,611</u>
Totals at historical cost	<u>18,712,001</u>	<u>102,624</u>	<u>9,907</u>	<u>18,804,718</u>
Less accumulated depreciation:				
Infrastructure	<u>2,777,425</u>	195,976	-	<u>2,973,401</u>
Plant/Mechanical	<u>5,240,050</u>	288,461	-	<u>5,528,511</u>
Vehicles & Equipment	<u>112,990</u>	22,949	2,599	<u>133,340</u>
PME-Portable Machinery/Equip	<u>39,285</u>	4,307	4,132	<u>39,460</u>
Total accumulated depreciation	<u>8,169,750</u>	<u>511,693</u>	<u>6,731</u>	<u>8,674,712</u>
Total capital assets, being depreciated, net	<u>10,542,251</u>	<u>(409,069)</u>	<u>3,176</u>	<u>10,130,006</u>
 BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	 <u>\$11,179,449</u>	<u>\$ (409,069)</u>	<u>\$ 3,176</u>	<u>\$10,767,204</u>

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

Water	\$ 234,558
Sewer	<u>277,135</u>
 TOTAL DEPRECIATION EXPENSE – BUSINESS-TYPE ACTIVITIES	 <u>\$ 511,693</u>

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 3 - Detail Notes on Transaction Classes/Accounts (Continued)

Accounts Payable

Payables in the governmental and proprietary funds are composed of payables to vendors and accrued expenditures.

Long-Term Liabilities

The City's long-term liabilities are segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities

As of April 30, 2016, the governmental long-term liabilities consisted of the following:

General obligation bonds:	
Current portion	\$ 100,000
Noncurrent portion	<u>520,000</u>
TOTAL GENERAL OBLIGATION	
BOND COSTS, NET OF PREMIUMS AND DISCOUNTS	<u>\$ 620,000</u>
Accrued compensated absences:	
Current portion	\$ 17,711
Noncurrent portion	<u>37,695</u>
TOTAL ACCRUED COMPENSATED	
ABSENCES	<u>\$ 55,406</u>
Pension obligations:	
Illinois Municipal Retirement Fund	<u>\$ 521,185</u>
TOTAL PENSION OBLIGATIONS	<u>\$ 521,185</u>

Business-type Activities

As of April 30, 2016, the long-term liabilities payable from proprietary fund resources consisted of the following:

General obligation bonds:	
Current portion	\$ 550,000
Noncurrent portion	<u>860,000</u>
TOTAL GENERAL OBLIGATION	
BOND COSTS, NET OF PREMIUMS AND DISCOUNTS	<u>\$ 1,410,000</u>
Loans payable:	
Current portion	\$ 64,420
Noncurrent portion	<u>1,182,279</u>
TOTAL LOANS PAYABLE PAYMENTS	<u>\$ 1,246,699</u>
Accrued compensated absences:	
Current portion	\$ 5,214
Noncurrent portion	<u>8,953</u>
TOTAL ACCRUED COMPENSATED	
ABSENCES	<u>\$ 14,167</u>

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 3 - Detail Notes on Transaction Classes/Accounts (Continued)

Long-Term Liabilities (Continued)

General Obligation Bonds

Series 2010 Bond Issue – The City of Tuscola issued general obligation bonds of \$500,000 in August 2010, to finance the resurfacing improvements to Main, Sale, Pembroke, Prairie and Dagg Street. The principal and interest is intended to be paid entirely from the revenues of the Motor Fuel Tax Fund; however, should there be insufficient funds available in the Motor Fuel Tax Fund, the City will increase its property tax levy to generate the needed revenue for the bond payments. Interest rates range between 2.25% and 3.6%. Interest paid on said bonds is payable on June 1st and December 1st in each year until paid. Both principal and interest on said bonds shall be payable at the principal office of the First Federal Bank of Tuscola, a division of The First National Bank of Arcola, the paying agent for the bonds, in the City of Tuscola, Illinois. These bonds are required to be fully paid within 10 years from the date of issue and are backed by the full faith and credit of the City. The bond ordinance requires that moneys held in the Motor Fuel Tax Fund be held in a special reserve account, named “Bond and Interest”. This special reserve account should consist of 1/6th of the interest next due and 1/12th of the principal next due, with a restriction for paying principal and interest on bonds.

Series 2012 Bond Issue – The City of Tuscola issued general obligation bonds of \$500,000 in May 2012, to finance the resurfacing improvements to South Main Street. The principal and interest is intended to be paid entirely from the revenues of the Motor Fuel Tax Fund; however, should there be insufficient funds available in the Motor Fuel Tax Fund, the City will increase its property tax levy to generate the needed revenue for the bond payments. Interest rates range between 1.25% and 3.5%. Interest paid on said bonds is payable on June 1st and December 1st in each year until paid. Both principal and interest on said bonds shall be payable at the principal office of the Tuscola National Bank of Tuscola, the paying agent for the bonds, in the City of Tuscola, Illinois. These bonds are required to be fully paid within 10 years from the date of issue and are backed by the full faith and credit of the City. The bond ordinance requires that moneys held in the Motor Fuel Tax Fund be held in a special reserve account, named “Bond and Interest”. This special reserve account should consist of 1/6th of the interest next due and 1/12th of the principal next due, with a restriction for paying principal and interest on bonds.

Series 2011 Bond Issue – The City of Tuscola issued general obligation taxable refunding bonds of \$1,545,000 in December 2011, to refund the 1997 Series Waterworks Refunding Revenue Bonds and the 2003 Series Waterworks Refunding Revenue Bonds (B). The principal and interest is intended to be paid from the revenues of the Water Fund. In addition, the City’s sales tax has been pledged as additional means for repayment of these bonds; however, should there be insufficient funds available from the Water Fund and sales taxes, the City will increase its property tax levy to generate the needed revenue for the bond payments. Interest rates range between 0.9% and 2.0%. Interest paid on said bonds is payable on March 1st and September 1st in each year until paid. Both principal and interest on said bonds shall be payable at the principal corporate trust office of UMB Bank, N.A., the paying agent for the bonds, in Kansas City, Missouri. These bonds are required to be fully paid within 7 years from the date of issue and are backed by the full faith and credit of the City. The bond ordinance requires that moneys be accumulated in a debt service account in the Water Fund, named “Bond and Interest”. This debt service account should consist of 1/6th of the interest next due and 1/12th of the principal next due, with a restriction for paying principal and interest on bonds.

Series 2011 Bond Issue – The City of Tuscola issued general obligation taxable refunding bonds of \$2,060,000 in December 2011, to refund the 1993 Series Sewerage Refunding Revenue Bonds, the 2000 Series General Obligation Sewerage Bonds and the 2003 Series Sewerage Refunding Revenue Bonds (A). The principal and interest is intended to be paid from the revenues of the Sewer Fund.

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 3 - Detail Notes on Transaction Classes/Accounts (Continued)

Long-Term Liabilities (Continued)

General Obligation Bonds (Continued)

In addition, the City's sales tax has been pledged as additional means for repayment of these bonds; however, should there be insufficient funds available from the Sewer Fund and sales taxes, the City will increase its property tax levy to generate the needed revenue for the bond payments. Interest rates range between 0.9% and 2.0%. Interest paid on said bonds is payable on March 1st and September 1st in each year until paid. Both principal and interest on said bonds shall be payable at the principal corporate trust office of UMB Bank, N.A., the paying agent for the bonds, in Kansas City, Missouri. These bonds are required to be fully paid within 7 years from the date of issue and are backed by the full faith and credit of the City. The bond ordinance requires that moneys be accumulated in a debt service account in the Sewer Fund, named "Bond and Interest". This debt service account should consist of 1/6th of the interest next due and 1/12th of the principal next due, with a restriction for paying principal and interest on bonds.

As a result of the refunding, the City reduced its total debt service requirements by \$203,943, which results in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$196,342.

Loans Payable

Illinois Environmental Protection Agency – On October 1, 2014, the City entered into a loan agreement (Project L17-3758) in the amount of \$948,769, including capitalized interest of \$22,516, with the Illinois Environmental Protection Agency to finance the acquisition and installation of various capital projects to increase capacity in the water supply lines in the central/west side of the City. \$228,896 of the loan agreement will not be repaid as it was forgiven by the Illinois Environmental Protection Agency. Interest is charged at a rate 1.25%. Interest paid on said loan is payable on April 24th and October 24th in each year until paid. Both principal and interest on said loan shall be payable at the office of Amalgamated Bank of Chicago, the authorized trustee of the Illinois Environmental Protection Agency, Water Revolving Fund, in Chicago, Illinois. The note is required to be fully paid within 20 years from the date of issue and is backed by the full faith and credit of the City. The ordinance requires that moneys be accumulated in debt service accounts in the Water Fund, named "Bond and Interest", which should consist of 1/6th of the interest next due and 1/12th of the principal next due, with a restriction for paying principal and interest on bonds; "Depreciation", which should consist of 1/120th of 10% of the principal of the bonds per month, with a restriction for extraordinary repairs and maintenance of the system; and "Bond Reserve", which should consist of 1/24th maximum annual debt service, with a restriction to prevent or remedy payment default.

Illinois Environmental Protection Agency – On July 1, 2014, the City entered into a loan agreement (Project L17-4835) in the amount of \$601,231 with the Illinois Environmental Protection Agency to finance the painting and maintenance to the elevated water storage tank. \$150,890 of the loan agreement will not be repaid as it was forgiven by the Illinois Environmental Protection Agency. Interest is charged at a rate 1.25%. Interest paid on said loan is payable on January 14th and July 14th in each year until paid. Both principal and interest on said loan shall be payable at the office of Amalgamated Bank of Chicago, the authorized trustee of the Illinois Environmental Protection Agency, Water Revolving Fund, in Chicago, Illinois. The note is required to be fully paid within 20 years from the date of issue and is backed by the full faith and credit of the City. The ordinance requires that moneys be accumulated in debt service accounts in the Water Fund, named "Bond and Interest", which should consist of 1/6th of the interest next due and 1/12th of the principal next due, with a restriction for paying principal and interest on bonds; "Depreciation", which should consist of 1/120th of 10% of the principal of the bonds per month, with a restriction for extraordinary repairs and maintenance of the system; and "Bond Reserve", which should consist of 1/24th maximum annual debt service, with a restriction to prevent or remedy payment default.

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 3 - Detail Notes on Transaction Classes/Accounts (Continued)

Long-Term Liabilities (Continued)

Loans Payable (Continued)

Illinois Environmental Protection Agency – On February 21, 2014, the City entered into a loan agreement (Project L17-3671) in the amount of \$238,466 with the Illinois Environmental Protection Agency to finance the wastewater supply system project. \$59,987 of the loan agreement will not be repaid as it was forgiven by the Illinois Environmental Protection Agency. Interest is charged at a rate 1.25%. Interest paid on said loan is payable on February 21st and August 21st in each year until paid. Both principal and interest on said loan shall be payable at the office of Amalgamated Bank of Chicago, the authorized trustee of the Illinois Environmental Protection Agency, Water Revolving Fund, in Chicago, Illinois. The note is required to be fully paid within 20 years from the date of issue and is backed by the full faith and credit of the City. The ordinance requires that moneys be accumulated in debt service accounts in the Sewer Fund, named “Bond and Interest”, which should consist of 1/6th of the interest next due and 1/12th of the principal next due, with a restriction for paying principal and interest on bonds; “Depreciation”, which should consist of 1/120th of 10% of the principal of the bonds per month, with a restriction for extraordinary repairs and maintenance of the system; and “Bond Reserve”, which should consist of 1/24th maximum annual debt service, with a restriction to prevent or remedy payment default.

Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended April 30, 2016:

Type of Liability:	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
<i>General obligation bonds:</i>					
Series 2010	\$ 319,000	\$ -	\$ (49,000)	\$ 270,000	\$ 50,000
Series 2012	<u>400,000</u>	<u>-</u>	<u>(50,000)</u>	<u>350,000</u>	<u>50,000</u>
<i>Total bonds payable</i>	<u>719,000</u>	<u>-</u>	<u>(99,000)</u>	<u>620,000</u>	<u>100,000</u>
Pension obligations	103,637	425,052	(7,504)	521,185	-
Accrued compensated absences	55,685	100,946	(101,225)	55,406	17,711
TOTAL GENERAL LONG-TERM LIABILITIES	<u>\$ 878,322</u>	<u>\$ 525,998</u>	<u>\$ (207,729)</u>	<u>\$ 1,196,591</u>	<u>\$ 117,711</u>
Business-type activities:					
<i>General obligation bonds:</i>					
Series 2011 (Water)	\$ 780,000	\$ -	\$ (255,000)	\$ 525,000	\$ 260,000
Series 2011 (Sewer)	<u>1,175,000</u>	<u>-</u>	<u>(290,000)</u>	<u>885,000</u>	<u>290,000</u>
<i>Total bonds payable</i>	<u>1,955,000</u>	<u>-</u>	<u>(545,000)</u>	<u>1,410,000</u>	<u>550,000</u>
<i>Loans payable:</i>					
Project L17-3758	714,273	-	(34,545)	679,728	34,978
Project L17-4835	429,811	-	(20,787)	409,024	21,048
Project L17-3671	<u>166,237</u>	<u>-</u>	<u>(8,290)</u>	<u>157,947</u>	<u>8,394</u>
<i>Total loans payable</i>	<u>1,310,321</u>	<u>-</u>	<u>(63,622)</u>	<u>1,246,699</u>	<u>64,420</u>
Accrued compensated absences	12,110	23,620	(21,563)	14,167	5,214
TOTAL BUSINESS LONG-TERM LIABILITIES	<u>\$ 3,277,431</u>	<u>\$ 23,620</u>	<u>\$ (630,185)</u>	<u>\$ 2,670,866</u>	<u>\$ 619,634</u>

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 3 - Detail Notes on Transaction Classes/Accounts (Continued)

Long-Term Liabilities (Continued)

Changes in Long-Term Liabilities (Continued)

- (1) The calculation to reconcile amounts in this schedule to the "net position – net investment in capital assets" for governmental activities is:

Net Capital Assets	\$25,266,760
<i>Less:</i>	
100% of the outstanding 2010 general obligation bonds	(270,000)
100% of the outstanding 2012 general obligation bonds	<u>(350,000)</u>
Net position invested in capital assets, net of related debt	<u>\$24,646,760</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity for bonds and loans as of April 30, 2016, are as follows:

Year Ending April 30	Principal	Interest
2017	\$ 714,420	\$ 54,566
2018	727,227	41,680
2019	470,046	30,059
2020	172,873	23,200
2021	175,711	19,054
2022-2026	451,508	52,628
2027-2031	374,106	24,905
2032-2034	<u>190,808</u>	<u>3,529</u>
 TOTALS	 <u>\$ 3,276,699</u>	 <u>\$ 249,621</u>

Accrued Compensated Absences

Compensated absence obligations arise from amounts due to City employees for vested amounts of vacation pay and sick pay which will be payable in the future. Typically, the compensated absence obligations have been paid by the General Fund, Tax Increment Financing Fund, Tourism Fund, Library Fund, Water Fund and Sewer Fund. Amounts accrued at April 30, 2016, are as follows:

Accrued Compensated Absences

	Governmental Activities	Business-type Activities
Accrued paid time off	<u>\$ 55,406</u>	<u>\$ 14,167</u>
Totals	55,406	14,167
Less current portion	<u>17,711</u>	<u>5,214</u>
 LONG-TERM PORTION	 <u>\$ 37,695</u>	 <u>\$ 8,953</u>

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 3 - Detail Notes on Transaction Classes/Accounts (Continued)

Other Post Employment Benefits (OPEB)

The City does not maintain a retiree healthcare plan. The City is not required by law or contractual agreement to provide funding for retiree health costs other than the pay-as-you-go amount necessary to provide current benefits to retirees. Any participating retired plan members would contribute 100 percent of their premium costs. An implicit rate subsidy exists though any retirees would contribute 100 percent of their premium because of the pooled aspects of providing health benefit coverage. The subsidy is generated as a result of the basic nature of insurance – one risk group subsidizes another to arrive at a blended premium. In all likelihood, current employees who are young and healthy subsidize older retirees. The City has no unionized workers and contribution requirements can be changed by the City Council at any time.

The City has no retirees included in its healthcare premiums at April 30, 2016 or during the year ending April 30, 2016. As a result, the City's implicit liability is zero or some minimal amount below what is considered material for purposes of this audit report for the year ending April 30, 2016.

Due To/From Balances

Due to/from balances used to cover start-up costs of a new tax increment financing district within the City and financing large projects within the existing tax increment financing districts were as follows as of April 30, 2016:

	Due From	Due To
General Fund	\$3,215,032	\$ -
Tax Increment Financing Funds	- _____	3,215,032
TOTALS	\$3,215,032	\$3,215,032

This due to/from is expected to be repaid as revenues from the tax increment financing districts expand. This amount is not expected to be repaid within one year.

Revenues Due From County and State Governments

The following is a breakdown of the amounts due from the County and State governments in the government-wide financial statements at April 30, 2016:

<u>Douglas County</u>		
Property taxes	\$ 2,125,186	
Police fines	1,605	
Total	<u>\$ 2,126,791</u>	

<u>State of Illinois</u>		
Sales tax	\$ 304,484	
Home rule sales tax	113,017	
Income tax	132,480	
Corporate pers. repl. tax	7,179	
Gaming tax	7,242	
Motor fuel tax	10,196	
Total	<u>\$ 574,598</u>	

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 3 - Detail Notes on Transaction Classes/Accounts (Continued)

Tax Increment Financing Loans Receivable

On January 15, 2013, the City Council approved a loan of \$40,000 at 3% for 10 years to Amber Seip of Alpha and Omega Power Training, LLC for renovations at 122 W. Sale St. As of April 30, 2016, all amounts of this loan was disbursed and the loan had entered the repayment phase, with an outstanding balance of \$27,974.

On July 9, 2012, the City Council approved a loan of \$51,000 at 3% for 10 years to Jeremy and Lana Tengwall of Bailey James Enterprises, LLC for renovations at 123 W. Sale St. On July 22, 2013, the City Council approved additional amounts on this loan for a total of \$300,000. Additionally, the interest rate will be at 1.5%. As of April 30, 2016, all amounts of this loan was disbursed and the loan had entered the repayment phase, with an outstanding balance of \$289,355.

On March 23, 2011, the City Council approved a loan of \$46,250 at 3% for 11 years to Edward Boutilier of Double B Properties for renovations at 134 W. Sale St. As of April 30, 2016, all amounts of this loan was disbursed and the loan had entered the repayment phase, with an outstanding balance of \$37,131.

On October 18, 2007, the City Council approved a loan of \$113,387 at 3% for 10 ½ years to I. Mac Boyd for renovations at 124 W. Sale St. As of April 30, 2016, all amounts of this loan was disbursed and the loan had entered the repayment phase, with an outstanding balance of \$57,675.

On May 19, 2008, the City Council approved a loan of \$13,299 at 3% for 11 years to Michael and Virginia Campbell for renovations at 201 S. Main St. As of April 30, 2016, all amounts of this loan was disbursed and the loan had entered the repayment phase, with an outstanding balance of \$3,410.

On January 13, 2014, the City Council approved a loan of \$80,000 to Richard and Donna Kidwell of Daylight Donuts for renovations to the building at 901 E. Southline Road for use as a donut shop. As of April 30, 2016, all amounts of this loan had been disbursed and the loan had entered the repayment phase, with an outstanding balance of \$77,701.

On February 13, 2012, the City Council approved a loan of \$59,500 at 3% for 10 years to Edward Boutilier of Red Barn Veterinary Services for renovations at 132 W. Sale St. On March 9, 2015, the City Council rescinded \$17,765 of this loan. As of April 30, 2016, \$41,735 of this loan was disbursed and the loan had entered the repayment phase, with an outstanding balance of \$44,430.

On October 30, 2007, the City Council approved a loan of \$6,205 at 3% for 11 ½ years to Thomas G. Wold and Sally J. Foote for renovations at 140 W. Sale St. As of April 30, 2016, all amounts of this loan was disbursed and the loan had entered the repayment phase, with an outstanding balance of \$2,171.

On August 12, 2004, the City Council approved a loan of \$170,000 at 3% for 13 years to Flesor Family Confectionary, Inc. for the expansion and renovation of Flesor's Candy Kitchen at 101, 103, and 105 W. Sale St. As of April 30, 2016, all amounts of this loan was disbursed and the loan had entered the repayment phase, with an outstanding balance of \$12,299.

On April 27, 2015, the City Council approved a loan of \$100,000 at 1.5% for 6 ½ years to Flesor Family Confectionary, Inc. for the expansion and renovation of Flesor's Candy Kitchen at 101, 103, and 105 W. Sale St. As of April 30, 2016, \$78,690 of this loan had been disbursed.

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 3 - Detail Notes on Transaction Classes/Accounts (Continued)

Tax Increment Financing Loans Receivable (Continued)

On November 14, 2013, the City Council approved a loan of \$25,901 at 3% for 8 years to Greco Enterprises, LLC for renovations at 101 E. Sale St. As of April 30, 2016, all amounts of this loan was disbursed and the loan had entered the repayment phase, with an outstanding balance of \$18,463.

On September 28, 2015, the City Council approved a loan, not to exceed \$18,300, at 3% for 6 years to Dr. William Hemmer for parking lot improvements to his property at 902 S. Court St. As of April 30, 2016, all amounts of this loans was disbursed and the loan had entered the repayment phase, with an outstanding balance of \$16,990.

On September 28, 2015, the City Council approved a loan, not to exceed \$18,300, at 3% for 6 years to Dr. Jamison Boyd for parking lot improvements to his property at 902 S. Court St. As of April 30, 2016, all amounts of this loans was disbursed and the loan had entered the repayment phase, with an outstanding balance of \$17,019.

On August 15, 2003, the City Council approved a loan of \$184,664 at 3% for 18 ½ years to Scott Kibler of Scott Kibler Agency, Inc. for renovations at 129 W. Sale St. As of April 30, 2016, all amounts of this loan was disbursed and the loan had entered the repayment phase, with an outstanding balance of \$51,101.

On June 10, 2013, the City Council approved a loan of \$50,000 to John McDevitt of Yellow Dog Artworks for renovation to the HVAC system and roof at 100 N. Main St. The amount is to be added to the building purchase price upon completion of the project. On April 14, 2014, and additional amount of \$80,425 was approved by City Council under the same terms. As of April 30, 2016, all of this loan was disbursed and the loan had entered the repayment phase, with an outstanding balance of \$93,675.

On October 14, 2014, the City Council approved a loan of \$15,000 at 3% for 7 years to Racheal Puckett for renovations to the building at 102-104 W. Sale Street. As of April 30, 2016, \$12,535 of this loan had been disbursed, remaining amounts were rescinded by the City Council and the loan had entered the repayment phase, with an outstanding balance of \$12,193.

On September 16, 2011, the City Council approved a loan of \$43,834 at 3% for 10 ½ years to Vintage Karma for renovations at 110 W. Sale St. As of April 30, 2016, all amounts of this loan was disbursed and the loan had entered the repayment phase, with an outstanding balance of \$28,211.

On August 12, 2013, the City Council approved a loan of \$7,520 at 3% for 8 years to Richard and Donna Kidwell for brick work to the exterior of the Winterberry Store building at 114-116 W. Sale St. and a loan of \$2,200 for replacing the awning on the same building. On October 14, 2013, the City Council approved an additional loan amount of \$9,260 for a new roof on the same building. As of April 30, 2016, \$9,743 of this loan was disbursed, the remaining amounts were rescinded by the City Council and the loan had entered the repayment phase, with an outstanding balance of \$9,489.

Tax Increment Financing Loan Project

The City approved and adopted tax increment financing in accordance with the terms of the Tax Increment Allocation Redevelopment Act of the State of Illinois. Accordingly, the City has adopted a redevelopment plan and project and designated a project area in compliance with the conditions of the Act. Under this plan, any increase in Property Tax incurred over the base amount on the date of enactment of the project will be allocated exclusively to the project area for purpose of economic development.

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 3 - Detail Notes on Transaction Classes/Accounts (Continued)

Tax Increment Financing Loan Project (Continued)

These tax increments collected under the Act and paid to the City will be deposited in a special fund designated as “The Special Tax Allocation Fund for the Tuscola Redevelopment Project Area”. For the year ending April 30, 2016 the Tax Increment Fund received \$1,410,985 in property taxes.

Tax Increment Grants

On April 9, 2012, the City Council approved a \$22,825 grant to At Home Illinois/Bailey James Enterprises for roof replacement at 123 W. Sale St. On July 9, 2012, the City Council rescinded the April 9, 2012 grant and approved a grant for renovations at 123 W. Sale St. in the amount of \$51,000. On July 22, 2013, the City Council approved an additional \$309,000 grant for this project to bring the total project grant to \$360,000. At April 30, 2016, all amounts had been disbursed on this grant.

On February 11, 2013, the City Council approved a Memorandum of Understanding providing a \$61,900 grant to Tuscola Properties, LLC, for site work for public infrastructure improvements to the property at 1000 E. Southline Road. On May 13, 2013, the City Council approved an additional grant for \$9,800 to finish engineering on the East-West roads within the property. On July 22, 2013, the City Council approved an additional grant of \$56,700 for design engineering for traffic signals at the corner of Prairie St. and Southline Road, adjacent to the property. On August 12, 2014, the City Council amended and approved this total project grant at \$1,700,000, including all prior authorized work and grant amounts. At April 30, 2016, \$1,593,011 had been paid on this grant and the remaining amounts had been rescinded.

On August 12, 2013, the City Council approved a grant of \$9,400 for brick work to the exterior of the Winterberry Store building at 114-116 W. Sale St. and a grant of \$2,750 for replacing the awning on the same building. On October 14, 2013, the City Council approved an additional grant amount of \$11,575 for a new roof on the same building. At April 30, 2016, \$11,564 of this grant was disbursed and the remaining amounts had been rescinded.

On September 9, 2013, the City Council approved a grant in the amount of \$4,570 to Richard and Donna Kidwell for exterior renovations to their building at 601 S. Main Street. At April 30, 2016, \$2,327 of this grant had been disbursed.

On October 14, 2013, the City Council approved a grant in the amount of \$4,300 to Bev Hastings for roof replacement to her property at 113-115 W. Sale St. At April 30, 2016, none of the amounts of this grant were disbursed.

On December 11, 2013, the City Council approved a grant of \$80,000 to the Tuscola Moose Lodge for property acquisition and lot paving at the corner of Route 36 and Meadowview Dr. At April 30, 2016, \$65,000 of this grant was disbursed.

On January 13, 2014, the City Council approved a grant of \$115,000 to Richard Kidwell for renovation to the building at 901 E. Southline Road for use as a donut shop. At April 30, 2016, \$82,495 of this grant had been disbursed and the remaining amounts rescinded.

On April 14, 2014, the City Council approved a grant of \$8,500 to the American Legion Post for roof replacement to their building at 209 N. Parke St. At April 30, 2016, \$7,809 of this grant had been disbursed and the remaining amounts rescinded.

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 3 - Detail Notes on Transaction Classes/Accounts (Continued)

Tax Increment Grants (Continued)

On May 12, 2014, the City Council approved a grant of \$6,930 to Jamison Boyd and William Hemmer for roof repairs to their building at 902 S. Court Street. At April 30, 2016, none of the amounts of this grant were disbursed and all of this grant was rescinded.

On June 9, 2014, the City Council approved a grant to Kelsey Furniture, Inc. in the amount of \$6,900 for masonry repairs to their warehouse building at 103 E. South Central Avenue. At April 30, 2016, \$5,594 of this grant had been disbursed and the remaining amounts rescinded.

On October 14, 2014, the City Council approved a grant of \$20,000 to Racheal Puckett for renovations to the building at 102-104 W. Sale Street. At April 30, 2016, \$15,407 of this grant had been disbursed and the remaining amounts rescinded.

On October 14, 2014, the City Council approved a grant of \$2,500 to the Museum Association of Douglas County for masonry repairs to their building at 700 S. Main Street. On February 9, 2015, the City Council approved an additional \$50,000 grant for mold remediation and building repairs. At April 30, 2016, all amounts had been disbursed.

On December 8, 2014, the City Council approved a grant of \$4,975 to Nicholas & Lydia Puddicombe for architectural services at 211 N. Parke Street. At April 30, 2016, \$3,500 of this amount was disbursed and the remaining amounts rescinded.

On February 9, 2015, the City Council approved a grant of up to \$24,985 to I. Mac Boyd for renovations to his property at 124 W. Sale Street. At April 30, 2016, none of this amount was disbursed.

On April 13, 2015, the City Council approved a grant to Kelsey Furniture, Inc. of up to \$40,000 for masonry repairs at 215 N. Main Street. At April 30, 2016, \$34,653 of this grant had been disbursed.

On April 27, 2015, the City Council approved a grant of \$300,000 to Flesor Family Confectionary for the expansion and renovation of Flesor's Candy Kitchen at 101, 103, and 105 W. Sale Street. At April 30, 2016, \$236,071 of this grant had been disbursed.

On June 8, 2015, the City Council approved a grant of \$29,200 to Adkisson Construction for roof replacement materials at 200 N. Parke Street. At April 30, 2016, \$29,186 of this grant had been disbursed and the remaining amounts rescinded.

On September 28, 2016, the City Council approved grants, not to exceed \$22,875 each, to Dr. William Hemmer and Dr. Jamison Boyd for parking lot improvements to their property at 902 S. Court St. At April 30, 2016, \$22,870 of each of these grants were disbursed and the remaining amounts were rescinded.

On October 13, 2015, the City Council approved a grant to Bob Woodard of up to \$3000 for 50% of costs for demolition of existing structures as part of a parking lot installation for a gaming parlor at 802 S. Main St. At April 30, 2016, none of this amount had been disbursed.

On October 13, 2015, the City Council approved a grant to Kelley Englehardt of up to \$5,250 for interior renovations at 200 N. Main St. At April 30, 2016, \$5,196 of this grant had been disbursed and the remaining amounts rescinded.

On March 14, 2016, the City Council approved a grant to Kelsey Furniture, Inc. for \$6,000 for exterior door replacement at 215 N. Main St. At April 30, 2016, none of this amount was disbursed.

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 3 - Detail Notes on Transaction Classes/Accounts (Continued)

Tax Increment Other Redevelopment Agreements and Commitments

On April 28, 2003, the City Council entered into an intergovernmental agreement with the Tuscola Community Unit School City #301 for the purchase of the property at 400 E. Sale St., the former Northward School property. The parties additionally agreed to a vocational or career education grant, as provided in an intergovernmental cooperation agreement dated December 28, 1998, to the school City in the amount of \$150,000 per year for 9 years. The grant payments were scheduled to begin on October 1, 2010. On September 27, 2010, the City Council approved the payment of two of the \$150,000 payments instead of one. On April 30, 2016, \$1,050,000 or seven payments of this grant had been disbursed.

An additional term of the redevelopment agreement is to extend the annual \$400,000 subsidy approved in the prior redevelopment agreement for an additional 12 years to the current end of the City's TIF district. The terms of this extension is the same as the terms in the original redevelopment agreement on this development.

On September 12, 2005, the City Council approved an agreement with Tuscola Economic Development, Inc. (TEDI) for purposes of the City employing an economic development director position for TEDI as its annual funding commitment to the organization. The amount of that commitment was not to exceed \$50,000 per year for the following three years. On December 10, 2007, the City Council approved an additional funding commitment under that original agreement of \$25,000 for the original three year period which would be ending April 30, 2015. On April 14, 2008, the City Council approved an extension to that agreement which would increase the annual funding commitment to \$75,000 per year for an additional three year term. On March 23, 2009, the City Council approved a \$5,000 grant to TEDI for purposes of providing assistance to clean up commercial properties within the TIF City. On September 27, 2010, the City Council approved an additional \$40,000 for additional personnel costs for economic development and renewed its commitment for an additional three fiscal years at an amount not to exceed \$100,000 per year. On April 14, 2014, the City Council approved an extension of this agreement for three additional fiscal years at \$100,000 per year.

On January 25, 2010, the City Council approved a Redevelopment agreement with Tuscola Do-it Best Home Center and owners Jim and Kay Higgins for purposes of assisting in development of a new hardware and home center at 407 E. Southline Road. The City will reimburse the developers \$250,000 in the form of a grant for building rehabilitation; an incremental sales tax rebate of 75% of increment for years 1-4 of the business, 60% for years 5-7, and 50% for years 8-10; and an incremental property tax rebate of 100% of the increment for 10 years with the total financial incentive for this redevelopment agreement capped at \$750,000 over the term of the agreement. At April 30, 2016, \$486,771 of this grant had been disbursed.

On February 14, 2011, the City Council approved a professional services agreement with Peckham, Guyton, Albers and Viets to begin the process of establishing a new TIF City at Barker and Prairie Streets for purposes of mitigating flood plain area so that a subdivision of single family housing can be built on currently vacant, flood plain encumbered land lots. On October 10, 2011, the City Council entered into a redevelopment agreement with Owen Tucker for the development of the lots in the newly established Barker/Prairie TIF City #3, which included a 50% grant, not to exceed \$750,000, for costs of demolishing the old city sewer plan, site prep, and flood mitigation in the redevelopment City. The agreement also includes a 60% tax rebate for properties developed between Barker, Newkirk, Prairie and Enterprise streets. At April 30, 2016, \$399,346 of this grant had been disbursed.

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 3 - Detail Notes on Transaction Classes/Accounts (Continued)

Tax Increment Other Redevelopment Agreements and Commitments (Continued)

On May 12, 2014, the City Council approved a redevelopment agreement with Owen Tucker to complete a street through the Barker/Prairie TIF area at a cost of \$381,000, payable at 100% to the developer upon completion of work on the street. The agreement further calls for additional housing lots to be developed on the property. At April 30, 2016, \$341,484 of these amounts had been disbursed.

Tax Increment Financing Designated and Earmarked Funds

Beginning with the year ending April 30, 2000, all TIF funds must have planned uses or must be remitted back to the taxing bodies. The following schedule outlines the City's planned use of its funds on hand.

Property Tax Funds:

Land Improvements, Private Loans, Subsidies, and Grants	2,500,000
Development of Business Centre east of I-57	1,500,000

Concentrated Credit Risk

The City's Water and Sewer Funds are principally engaged in the business of providing water and sewer services to City residents. The Water and Sewer Fund's give credit to customers for water and sewer service provided, with payment terms normal in the industry. The Water and Sewer Fund's ability to collect the amounts due from customers may be affected by general economic fluctuations in the City and the surrounding geographic area. The City has established an allowance for doubtful accounts in the Water Fund of \$4,000 and in the Sewer Fund of \$5,000 as of April 30, 2016.

Joint Venture

On May 10, 1993, the City of Tuscola entered into an intergovernmental agreement with the City of Arcola and Cabot Corporation to construct, maintain and operate a newly constructed water main. The purpose of this water main is to provide the cities, as well as Cabot Corporation and several residences, water from Northern Illinois Water Corporation. This agreement had an original term of 10 years beginning on May 10, 1993, and automatically renews every 5 years. The maximum total term is not to exceed 40 years. Each of the Cities designates 3 representatives to serve on the Tuscola-Arcola Water Main board. The mayor or administrator of the host City serves as the chairperson (with tie breaker voting ability). The host City alternates with each meeting. The capital budgets for construction of this water main were funded 55% by the City of Tuscola and 45% by the City of Arcola, with Cabot Corporation reimbursing 12.5% of the total cost of construction up to a maximum of \$450,000.

Each member agency (the Cities of Arcola and Tuscola) holds an equity interest in the water main capital assets according to each Cities share of water usage for the prior year and the proportion of funding provided by each City during a year. At April 30, 2016 the City of Tuscola's equity interest was 49.53%, or \$5,675, which is reported in the Proprietary Funds as investment in joint venture.

A copy of the separate unaudited financial statements for Tuscola-Arcola Water Main may be obtained from the City of Tuscola, 214 N. Main Street, Tuscola, IL 61953-1486. The responsibility for maintaining books and records for the joint venture is rotated periodically between the Cities.

Summary financial information for the Tuscola-Arcola Water Main as of and for the year ended April 30, 2016 is provided below.

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 3 - Detail Notes on Transaction Classes/Accounts (Continued)

Joint Venture (Continued)

Financial Position as of April 30, 2016

Total assets	<u>\$ 48,156</u>
Total liabilities	\$ -
Total equity	<u>48,156</u>
Total liabilities and equity	<u>\$ 48,156</u>

Results of Operations for Fiscal Year Ending April 30, 2016

Total revenues	\$173,081
Total expenditures	<u>174,899</u>
Net income (loss)	(1,818)
Beginning total equity	<u>49,974</u>
Ending total equity	<u>\$ 48,156</u>

Economic Dependency

The City of Tuscola receives its income primarily from local property taxes and state sales tax. There are a few large businesses that provide the City of Tuscola a significant amount of this revenue and would negatively impact their operations if they were to close.

Note 4 - Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by Nationwide Retirement Solutions. The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Contributions to the plan are recorded on the City's books as current salaries expenditures. All assets and income of the plan are held in trust by the plan administrator for the exclusive benefit of the participants and their beneficiaries. The City does not take an active role in the managing of the plan assets. Therefore, in accordance with GASB Statement No. 32, the deferred compensation plan is not reported in the City's financial statements.

Note 5 - Appropriations Deficit

No funds that adopted budgets annually had excess expenditures over appropriations for the fiscal year ended April 30, 2016.

Note 6 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The City obtains coverage from commercial insurance companies to handle the risk of loss. There have been no decreases in insurance coverage from the prior year. There have been no settlements in excess of insurance coverage during the prior three years.

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 6 - Risk Management (Continued)

Illinois Municipal League Risk Management Association - The City participates in the Illinois Municipal League Risk Management Association (IMLRMA). IMLRMA is an organization of municipalities in Illinois that have formed an association under the Illinois Intergovernmental Corporation Statute to pool its risk management needs. The pool is self-sustaining through member premiums and provides the following types of coverage: workmen's compensation, auto liability & comprehensive general liability, portable equipment, auto physical damage and property. An annual premium is charged to cover expected claims and administrative costs. The City and any other participating entities are subject to cover loss experiences that exceed predictions through additional premiums. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City.

Note 7 - Commitments and Contingencies

Grant Contingencies

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Note 8 - Pension Plan

IMRF Plan Description

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

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 8 - Pension Plan (Continued)

Benefits Provided (Continued)

Employees hired *on or after* January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

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

Employees Covered by Benefit Terms

As of December 31, 2015, the following employees were covered by the benefit terms:

	IMRF
Retirees and Beneficiaries currently receiving benefits	19
Inactive Plan Members entitled to but not yet receiving benefits	10
Active Plan Members	25
Total	54

Contributions

As set by statute, the City's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate for calendar year 2015 was 10.14%. For the fiscal year ended April 30, 2016, the City contributed \$127,492 to the plan. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2015:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.75%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.49%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 8 - Pension Plan (Continued)

Actuarial Assumptions (Continued)

- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Portfolio	Long-Term
	Target	Expected
	Percentage	Real Rate
Domestic Equity	38%	7.60%
International Equity	17%	7.80%
Fixed Income	27%	3.00%
Real Estate	8%	6.15%
Alternative Investments	9%	5.25-8.50%
Cash Equivalents	1%	2.25%
Total	100%	

Single Discount Rate

A Single Discount Rate of 7.49% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.49%.

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 8 - Pension Plan (Continued)

Changes in the Net Pension Liability

	Total	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
	Pension Liability (A)		
	Net Pension Liability (A) - (B)		
Balances at December 31, 2014	\$6,231,826	\$6,128,189	\$103,637
Changes for the year:			
Service Cost	135,003	-	135,003
Interest on the Total Pension Liability	464,222	-	464,222
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual			
Experience of the Total Pension Liability	(9,272)	-	(9,272)
Changes of Assumptions	8,307	-	8,307
Contributions - Employer	-	127,492	(127,492)
Contributions - Employees	-	56,574	(56,574)
Net Investment Income	-	30,553	(30,553)
Benefit Payments, including Refunds			
of Employee Contributions	(219,403)	(219,403)	-
Other (Net Transfer)	-	(33,907)	33,907
Net Changes	378,857	(38,691)	417,548
Balances at December 31, 2015	<u>\$6,610,683</u>	<u>\$6,089,498</u>	<u>\$521,185</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.49%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower	Current Discount	1% Higher
	(6.49%)	(7.49%)	(8.49%)
Net Pension Liability	\$1,421,203	\$521,185	(\$212,321)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended April 30, 2016, the City recognized pension expense of \$79,106. At April 30, 2016, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 8 - Pension Plan (Continued)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$ -	\$7,504
Changes of assumptions	6,723	-
Net difference between projected and actual earnings on pension plan investments	341,172	-
Total Deferred Amounts to be recognized in pension expense in future periods	347,895	7,504
<i>Pension Contributions made subsequent to the Measurement Date</i>		
	40,548	-
Total Deferred Amounts Related to Pensions	\$388,443	\$7,504

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending December 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$86,985	\$1,876
2017	86,985	1,876
2018	86,985	1,876
2019	86,985	1,876
2020	(45)	-
Thereafter	-	-
Total	\$347,895	\$7,504

CITY OF TUSCOLA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

Note 9 - Restatement of Net Position

Effective July 1, 2014, the City was required to adopt Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the City, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 68 required retrospective application. Since the City only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$61,140 reduction in beginning net position on the Statement of Activities and an increase of \$381,720 of deferred outflows of resources - \$40,548 of City contributions subsequent to the measurement date and \$341,172 of difference between projected and actuarial earnings on investments. Beginning net position restatement by type is as follows:

	<u>Governmental Type Activities</u>
Net position – as previously stated	\$ 27,178,594
GASB 68 implementation	<u>(61,140)</u>
Net position – as restated	<u><u>\$ 27,117,454</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TUSCOLA
Tuscola, Illinois

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Changes in the Net Pension Liability and Related Ratios

Calendar Year Ended December 31,

2015

Total Pension Liability

Service Cost	\$ 135,003
Interest on the Total Pension Liability	464,222
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(9,272)
Changes of Assumptions	8,307
Benefit Payments, including Refunds of Employee Contributions	<u>(219,403)</u>
Net Change in Total Pension Liability	378,857
Total Pension Liability - Beginning	<u>6,231,826</u>
Total Pension Liability - Ending (A)	<u>\$ 6,610,683</u>

Plan Fiduciary Net Position

Contributions - Employer	\$ 127,492
Contributions - Employees	56,574
Net Investment Income	30,553
Benefit Payments, including Refunds of Employee Contributions	(219,403)
Other (Net Transfer)	<u>(33,907)</u>
Net Change in Plan Fiduciary Net Position	(38,691)
Plan Fiduciary Net Position - Beginning	<u>6,128,189</u>
Plan Fiduciary Net Position - Ending (B)	<u>\$ 6,089,498</u>
Net Pension Liability – Ending (A) – (B)	<u>\$ 521,185</u>

Plan Fiduciary Net Position as a Percentage

of the Total Pension Liability 92.12%

Covered Valuation Payroll \$1,257,207

Net Pension Liability as a Percentage

of Covered Valuation Payroll 41.46%

CITY OF TUSCOLA
Tuscola, Illinois

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions

Calendar Year Ended <u>December 31,</u>	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2015	\$122,452	\$127,492	\$(5,040)	\$1,257,207	10.14%

Notes to Schedule:

*Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2015 Contribution Rate**

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2015 Contribution Rates:

Actuarial Cost Method: Aggregate Entry Age Normal

Amortization Method: Level Percentage of Payroll, Closed

Remaining Amortization Period: Non-Taxing bodies: 10-year rolling period.

Taxing bodies (Regular, SLEP and ECO groups): 28-year closed period until remaining period reaches 15 years (then 15-year rolling period).

Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.

SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 23 years for most employers (two employers were financed over 32 years).

Asset Valuation Method: 5-year smoothed market; 20% corridor

Wage Growth: 4.00%

Price Inflation: 3.00%, approximate; No explicit price inflation assumption is used in this valuation.

Salary Increases: 4.40% to 16.00%, including inflation

Investment Rate of Return: 7.50%

Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.

Mortality: RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes: There were no benefit changes during the year.

* Based on Valuation Assumptions used in the December 31, 2013, actuarial valuation; note two year lag between valuation and rate setting.

CITY OF TUSCOLA
Tuscola, Illinois
Budgetary Comparison Schedule - General Fund
For The Year Ended April 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
				Over (Under)
Revenues				
Property taxes	\$ 470,248	\$ 470,248	\$ 468,150	\$ (2,098)
Sales taxes	1,980,000	1,980,000	1,908,803	(71,197)
State income taxes	443,520	443,520	538,551	95,031
Replacement taxes	37,600	37,600	37,204	(396)
Video gaming taxes	65,000	65,000	84,686	19,686
Fines and fees	32,000	32,000	24,244	(7,756)
Rent	11,500	11,500	4,789	(6,711)
Licenses and permits	22,600	22,600	24,161	1,561
Grant income	18,195	18,195	20,495	2,300
Franchise fees	44,000	44,000	35,400	(8,600)
Fire insurance	8,000	8,000	9,198	1,198
Pool income	73,000	73,000	53,198	(19,802)
Interest income	2,200	2,200	3,454	1,254
Miscellaneous	27,100	27,100	96,915	69,815
Total Revenues	<u>3,234,963</u>	<u>3,234,963</u>	<u>3,309,248</u>	<u>74,285</u>
Expenditures				
General Government				
Salaries - city officials and other	310,000	310,000	203,571	(106,429)
Payroll taxes	55,000	55,000	16,251	(38,749)
Employee benefits	125,000	125,000	49,383	(75,617)
Professional fees	150,000	150,000	17,502	(132,498)
Office and general expenses	270,000	270,000	20,092	(249,908)
Insurance	155,000	155,000	45,649	(109,351)
Publications	15,000	15,000	3,612	(11,388)
Maintenance	100,000	100,000	2,929	(97,071)
Utilities	50,000	50,000	14,583	(35,417)
Animal and bird control	20,000	20,000	-	(20,000)
Travel, training and education	10,000	10,000	1,466	(8,534)
Community activity subsidy	225,000	225,000	87,600	(137,400)
Substance abuse program	10,000	10,000	1,686	(8,314)
Miscellaneous	50,000	50,000	11,219	(38,781)
Total Expenditures - General Government	<u>1,545,000</u>	<u>1,545,000</u>	<u>475,543</u>	<u>(1,069,457)</u>
Public Safety				
Fire Protection				
Salaries	300,000	300,000	122,533	(177,467)
Payroll taxes	60,000	60,000	9,884	(50,116)
Employee benefits	5,000	5,000	2,243	(2,757)
Subscriptions	10,000	10,000	467	(9,533)
Special bequests	150,000	150,000	7,381	(142,619)
Utilities	25,000	25,000	4,774	(20,226)
Travel, training and education	50,000	50,000	5,550	(44,450)
Office and general expenses	25,000	25,000	2,465	(22,535)
Uniforms	10,000	10,000	2,615	(7,385)
Repairs and maintenance	285,000	285,000	25,554	(259,446)
Supplies and parts	100,000	100,000	21,006	(78,994)
Fire prevention	5,000	5,000	1,275	(3,725)
Miscellaneous	5,000	5,000	1,248	(3,752)
Total Expenditures - Fire Protection	<u>1,030,000</u>	<u>1,030,000</u>	<u>206,995</u>	<u>(823,005)</u>

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

CITY OF TUSCOLA
Tuscola, Illinois
Budgetary Comparison Schedule - General Fund
For The Year Ended April 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget		
	Original	Final				
Expenditures (continued)						
Public Safety (continued)						
Police Protection						
Salaries	\$ 825,000	\$ 825,000	\$ 374,382	\$ (450,618)		
Payroll taxes	20,000	20,000	7,665	(12,335)		
Employee benefits	300,000	300,000	121,925	(178,075)		
Communications	25,000	25,000	11,127	(13,873)		
Office and general expenses	25,000	25,000	5,175	(19,825)		
Uniforms	20,000	20,000	4,128	(15,872)		
Repairs and maintenance	260,000	260,000	73,362	(186,638)		
Utilities	20,000	20,000	6,089	(13,911)		
Subscriptions	15,000	15,000	105	(14,895)		
Travel, training and education	25,000	25,000	4,666	(20,334)		
Drug fund	100,000	100,000	-	(100,000)		
K-9 unit	20,000	20,000	-	(20,000)		
Miscellaneous	15,000	15,000	4,587	(10,413)		
Total Expenditures - Police Protection	<u>1,670,000</u>	<u>1,670,000</u>	<u>613,211</u>	<u>(1,056,789)</u>		
Building Inspection						
Salaries	110,000	110,000	35,967	(74,033)		
Payroll taxes	11,000	11,000	2,739	(8,261)		
Employee benefits	45,000	45,000	12,786	(32,214)		
Insurance	500	500	50	(450)		
Office and general expenses	30,000	30,000	4,599	(25,401)		
Travel, training and education	10,000	10,000	474	(9,526)		
Professional fees	120,000	120,000	-	(120,000)		
Repairs and maintenance	45,000	45,000	484	(44,516)		
Miscellaneous	5,000	5,000	739	(4,261)		
Total Expenditures - Building Inspection	<u>376,500</u>	<u>376,500</u>	<u>57,838</u>	<u>(318,662)</u>		
ESDA						
Communications	50,000	50,000	1,858	(48,142)		
Travel, training and education	10,000	10,000	-	(10,000)		
Supplies and parts	15,000	15,000	-	(15,000)		
Repairs and maintenance	15,000	15,000	10,744	(4,256)		
Miscellaneous	15,000	15,000	-	(15,000)		
Total expenditures - ESDA	<u>105,000</u>	<u>105,000</u>	<u>12,602</u>	<u>(92,398)</u>		
Total Expenditures - Public Safety	<u>3,181,500</u>	<u>3,181,500</u>	<u>890,646</u>	<u>(2,290,854)</u>		
Public Works						
Streets and Alleys						
Salaries	475,000	475,000	244,805	(230,195)		
Payroll taxes	105,000	105,000	19,857	(85,143)		
Employee benefits	250,000	250,000	98,430	(151,570)		
Communications	5,000	5,000	1,159	(3,841)		
Travel, training and education	5,000	5,000	110	(4,890)		
Vehicle fuel	75,000	75,000	14,823	(60,177)		
Vehicle maintenance	150,000	150,000	22,276	(127,724)		
Utilities	150,000	150,000	45,841	(104,159)		
Small equipment	102,500	102,500	2,151	(100,349)		
Supplies and parts	20,000	20,000	3,447	(16,553)		
Repairs and maintenance	450,000	450,000	15,549	(434,451)		
Street, alley and curb maintenance	250,000	250,000	95,078	(154,922)		
Sidewalks	25,000	25,000	-	(25,000)		
Miscellaneous	5,000	5,000	79	(4,921)		
Total Expenditures - Streets and Alleys	<u>2,067,500</u>	<u>2,067,500</u>	<u>563,605</u>	<u>(1,503,895)</u>		

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

CITY OF TUSCOLA
Tuscola, Illinois
Budgetary Comparison Schedule - General Fund
For The Year Ended April 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Expenditures (continued)				
Public Works (continued)				
Municipal Building				
Salaries	\$ 12,000	\$ 12,000	\$ -	\$ (12,000)
Payroll taxes	6,000	6,000	-	(6,000)
Employee benefits	6,000	6,000	-	(6,000)
Insurance	250,000	250,000	61,912	(188,088)
Communications	5,000	5,000	626	(4,374)
Leases	10,000	10,000	3,482	(6,518)
Utilities	50,000	50,000	17,803	(32,197)
Real estate taxes - drainage	20,000	20,000	5,141	(14,859)
Vending	5,000	5,000	203	(4,797)
Supplies and parts	40,000	40,000	3,947	(36,053)
Repairs and maintenance	190,000	190,000	26,058	(163,942)
Miscellaneous	5,000	5,000	-	(5,000)
Total Expenditures - Municipal Building	<u>599,000</u>	<u>599,000</u>	<u>119,172</u>	<u>(479,828)</u>
Total Expenditures - Public Works	<u>2,666,500</u>	<u>2,666,500</u>	<u>682,777</u>	<u>(1,983,723)</u>
Culture and Recreation				
Park				
Salaries	135,000	135,000	55,853	(79,147)
Payroll taxes	11,000	11,000	4,179	(6,821)
Employee benefits	60,000	60,000	21,380	(38,620)
Repairs and maintenance	120,000	95,000	11,367	(83,633)
Communications	5,000	5,000	492	(4,508)
Travel, training and education	5,000	5,000	20	(4,980)
Utilities	50,000	50,000	13,537	(36,463)
Supplies and parts	41,500	41,500	4,210	(37,290)
Advertising	-	-	-	-
Miscellaneous	40,000	40,000	116	(39,884)
Total Expenditures - Park	<u>467,500</u>	<u>442,500</u>	<u>111,154</u>	<u>(331,346)</u>
Pool				
Salaries	110,000	110,000	52,239	(57,761)
Payroll taxes	15,000	15,000	4,354	(10,646)
Supplies	90,000	90,000	13,245	(76,755)
Repairs and maintenance	95,000	95,000	5,625	(89,375)
Advertising	10,000	10,000	280	(9,720)
Communications	5,000	5,000	492	(4,508)
Training	5,000	5,000	1,283	(3,717)
Utilities	50,000	50,000	27,983	(22,017)
Miscellaneous	20,000	20,000	57	(19,943)
Total Expenditures - Pool	<u>400,000</u>	<u>400,000</u>	<u>105,558</u>	<u>(294,442)</u>
Total Expenditures - Culture and Recreation	<u>867,500</u>	<u>842,500</u>	<u>216,712</u>	<u>(625,788)</u>

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

CITY OF TUSCOLA
Tuscola, Illinois
Budgetary Comparison Schedule - General Fund
For The Year Ended April 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (continued)				
Development				
Economic development	5,000,000	5,000,000	28,248	(4,971,752)
Total Expenditures - Development	5,000,000	5,000,000	28,248	(4,971,752)
Capital Outlay				
General government	500,000	500,000	29,859	(470,141)
Fire protection	1,000,000	1,000,000	-	(1,000,000)
Police protection	100,000	100,000	65,134	(34,866)
Building inspection	50,000	50,000	-	(50,000)
Streets and alleys	1,000,000	1,000,000	-	(1,000,000)
Municipal building	1,000,000	1,000,000	382,482	(617,518)
ESDA	100,000	100,000	-	(100,000)
Park	150,000	175,000	96,263	(78,737)
Pool	1,500,000	1,500,000	-	(1,500,000)
Total Expenditures - Capital Outlay	5,400,000	5,425,000	573,738	(4,851,262)
Total expenditures	18,660,500	18,660,500	2,867,664	(15,792,836)
Excess (deficiency) of revenues over (under) expenditures	(15,425,537)	(15,425,537)	441,584	15,867,121
Other Financing Sources (Uses)				
Insurance recovery	-	-	352,228	352,228
Impairment loss on investment	-	-	(6,913)	(6,913)
Total other financing sources (uses)	-	-	345,315	345,315
Net change in fund balances	\$ (15,425,537)	\$ (15,425,537)	786,899	\$ 16,212,436
Fund balances - beginning			4,247,471	
Fund balances - ending			\$ 5,034,370	

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

CITY OF TUSCOLA
Tuscola, Illinois
Budgetary Comparison Schedule - Tax Increment Financing Fund
For The Year Ended April 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 1,400,025	\$ 1,400,025	\$ 1,410,985	\$ 10,960
Interest income	15,600	15,600	13,073	(2,527)
Total revenues	<u>1,415,625</u>	<u>1,415,625</u>	<u>1,424,058</u>	<u>8,433</u>
Expenditures				
Current				
Development	18,501,950	18,501,950	1,152,910	(17,349,040)
Capital outlay	2,500,000	2,500,000	1,320,481	(1,179,519)
Total expenditures	<u>21,001,950</u>	<u>21,001,950</u>	<u>2,473,391</u>	<u>(18,528,559)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19,586,325)</u>	<u>(19,586,325)</u>	<u>(1,049,333)</u>	<u>18,536,992</u>
Other Financing Sources (Uses)				
Bond proceeds	<u>(2,400,000)</u>	<u>(2,400,000)</u>	-	<u>2,400,000</u>
Net change in fund balances	<u>\$ (17,186,325)</u>	<u>\$ (17,186,325)</u>	<u>(1,049,333)</u>	<u>\$ 16,136,992</u>
Fund balances - beginning			<u>(1,308,699)</u>	
Fund balances - ending			<u>\$ (2,358,032)</u>	

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

CITY OF TUSCOLA
Tuscola, Illinois
Budgetary Comparison Schedule - Motor Fuel Tax Fund
For The Year Ended April 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
			Over (Under)	
Revenues				
Motor fuel tax	\$ 125,624	\$ 125,624	\$ 114,593	\$ (11,031)
Interest income	300	300	208	(92)
Total revenues	<u>125,924</u>	<u>125,924</u>	<u>114,801</u>	<u>(11,123)</u>
Expenditures				
Current				
Public works	250,000	250,000	-	(250,000)
Debt Service				
Principal	200,000	200,000	99,000	(101,000)
Interest expense	150,000	150,000	20,837	(129,163)
Capital outlay	<u>1,500,000</u>	<u>1,500,000</u>	-	(1,500,000)
Total expenditures	<u>2,100,000</u>	<u>2,100,000</u>	<u>119,837</u>	<u>(1,980,163)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,974,076)</u>	<u>\$ (1,974,076)</u>	<u>(5,036)</u>	<u>\$ 1,969,040</u>
Fund balances - beginning			<u>244,580</u>	
Fund balances - ending			<u>\$ 239,544</u>	

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

CITY OF TUSCOLA
Tuscola, Illinois
Budgetary Comparison Schedule - Tourism Fund
For The Year Ended April 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
			Over (Under)	
Revenues				
Sales taxes - city	\$ 162,250	\$ 162,250	\$ 155,636	\$ (6,614)
Fines and fees	14,850	14,850	14,240	(610)
Interest income	100	100	386	286
Grant income	37,045	37,045	8,871	(28,174)
Miscellaneous	500	500	1,499	999
Total revenues	<u>214,745</u>	<u>214,745</u>	<u>180,632</u>	<u>(34,113)</u>
Expenditures				
Current				
Development	1,292,000	1,292,000	175,911	(1,116,089)
Capital outlay	150,000	150,000	-	(150,000)
Total expenditures	<u>1,442,000</u>	<u>1,442,000</u>	<u>175,911</u>	<u>(1,266,089)</u>
Excess (deficiency) of revenues over (under) expenditures	<u><u>\$ (1,227,255)</u></u>	<u><u>\$ (1,227,255)</u></u>	<u><u>4,721</u></u>	<u><u>\$ 1,231,976</u></u>
Fund balances - beginning			<u>269,183</u>	
Fund balances - ending			<u><u>\$ 273,904</u></u>	

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

CITY OF TUSCOLA
Tuscola, Illinois
Budgetary Comparison Schedule - Library Fund
For the Year Ended April 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 132,601	\$ 132,601	\$ 132,499	\$ (102)
Replacement taxes	9,700	9,700	9,511	(189)
Fines and fees	10,000	10,000	9,339	(661)
Memorial funds	500	500	1,527	1,027
Interest income	20	20	150	130
Grant income	5,600	5,600	-	(5,600)
Miscellaneous	1,000	1,000	1,673	673
Total revenues	<u>159,421</u>	<u>159,421</u>	<u>154,699</u>	<u>(4,722)</u>
Expenditures				
Current				
Culture and recreation	690,000	690,000	138,247	(551,753)
Capital outlay	<u>100,000</u>	<u>100,000</u>	<u>20,124</u>	<u>(79,876)</u>
Total expenditures	<u>790,000</u>	<u>790,000</u>	<u>158,371</u>	<u>(631,629)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(630,579)</u>	<u>(630,579)</u>	<u>(3,672)</u>	<u>626,907</u>
Other Financing Sources (Uses)				
Insurance recovery	-	-	4,146	4,146
Net change in fund balances	<u>\$ (630,579)</u>	<u>\$ (630,579)</u>	474	<u>\$ 631,053</u>
Fund balances - beginning			<u>80,161</u>	
Fund balances - ending			<u>\$ 80,635</u>	

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

SUPPLEMENTARY INFORMATION

CITY OF TUSCOLA
Tuscola, Illinois
Assessed Valuations, Tax Rates, Taxes Extended and Collected
April 30, 2016

Tax Levy Year	2015	2014	2013	2012	2011
Equalized Assessed Valuation (not including TIF Districts)	\$ 57,354,796	\$ 54,831,830	\$ 59,070,133	\$ 56,246,346	\$ 57,642,615
<u>Tax Rates</u>					
(Per \$100 Equalized					
Assessed Valuation)					
General corporate	\$ 0.1398	\$ 0.1419	\$ 0.1317	\$ 0.1349	\$ 0.1303
Audit	0.0102	0.0104	0.0096	0.0098	0.0094
ESDA	-	-	-	0.0061	0.0058
Liability insurance	0.0821	0.0832	0.0773	0.0791	0.0764
Social security	0.0684	0.0693	0.0644	0.0598	0.0577
Fire protection	0.1497	0.1520	0.1411	0.1445	0.1396
Parks	0.0680	0.0690	0.0641	0.0656	0.0633
Police protection	0.1380	0.1400	0.1300	0.1331	0.1285
IMRF	0.1037	0.1052	0.0977	0.1000	0.0966
Library	0.2382	0.2419	0.2245	0.2300	0.2140
Workmans compensation	0.0463	0.0469	0.0436	0.0446	0.0430
Total Tax Rate	\$ 1.0444	\$ 1.0598	\$ 0.9840	\$ 1.0075	\$ 0.9646
Equalized Assessed Valuation -					
TIF Districts only	\$ 18,703,691	\$ 17,739,671	\$ 17,701,197	\$ 17,267,027	\$ 17,799,199
TIF Districts	\$ 8.0521	\$ 7.9005	\$ 7.6942	\$ 7.9432	\$ 7.7363
<u>Tax Extensions</u>					
General corporate	\$ 80,182	\$ 77,806	\$ 77,795	\$ 75,876	\$ 75,108
Audit	5,850	5,703	5,671	5,512	5,418
ESDA	-	-	-	3,431	3,343
Liability insurance	47,088	45,620	45,661	44,491	44,039
Social security	39,231	37,998	38,041	33,635	33,260
Road and bridge	20,132	20,178	20,970	21,092	21,443
Fire protection	85,860	83,344	83,348	81,276	80,469
Parks	39,001	37,834	37,864	36,898	36,488
Police protection	79,150	76,765	76,791	74,864	74,071
IMRF	59,577	57,683	57,712	56,246	55,683
Library	136,619	132,638	132,612	129,367	123,355
Workmans compensation	26,555	25,716	25,755	25,086	24,786
TIF Districts	1,506,041	1,428,382	1,387,828	1,371,556	1,377,001
Taxes extended - in total	\$ 2,125,286	\$ 2,029,668	\$ 1,990,048	\$ 1,959,330	\$ 1,954,464

CITY OF TUSCOLA
Tuscola, Illinois
Assessed Valuations, Tax Rates, Taxes Extended and Collected
April 30, 2016

Tax Levy Year	2015	2014	2013	2012	2011
<u>Taxes Collected</u>					
General corporate	\$ -	\$ 77,726	\$ 77,735	\$ 75,864	\$ 76,723
Audit	-	5,696	5,666	5,511	5,535
ESDA	-	-	-	3,431	3,415
Liability insurance	-	45,573	45,625	44,483	44,986
Social security	-	37,959	38,012	33,629	33,975
Road and bridge	-	20,148	20,928	21,049	21,737
Fire protection	-	83,258	83,283	81,262	82,199
Parks	-	37,794	37,835	36,891	37,272
Police protection	-	76,684	76,731	74,851	75,663
IMRF	-	57,623	57,666	56,236	56,880
Library	-	132,499	132,509	129,343	126,007
Workmans compensation	-	25,689	25,734	25,081	25,319
TIF Districts	<u>-</u>	<u>1,410,985</u>	<u>1,388,432</u>	<u>1,370,148</u>	<u>1,376,173</u>
Taxes collected	<u>\$ -</u>	<u>\$ 2,011,633</u>	<u>\$ 1,990,156</u>	<u>\$ 1,957,780</u>	<u>\$ 1,965,883</u>
Percentage of Extensions					
Collected	<u>0.00%</u>	<u>99.11%</u>	<u>100.01%</u>	<u>99.92%</u>	<u>100.58%</u>