

CITY OF TUSCOLA
Tuscola, Illinois

Annual Financial Report

For the Year Ended April 30, 2015

CITY OF TUSCOLA

Tuscola, Illinois

Annual Financial Report
For the Year Ended April 30, 2015

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1-2
Management Discussion and Analysis	3-12
<i>Basic Financial Statements:</i>	
<u>Statement of Net Position</u>	13
<u>Statement of Activities</u>	14
<u>Balance Sheet – Governmental Funds</u>	15
<u>Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds</u>	16
<u>Statement of Net Position – Proprietary Funds</u>	17
<u>Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds</u>	18
<u>Statement of Cash Flows – Proprietary Funds</u>	19
<u>Statement of Fiduciary Net Position – Fiduciary Funds</u>	20
<u>Notes to Basic Financial Statements</u>	21-48
<i>Required Supplementary Information:</i>	
<u>Schedule of Funding Progress - Illinois Municipal Retirement Fund (unaudited)</u>	49
<u>Budgetary Comparison Schedule (Budgetary Basis) – General Fund</u>	50-53
<u>Budgetary Comparison Schedule (Budgetary Basis) – Tax Increment Financing Fund</u>	54
<u>Budgetary Comparison Schedule (Budgetary Basis) – Motor Fuel Tax Fund</u>	55

CITY OF TUSCOLA

Tuscola, Illinois

Annual Financial Report
For the Year Ended April 30, 2015

TABLE OF CONTENTS

	<u>Page No.</u>
<i>Required Supplementary Information (continued):</i>	
<u>Budgetary Comparison Schedule (Budgetary Basis) – Tourism Fund</u>	56
<u>Budgetary Comparison Schedule (Budgetary Basis) – Tuscola Economic Development, Inc.</u>	57
<u>Notes to Budgetary Comparison Schedules</u>	58
<i>Supplementary Information:</i>	
<u>Component Unit – City of Tuscola Library:</u>	
<u>Balance Sheet – Library.....</u>	59
<u>Statement of Revenues, Expenditures and Changes in Fund Balance – Library.....</u>	60
<u>Budgetary Comparison Schedule (Budgetary Basis) – Library.....</u>	61
<u>Equalized Assessed Valuations, Tax Rates, Taxes Extended and Collected</u>	62-63

BRAY, DRAKE, LILES & RICHARDSON LLP
Certified Public Accountants

KARL E. DRAKE, CPA
CURTIS D. LILES, CPA
R. NEIL RICHARDSON, CPA

1606 N. Willow View Road, Suite 1E
Urbana, Illinois 61802-7446

Phone 217/337-0004
Fax 217/337-5822

JAMES P. BRAY, CPA (Retired)

Honorable Mayor and
City Council
City of Tuscola
Tuscola, Illinois

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Tuscola, Tuscola, Illinois (the City) as of and for the year ended April 30, 2015, 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 error or fraud.

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 of 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Tuscola as of April 30, 2015, 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 funding progress – Illinois Municipal Retirement Fund, and budgetary comparison information on pages 3-12 and 49-58 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's basic financial statements. The supplementary information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and is derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Bray, Drake, Liles & Richardson LLP

BRAY, DRAKE, LILES & RICHARDSON LLP

Urbana, Illinois

October 23, 2015

City of Tuscola
Management's Discussion and Analysis

April 30, 2015

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, 2015.

Financial Highlights

- The assets of the City of Tuscola exceeded its liabilities at the close of the most recent fiscal year by \$35,984,954 (*net position*).
- The City's total net position increased by \$448,180 during the year compared to last fiscal year's Net Position.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,507,564. Of this amount, (\$1,081,661) 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 \$1,087,618, or 42% of total general fund expenditures.
- City of Tuscola's total debt decreased by \$639,271 during the current fiscal year.

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 general government activities include the economic development activities of the Tuscola Chamber and Economic Development, Inc. (TCED). TCED is a legally separate not for profit (501 (c)(6) entity, organized by local businesses for the furtherance of local business development activities. TCED was considered a component unit to the city for the fiscal year ending April 30, 2015 due to its financial dependence on the City of Tuscola and because it's mission primarily supports the City's economic development goals. 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, and Tourism Fund, all of which are considered to be major funds. The City also presents the financial statements of TCED as a major fund.

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 15-16 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 17-19 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 20 of this report.

Component Unit. The City of Tuscola Library is a component unit of the City of Tuscola. A component unit is a legally separate organization for which the City of Tuscola City Council is financially accountable. The component unit fund financial statements can be found on pages 59-61.

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 21-48 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This supplementary information includes information concerning the City of Tuscola's progress in funding its obligation to provide pension benefits to its employees, additional information about the operation of the water and sewer funds, legal debt margin calculations and assessed valuations, tax rates, taxes extended and collected information about the property tax funding system. Required supplementary information can be found on pages 49-58 and 62-63 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 \$35,984,954 at the close of the most recent fiscal year.

The largest portion of the City of Tuscola's net position (86 *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	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities		
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 7,050,186	\$ 7,466,983	\$ 1,358,226	\$ 1,214,226	\$ 8,408,412	\$ 8,681,209
Capital Assets	23,836,690	22,241,575	11,180,027	11,714,401	35,016,717	33,955,976
Total Assets	\$ 30,886,876	\$ 29,708,558	\$ 12,538,253	\$ 12,928,627	\$ 43,425,129	\$ 42,637,185
Deferred Outflow of Resources						
Deferred Charge on Refunding	\$ -	\$ -	\$ 58,735	\$ 129,728	\$ 58,735	\$ 129,728
Defer'd Outflows of Resources	\$ -	\$ -	\$ 58,735	\$ 129,728	\$ 58,735	\$ 129,728
Long-term Liabilities	\$ 673,098	\$ 772,824	\$ 3,265,321	\$ 3,349,969	\$ 3,938,419	\$ 4,122,793
Other Liabilities	1,517,866	644,226	145,595	605,684	1,663,461	1,249,910
Total Liabilities	\$ 2,190,964	\$ 1,417,050	\$ 3,410,916	\$ 3,955,653	\$ 5,601,880	\$ 5,372,703
Deferred Inflows of Resources						
Unavail. Rev. - Property Taxes	\$ 1,897,030	\$ 1,857,436	\$ -	\$ -	\$ 1,897,030	\$ 1,857,436
Total Defer'd Inflows of Res.	\$ 1,897,030	\$ 1,857,436	\$ -	\$ -	\$ 1,897,030	\$ 1,857,436
Net Position:						
Net Invest. in Capital Assets	\$ 23,117,690	\$ 21,623,106	\$ 7,914,706	\$ 7,836,247	\$ 31,032,396	\$ 29,459,353
Restricted	1,179,050	1,698,104	835,541	830,748	2,014,591	2,528,852
Unrestricted	2,502,142	3,112,862	435,825	435,707	2,937,967	3,548,569
Total Net Position	\$ 26,798,882	\$ 26,434,072	\$ 9,186,072	\$ 9,102,702	\$ 35,984,954	\$ 35,536,774

An additional portion of the City of Tuscola's net position (\$2,014,591) represents resources that are subject to external restrictions on how they may be used. The remaining balance of Net position, *unrestricted net position* (\$2,937,967) 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.

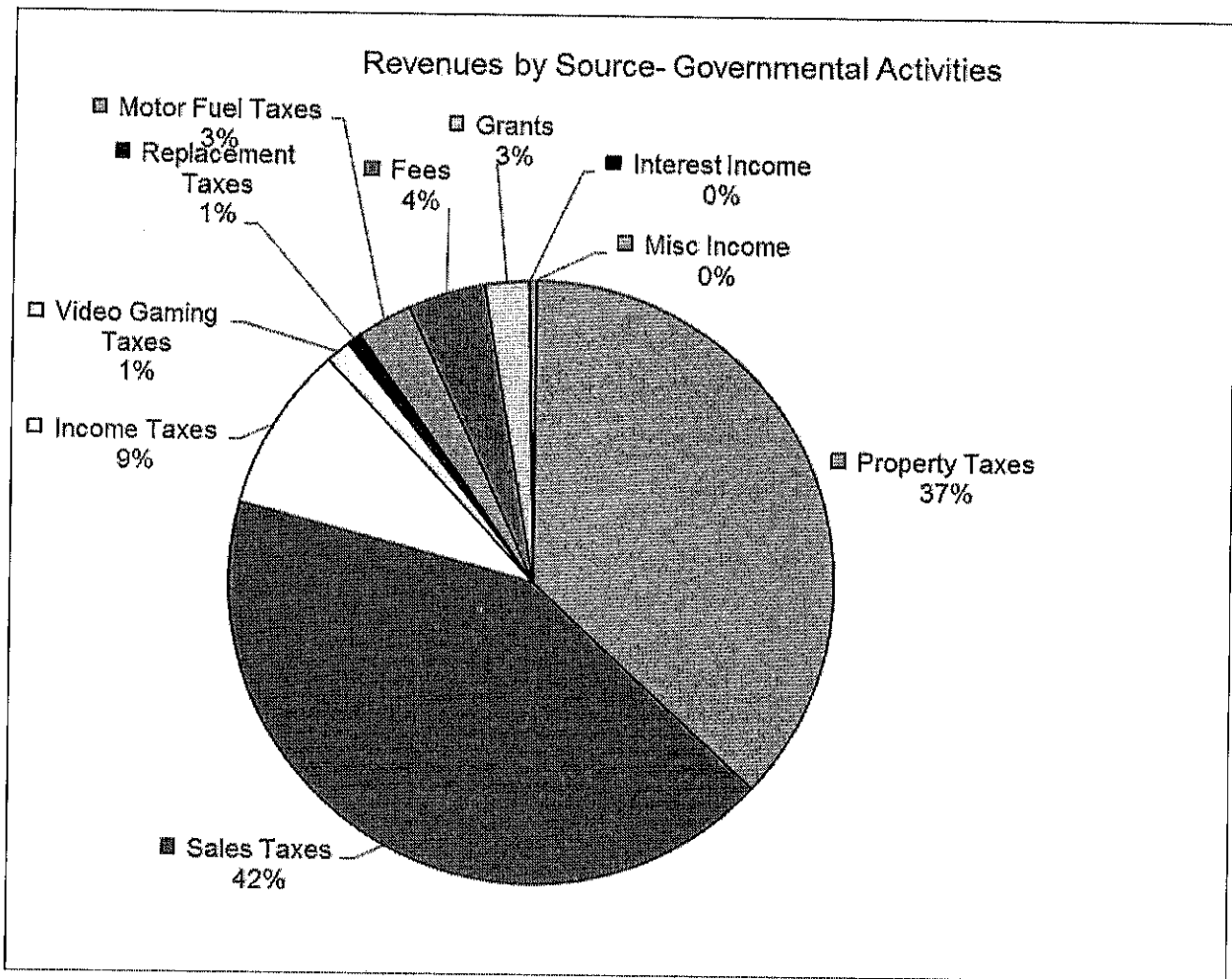
The following table summarizes the revenues and expenses of the City's activities:

City of Tuscola's Revenues, Expenses and Net Position

	Governmental Activities 2015	Governmental Activities 2014	Business- Type Activities 2015	Business- Type Activities 2014	Total 2015	Total 2014
Revenues:						
Program Revenues						
Charges for Services	\$ 208,662	\$ 230,214	\$ 1,695,581	\$ 1,724,413	\$ 1,904,243	\$ 1,954,627
Grants & Contributions	118,700	380,449	-	453,812	118,700	834,261
General Revenues:						
Property Taxes	1,857,647	1,988,499	-	-	1,857,647	1,988,499
Sales Taxes	2,131,130	2,618,805	-	-	2,131,130	2,618,805
Income Taxes	451,341	589,021	-	-	451,341	589,021
Replacement Taxes	39,702	47,970	-	-	39,702	47,970
Motor Fuel Taxes	148,424	129,917	-	-	148,424	129,917
Video Gaming Taxes	67,006	-	-	-	67,006	-
Investment Earnings	1,834	1,841	740	810	2,574	2,651
Miscellaneous	17,679	110,743	-	-	17,679	110,743
Total Revenues	<u>5,042,125</u>	<u>6,097,459</u>	<u>1,696,321</u>	<u>2,179,035</u>	<u>6,738,446</u>	<u>8,276,494</u>
Expenses:						
General Government	619,491	965,492	-	-	619,491	965,492
Public Safety	894,565	1,032,087	-	-	894,565	1,032,087
Public Works	975,084	1,134,652	-	-	975,084	1,134,652
Culture and Recreation	240,718	448,243	-	-	240,718	448,243
Development	1,925,438	2,674,988	-	-	1,925,438	2,674,988
Interest on L-T Debt	22,019	21,871	-	-	22,019	21,871
Water Department	-	-	1,042,222	1,032,427	1,042,222	1,032,427
Sewer Department	-	-	570,729	595,342	570,729	595,342
Total Expenses	<u>4,677,315</u>	<u>6,277,333</u>	<u>1,612,951</u>	<u>1,627,769</u>	<u>6,290,266</u>	<u>7,905,102</u>
Change in Net Position	364,810	(179,874)	83,370	551,266	448,180	371,392
Net Position, Beginning as originally reported	28,858,464	29,038,338	9,102,702	8,551,436	37,961,166	37,589,774
Restatement	<u>(2,424,392)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,424,392)</u>	<u>-</u>
Net Position, Beginning as restated	<u>26,434,072</u>	<u>29,038,338</u>	<u>9,102,702</u>	<u>8,551,436</u>	<u>35,536,774</u>	<u>37,589,774</u>
Net Position, Ending	<u>\$ 26,798,882</u>	<u>\$ 28,858,464</u>	<u>\$ 9,186,072</u>	<u>\$ 9,102,702</u>	<u>\$ 35,984,954</u>	<u>\$ 37,961,166</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.

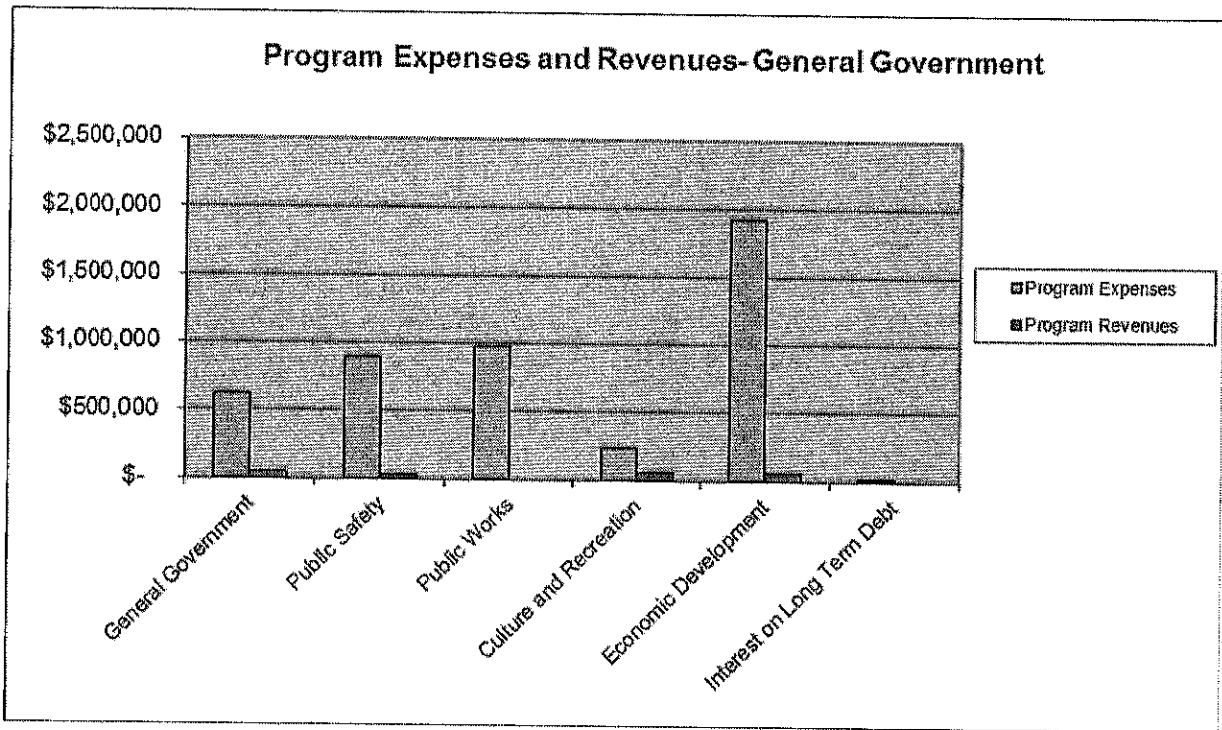
The City also accounts for income, sales and use taxes collected by the State of Illinois and vouchered by the Illinois Department of Revenue that is being held by the Illinois State Treasurer until the funds are available to pay the vouchers. In FY 2014, that amount was \$228,901 and in FY 2015 the amount was \$235,369.



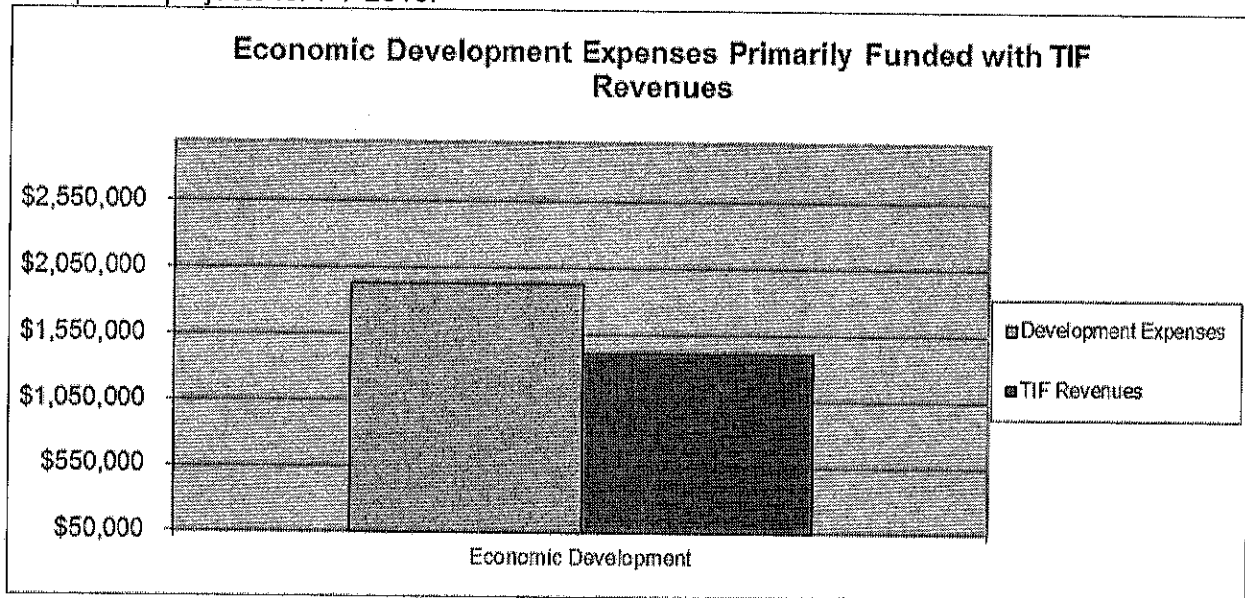
The City of Tuscola is unique in that it has a very successful Tax Increment Financing (TIF) District that provides revenues from property tax and sales tax increment to fund most of the City's economic development plans. While sales and property tax revenues are the main sources of overall revenue for the City's combined funds, the amounts of these types of revenues that are attributable to the TIF District are significant (75%).

When the general government funds are analyzed independently of the Tax Increment Financing Fund and the component units, TCEDI and Tuscola Public Library, 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 (54%) of sales taxes, paid in large part by out of town shoppers

Economic Development expenses were the largest program expense with \$1,925,438 being 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 works at \$975,084, and public safety at \$894,565, which are equally high priorities for the city. Culture and recreation programs were \$240,718 for the fiscal year. Those high priority program expenses far outweigh the general government expenses of the city, which at \$619,491 for the year is only 13% of the total program expenses. A breakdown by program of expenses and program revenues follows.



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 2015.



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.

As of the end of the current fiscal year, the City of Tuscola's governmental funds reported combined ending fund balances of \$3,507,564. (\$1,081,661), of this amount constitutes *unassigned, undesignated fund balance*, which is available for spending at the government's discretion. \$2,420,042 is in a nonspendable form, such as prepaid expenses or long term receivable amounts. The remainder of fund balance is *restricted, committed, or assigned* to indicate that it is not available for new spending because it has already been committed, designated projects and programs, or assigned (\$2,169,183).

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 \$4,247,471, of that \$3,159,853 is nonspendable, restricted or committed for specific purposes while \$1,087,618 is unassigned and available for spending at the government's discretion. Unassigned fund balance represents 42 percent of total general fund expenditures. Because of its reliance on sales tax revenues (54% of total revenues, as shown in the previous chart titled "Revenues by Source-Governmental Activities without TIF"), it is important for the City to maintain a sufficient unassigned fund balance. In times of low local sales, due to seasonal shopping trends or events out of the control of the City's Government, sales taxes can fluctuate low enough that the City has to rely on the unassigned fund balance to meet monthly obligations and program expenses. The past several years of economic lethargy that has plagued the US and Illinois has wreaked havoc on many retail dependent markets. The City leaders have taken a conservative approach to managing the city's finances through this time, expecting the same type of retail slow down. Fortunately, our retail environment has not only weathered the storm, but has shown evidence of thriving under these conditions. Four of the last five fiscal years have brought record-setting sales, showing an overall increase in sales tax receipts of over 21.01% in that most recent 5 year period.

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 2015 were Tuscola Properties, LLC, Kelsey Furniture, Inc., Since 1775 Antiques, Kirby Foods and the Douglas County Museum. 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 \$9,186,072.

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 2015 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, 2015, amounts to \$35,016,717 (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 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Land	\$ 3,011,803	\$ 3,012,027	\$ 637,198	\$ 637,198	\$ 3,649,001	\$ 3,649,225
Land Improvements	897,037	692,761	-	-	897,037	692,761
Buildings	2,056,592	2,238,959	-	-	2,056,592	2,238,959
Plant, Machinery & Equipment	363,090	541,783	6,019,053	6,315,582	6,382,143	6,857,365
Vehicles	1,392,735	1,393,086	201,579	223,401	1,594,314	1,616,487
Distribution System	-	-	4,322,197	4,538,220	4,322,197	4,538,220
Infrastructure	16,115,433	14,929,916	-	-	16,115,433	14,929,916
Work in Progress	-	-	-	-	-	-
	<u>\$ 23,836,690</u>	<u>\$ 22,808,532</u>	<u>\$ 11,180,027</u>	<u>\$ 11,714,401</u>	<u>\$ 35,016,717</u>	<u>\$ 34,522,933</u>

Additional information on the City of Tuscola's capital assets can be found in Note 2B 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 \$2,674,000 the City also had two (2) IEPA loans totaling \$1,310,321 and the City also incurs long-term debt in the form of accrued compensated absences. Following is a comparative statement of outstanding debt:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds-						
Alternate Revenue Bonds	\$ 719,000	\$ 816,000	\$ 1,955,000	\$ 2,505,000	\$ 2,674,000	\$ 3,321,000
TIF Revenue Bonds	-	-	-	-	-	-
IEPA Loan Payable	-	-	1,310,321	1,373,154	1,310,321	1,373,154
Less deferred charge on refunding	-	-	(58,735)	(129,728)	(58,735)	(129,728)
Compensated Absences	53,098	53,824	12,110	11,815	65,208	65,639
Total	\$ 772,098	\$ 869,824	\$ 3,218,696	\$ 3,760,241	\$ 3,990,794	\$ 4,630,065

The City of Tuscola's total debt decreased by \$639,271 during the current fiscal year. Additional information on the City's long-term debt can be found in Note 3H in the Notes to Financial Statements of this report.

Economic Factors and Next Year's Budgets and Rates

The Tanger Outlet 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. Tanger Outlet Center continues to offer top name brand apparel at outlet center pricing.

The rate setting (not including TIF EAV of \$17,739,671) equalized assessed value (EAV) of taxable property in the City for 2014 levy year was \$54,831,830, which represents one-third market value. Residential properties make up 83% of the EAV for the 2014 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 \$235,369 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.

CITY OF TUSCOLA

Tuscola, Illinois

Statement of Net Position

April 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
<u>Assets</u>				
Cash and investments	\$ 1,783,903	\$ 395,204	\$ 2,179,107	\$ 83,629
Due from Douglas County	1,898,953	-	1,898,953	132,638
Due from State of Illinois	610,179	-	610,179	1,926
Receivables, net	23,965	106,978	130,943	-
Loans receivable	860,581	-	860,581	-
Prepaid items	94,167	13,010	107,177	1,620
Investment in joint venture	-	7,493	7,493	-
Restricted Assets:				
Cash and investments	1,778,438	835,541	2,613,979	-
Capital Assets (net of accumulated depreciation):				
Land	3,011,803	637,198	3,649,001	224
Land improvements	897,037	-	897,037	-
Buildings	2,056,592	-	2,056,592	238,869
Plant, machinery and equipment	363,090	6,019,053	6,382,143	118,361
Vehicles	1,392,735	201,579	1,594,314	-
Infrastructure	16,115,433	4,322,197	20,437,630	-
<u>Total Assets</u>	<u>30,886,876</u>	<u>12,538,253</u>	<u>43,425,129</u>	<u>577,267</u>
<u>Deferred Outflow of Resource:</u>				
Deferred charge on refunding	-	58,735	58,735	-
<u>Total Deferred Outflows of Resources</u>	<u>-</u>	<u>58,735</u>	<u>58,735</u>	<u>-</u>
<u>Liabilities:</u>				
Accounts payable	1,035,283	44,762	1,080,045	1,265
Accrued payroll	22,711	4,731	27,442	1,603
Accrued interest	8,644	7,712	16,356	-
Unearned revenue	352,228	43,980	396,208	4,146
Customer deposits	-	32,300	32,300	-
Non-current liabilities:				
Accrued compensated absences	53,098	12,110	65,208	2,587
Due within one year	99,000	608,622	707,622	-
Due after more than one year	620,000	2,656,699	3,276,699	-
<u>Total Liabilities:</u>	<u>2,190,964</u>	<u>3,410,916</u>	<u>5,601,880</u>	<u>9,601</u>
<u>Deferred Inflows of Resources:</u>				
Unavailable revenue - property taxes	1,897,030	-	1,897,030	132,638
<u>Total Deferred Inflows of Resources:</u>	<u>1,897,030</u>	<u>-</u>	<u>1,897,030</u>	<u>132,638</u>
<u>Net Position:</u>				
Net investment in capital assets	23,117,690	7,914,706	31,032,396	357,454
Restricted for:				
Debt service	168,653	835,541	1,004,194	-
Transportation projects	413,233	-	413,233	-
Capital projects and improvements	597,164	-	597,164	-
Unrestricted	2,502,142	435,825	2,937,967	77,574
<u>Total Net Position:</u>	<u>\$ 26,798,882</u>	<u>\$ 9,186,072</u>	<u>\$ 35,984,954</u>	<u>\$ 435,028</u>

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

City of Tuscola

Tuscola, Illinois

Statement of Activities

For the Year Ended April 30, 2015

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Functions/Programs:							
Governmental activities:							
General government	\$ 619,491	\$ 50,479	\$ 13,195	\$ -	\$ (555,817)	\$ -	\$ (555,817)
Public safety	894,565	34,128	4,500	-	(855,937)	-	(855,937)
Public works	975,084	-	-	-	(975,084)	-	(975,084)
Culture and recreation	240,718	62,828	-	-	(177,890)	-	(177,890)
Development	1,925,438	61,227	101,005	-	(1,763,206)	-	(1,763,206)
Interest on long-term debt	22,019	-	-	-	(22,019)	-	(22,019)
Total governmental activities	4,677,315	208,662	118,700	-	(4,349,953)	-	(4,349,953)
Business-type activities:							
Water	1,042,222	978,602	-	-	-	(63,620)	(63,620)
Sewer	570,729	716,979	-	-	-	146,250	146,250
Total business-type activities	1,612,951	1,695,581	-	-	-	82,630	82,630
Total primary government	\$ 6,290,266	\$ 1,904,243	\$ 118,700	\$ -	\$ (4,349,953)	\$ 82,630	\$ (4,267,323)
Component Unit:							
Culture and recreation	\$ 162,830	\$ 11,081	\$ 11,200	\$ -			\$ (140,549)
Taxes:							
Property taxes					1,857,647		1,857,647
Sales taxes					2,131,130		2,131,130
Income taxes					451,341		451,341
Replacement taxes					39,702		39,702
Motor fuel taxes					148,424		148,424
Video gaming taxes					67,006		67,006
Interest income					1,834	740	2,574
Miscellaneous income					17,679	-	17,679
Total general revenues					4,714,763	740	4,715,503
Change in Net Position					364,810	83,370	448,180
Net Position, beginning, as originally reported					28,858,464	9,102,702	37,961,166
Restatement					(2,424,392)	-	(2,424,392)
Net Position, beginning, as restated					26,434,072	9,102,702	35,536,774
Net Position, ending					\$ 26,798,882	\$ 9,186,072	\$ 35,984,954

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

CITY OF TUSCOLA
Tuscola, Illinois
Balance Sheet - Governmental Funds
April 30, 2015

	General Fund	Tax Increment Financing Fund	Motor Fuel Tax Fund	Tourism Fund	Tuscola Chamber and Economic Development, Inc	Total
Assets						
Cash and investments	\$ 1,168,832	\$ 249,429	\$ 65,507	\$ 245,907	\$ 54,228	\$ 1,783,903
Due from Douglas County	470,571	1,428,382	-	-	-	1,898,953
Due from State of Illinois	364,389	-	10,420	-	-	374,809
Due from other Funds	1,465,294	-	-	-	-	1,465,294
Accounts receivable	203	-	-	23,762	-	23,965
Loans receivable	-	860,581	-	-	-	860,581
Prepaid items	93,682	-	-	485	-	94,167
Restricted Assets:						
Cash and investments	1,615,120	-	168,653	-	800	1,784,573
Allowance for Unrealized Loss-IMET	(6,135)	-	-	-	-	(6,135)
Total Assets	\$ 5,171,956	\$ 2,538,392	\$ 244,580	\$ 270,154	\$ 55,028	\$ 8,280,110
Liabilities and Fund Balance						
Liabilities						
Accounts payable	83,489	951,511	-	283	-	1,035,283
Accrued salaries	20,120	1,903	-	688	-	22,711
Due to other funds	-	1,465,294	-	-	-	1,465,294
Unearned revenue	352,228	-	-	-	-	352,228
Total Liabilities	455,837	2,418,708	-	971	-	2,875,516
Deferred Inflows of Resources						
Unavailable revenue- property taxes	468,648	1,428,382	-	-	-	1,897,030
Total Deferred Inflows of Resources	468,648	1,428,382	-	-	-	1,897,030
Fund Balances						
Nonspendable						
Prepaid items	93,682	-	-	485	-	94,167
Long term receivables	1,465,294	860,581	-	-	-	2,325,875
Restricted						
General services	50,099	-	-	-	-	50,099
Public safety	39,940	-	-	-	-	39,940
Development	-	-	-	245,907	-	245,907
Restrictions by State Statutes	-	-	244,580	-	-	244,580
Committed						
Reserve funds	913,674	-	-	-	-	913,674
Capital replacement funds	597,164	-	-	-	-	597,164
Development	-	-	-	-	800	800
Assigned						
Development	-	-	-	22,791	54,228	77,019
Unassigned	1,087,618	(2,169,279)	-	-	-	(1,081,661)
Total Fund Balances	4,247,471	(1,308,698)	244,580	269,183	55,028	3,507,564
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,171,956	\$ 2,538,392	\$ 244,580	\$ 270,154	\$ 55,028	

Reconciliation to Statement of Net Position

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.	35,655,363 <u>(11,818,673)</u>
Other assets are not available to pay for current-period expenditures and therefore are deferred or not recorded in the funds.	23,836,690
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities are as follows:	
Accrued compensated absences	(53,098)
Bonds payable, net	<u>(727,644)</u>
Net Position of governmental activities	<u>\$ 26,798,882</u>

The notes to basic 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, 2015

	<u>General</u>	<u>Tax Increment Financing</u>	<u>Motor Fuel Tax</u>	<u>Tourism</u>	<u>Tuscola Chamber and Economic Development, Inc</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 469,215	\$ 1,388,432	\$ -	\$ -	\$ -	\$ 1,857,647
State sales taxes	1,976,501	-	-	-	-	1,976,501
State income taxes	438,747	-	-	-	-	438,747
Replacement taxes	39,702	-	-	-	-	39,702
Motor fuel taxes	-	-	148,424	-	-	148,424
Sales taxes - city	-	-	-	160,754	-	160,754
Video gaming taxes	67,006	-	-	-	-	67,006
Fines and fees	25,703	-	-	-	-	25,703
Grant revenues	17,695	-	-	6,243	94,762	118,700
Licenses and permits	20,293	-	-	-	-	20,293
Rent	11,860	-	-	-	-	11,860
Franchise fee	30,186	-	-	-	-	30,186
Interest income	1,582	17,512	198	35	1	19,328
Fire insurance	8,425	-	-	-	-	8,425
Pool income	50,968	-	-	-	-	50,968
Program Revenue	-	-	-	13,469	30,264	43,733
Miscellaneous	44,663	-	-	1,220	-	45,883
Total Revenues	3,202,546	1,405,944	148,622	181,721	125,027	5,063,860
Expenditures:						
Current						
General government	608,976	-	-	-	-	608,976
Public safety	830,739	-	-	-	-	830,739
Public works	556,162	-	-	-	-	556,162
Culture and recreation	215,542	-	-	-	-	215,542
Development	53,054	3,056,695	-	159,928	133,179	3,402,856
Debt Service:						
Principal retirement	-	-	97,000	-	-	97,000
Interest and fiscal charges	-	-	22,856	-	-	22,856
Capital outlay	319,241	150,000	-	-	-	469,241
Total Expenditures	2,583,716	3,206,695	119,856	159,928	133,179	6,203,374
Excess of revenues over (under) expenditures	618,830	(1,800,751)	28,766	21,793	(8,152)	(1,139,514)
Net Change In Fund Balance	618,830	(1,800,751)	28,766	21,793	(8,152)	(1,139,514)
Fund Balances, beginning as originally reported	3,830,832	1,163,804	215,814	247,390	63,180	5,521,020
Restatement	(202,191)	(671,751)	-	-	-	(873,942)
Fund Balances, beginning as restated	3,628,641	492,053	215,814	247,390	63,180	4,647,078
Fund Balances, ending	\$ 4,247,471	\$ (1,308,696)	\$ 244,580	\$ 269,183	\$ 55,028	\$ 3,507,564

Reconciliation to the Statement of Activities:

Net change in fund balances - total governmental funds (1,139,514)

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	2,196,273
Gain (Loss) on Asset Disposal	(28,204)
Depreciation expense	(766,985)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 6,469

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. 97,000

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.

Accrued compensated absences	(1,066)
Accrued interest	837
Change in Net Position of Governmental Activities	<u>\$ 364,810</u>

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

CITY OF TUSCOLA

Tuscola, Illinois

Statement of Net Position - Proprietary Funds

April 30, 2015

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>Assets</u>			
<u>Current assets</u>			
Cash and investments	\$ 72,873	\$ 322,331	\$ 395,204
Accounts receivable, net	60,115	46,863	106,978
Prepaid items	7,030	5,980	13,010
Total Current Assets	<u>140,018</u>	<u>375,174</u>	<u>515,192</u>
<u>Noncurrent assets</u>			
Cash and investments-restricted	414,076	421,465	835,541
Investment in joint venture	7,493	-	7,493
Capital assets:			
Property, plant and equipment	7,747,481	11,601,718	19,349,199
Accumulated Depreciation	<u>(2,864,091)</u>	<u>(5,305,081)</u>	<u>(8,169,172)</u>
Total Noncurrent Assets	<u>5,304,959</u>	<u>6,718,102</u>	<u>12,023,061</u>
Total Assets	<u>5,444,977</u>	<u>7,093,276</u>	<u>12,538,253</u>
<u>Deferred Outflow of Resources</u>			
Deferred charge on refunding	-	58,735	58,735
Total Deferred Outflow of Resources	<u>-</u>	<u>58,735</u>	<u>58,735</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable	33,652	11,110	44,762
Customer deposits	32,300	-	32,300
Accrued payroll	2,523	2,208	4,731
Accrued interest	3,905	3,807	7,712
Unearned revenue	22,075	21,905	43,980
Accrued compensated absences	7,651	4,459	12,110
General obligation bonds - current	255,000	290,000	545,000
IEPA loans - current	55,332	8,290	63,622
Total Current Liabilities	<u>412,438</u>	<u>341,779</u>	<u>754,217</u>
<u>Noncurrent Liabilities</u>			
General obligation bonds	525,000	885,000	1,410,000
IEPA Loan Payable	1,088,752	157,947	1,246,699
Total Noncurrent Liabilities	<u>1,613,752</u>	<u>1,042,947</u>	<u>2,656,699</u>
Total Liabilities	<u>2,026,190</u>	<u>1,384,726</u>	<u>3,410,916</u>
<u>Net Position</u>			
Net investment in capital assets	2,959,306	4,955,400	7,914,706
Restricted:			
Restricted for customer deposits	32,300	-	32,300
Restricted for debt service	414,076	421,465	835,541
Unrestricted	13,105	390,420	403,525
Total Net Position	<u>\$ 3,418,787</u>	<u>\$ 5,767,285</u>	<u>\$ 9,186,072</u>

The notes to basic 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, 2015

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>Operating Revenues:</u>			
Charges for services	\$ 966,808	\$ 716,661	\$ 1,683,469
Miscellaneous	11,794	318	12,112
Total Operating Revenues	<u>978,602</u>	<u>716,979</u>	<u>1,695,581</u>
<u>Operating Expenses:</u>			
Personnel services	168,508	147,242	315,750
Supplies and materials	44,675	39,197	83,872
Contractual services	471,836	75,334	547,170
Depreciation	234,497	277,221	511,718
Total Operating Expenses	<u>919,516</u>	<u>538,994</u>	<u>1,458,510</u>
Operating Income (Loss)	<u>59,086</u>	<u>177,985</u>	<u>237,071</u>
<u>Non Operating Revenues (Expenses)</u>			
Interest income	359	381	740
Sprayfield farm Income (loss), net	-	10,025	10,025
Gain (loss) on disposal of capital assets	(35,600)	-	(35,600)
Interest expense	(87,106)	(41,760)	(128,866)
Total Non Operating Revenues (Expenses)	<u>(122,347)</u>	<u>(31,354)</u>	<u>(153,701)</u>
Net Income (loss)	<u>(63,261)</u>	<u>146,631</u>	<u>83,370</u>
Net Position - beginning	<u>3,482,048</u>	<u>5,620,654</u>	<u>9,102,702</u>
Net Position - ending	<u>\$ 3,418,787</u>	<u>\$ 5,767,285</u>	<u>\$ 9,186,072</u>

The notes to 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, 2015

<u>Cash Flows from Operating Activities:</u>	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Receipts from users	\$ 964,740	\$ 716,123	\$ 1,680,863
Payments to suppliers	(483,161)	(118,894)	(602,055)
Payments to employees	(168,076)	(146,114)	(314,190)
Other receipts (payments)	33,869	22,223	56,092
Net cash provided by (used in) operating activities	<u>347,372</u>	<u>473,338</u>	<u>820,710</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Sale (purchase) of capital assets	(6,473)	(6,473)	(12,946)
Interest paid on capital debt	(86,212)	(42,415)	(128,627)
Sprayfield farm income (loss)	-	10,025	10,025
Principal paid on capital debt	(309,647)	(303,187)	(612,834)
Net cash used for capital and related financing activities	<u>(402,332)</u>	<u>(342,050)</u>	<u>(744,382)</u>
<u>Cash Flows from Investing Activities:</u>			
Investment income	359	381	740
Sale of investments	132,555	222,779	355,334
Net cash provided (used) by investing activities	<u>132,914</u>	<u>223,160</u>	<u>356,074</u>
Net increase (decrease) in cash and investments	77,954	354,448	432,402
Cash and investments, beginning of the year	<u>408,995</u>	<u>389,348</u>	<u>798,343</u>
Cash and investments, end of the year	<u>\$ 486,949</u>	<u>\$ 743,796</u>	<u>\$ 1,230,745</u>
<u>Reconciliation of Operating Income (Loss)</u> <u>To Net Cash Provided (Used) By Operating Activities</u>			
Operating income (loss)	59,086	177,985	237,071
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	234,497	277,221	511,718
Change in assets and liabilities:			
(Increase) decrease-accounts receivable	(2,418)	(539)	(2,957)
(Increase) decrease-prepaid insurance	(86)	(122)	(208)
(Increase) decrease-joint venture equity	2,479	-	2,479
Increase (decrease)-accounts payable	30,957	(4,241)	26,716
Increase (decrease)-accrued payroll	673	593	1,266
Increase (decrease)-unearned revenue	22,075	21,905	43,980
Increase (decrease)-customer deposits	350	-	350
Increase (decrease)-accrued compensated absences	(241)	536	295
Total adjustments	<u>288,286</u>	<u>295,353</u>	<u>583,639</u>
Net cash provided (used) by operating activities	<u>\$ 347,372</u>	<u>\$ 473,338</u>	<u>\$ 820,710</u>

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

CITY OF TUSCOLA

Tuscola, Illinois

Statement of Fiduciary Net Position - Fiduciary Funds

April 30, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
<u>Current assets:</u>	
Cash	\$ -
Accounts receivable	18,276
Total assets	<u>\$ 18,276</u>
<u>LIABILITIES</u>	
<u>Current liabilities:</u>	
Accounts payable	\$ 18,276
Total liabilities	<u>\$ 18,276</u>

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

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements

April 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Tuscola, Illinois (the City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The following is a summary of the significant accounting policies:

1.A. REPORTING ENTITY

This report includes all of the funds of the City. The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

The financial statements of the reporting unit include all organizations, activities, functions, funds, and component units for which the City is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the City's ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City. The following component units have been included in the financial statements of the City.

Blended Component Unit – Tuscola Chamber and Economic Development, Inc. (TCED), an entity legally separate from the City of Tuscola, is fiscally dependent on the City for support and its primary purpose directly benefits the City. Based upon the application of the above criteria, TCED is a blended component unit and will be reported as if it were part of the City's operations for financial reporting purposes.

Discretely Presented Component Unit – The City of Tuscola Library (the Library) – The members of the governing board are appointed by the Mayor and the City Council. The Library is fiscally dependent on the City because the Library's annual budget and tax levy must be approved by the City's Mayor and City Council. Separately issued component unit financial statements are not available for the Library.

No other agencies or units of local government meet the criteria of Governmental Accounting Standards Board (GASB) Statement No. 61 for inclusion in the reporting entity as a component unit.

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2015

1.B. 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange 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 a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. 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 10 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 5 percent of the corresponding total for all governmental and enterprise funds combined.

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

The funds of the financial reporting entity are described below:

Governmental Funds
General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the 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:

<u>Fund</u>	<u>Brief Description</u>
Tax Increment Financing	Accounts for the incremental property taxes realized within the TIF District of the City. Expenditure of these revenues is restricted to capital improvements and redevelopment.
Motor Fuel Tax	Accounts for revenues received and expenditures paid for street maintenance.
Tourism	Accounts for revenues and expenditures for promoting tourism in the City. Hotel/Motel taxes provide revenues for operations.
Tuscola Chamber & Economic Dev., Inc.	Accounts for revenues and expenditures of developing economic opportunities for the City.

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2015

1.B. BASIS OF PRESENTATION (continued)

Proprietary Funds

Enterprise Funds

Enterprise Funds are used to account for business-type activities provided to the general public. These activities are financed by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds:

<u>Fund</u>	<u>Brief Description</u>
Water	Accounts for revenues received and expenses paid for operating the water system.
Sewer	Accounts for revenues received and expenses paid for operating the sewer system.

Fiduciary Funds

Agency Funds

Agency Funds are used to account for assets held by the government as an agent for individuals or private organizations. The reporting entity includes the following agency funds:

<u>Fund</u>	<u>Brief Description</u>
Sec 125 Plan	Accounts for amounts withheld from employees' salaries and payments to providers.
Garbage Fund	Accounts for amounts billed and collected for sanitary service.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension trust and agency). 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.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, using the accrual basis method of accounting. On this basis, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with GASB Statement 33. Property taxes are recognized as revenue in the year for which the taxes are levied. Grants are recognized as revenue when eligibility requirements are met, such as allowable costs having been incurred.

Governmental Funds

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified accrual basis of accounting, is used as appropriate:

On this basis, all material sources of revenue are recognized when they become measurable and available. "Available" is defined as collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the City, this translates to 60 days after the end of the fiscal year. Major sources of revenue susceptible to accrual include sales taxes, income taxes, personal property replacement taxes, other intergovernmental revenues, charges for services and investment interest.

CITY OF TUSCOLA

Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2015

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (continued)

Material amounts of expenditures are recognized when the liability is incurred. Exceptions include: principal and interest on long-term debt, which is recognized when due.

Proprietary Funds

The measurement focus for proprietary funds is the flow of economic resources. All proprietary funds are accounted for using the accrual basis method of accounting. On this basis, revenues are recognized when they are earned and expenses are recognized when they are incurred.

Proprietary funds operating revenues consist of charges for services and miscellaneous revenue resulting from the provision of services to users. In the enterprise funds, this translates to water and sewer revenue. Operating expenses are those incurred in providing water and sewer services. Operating expenses are expenses incurred in providing the services, such as personal services, materials and supplies and contractual services.

Fiduciary Funds

The measurement focus for fiduciary funds is the flow of economic resources. All fiduciary funds are accounted for using the accrual basis method of accounting. On this basis, revenues are recognized when they are earned and expenses are recognized when they are incurred.

1.D. ASSETS, LIABILITIES, AND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

INVESTMENTS

Investments classified in the financial statements normally consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

CAPITAL ASSETS

The City's GAAP basis of accounting reports capital assets and reports depreciation where appropriate. The accounting treatment over 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.

Government-Wide Statements

Governmental Activities

In the government-wide financial statements, capital assets are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to May 1, 2004. Prior to May 1, 2004, governmental funds' infrastructure assets were not capitalized.

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)
April 30, 2015

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to report equipment capital assets, \$5,000 for building capital assets and \$5,000 for infrastructure capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	5-100 years
Improvements other than buildings	30-50 years
Machinery, furniture, and equipment	5-30 years
Vehicles	3-30 years
Infrastructure	30-125 years

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Business-Type Activities (Enterprise Funds)

Enterprise Fund capital assets valued at \$5,000 or more are capitalized within the fund. Capital assets are stated at actual or estimated historical cost. Donated fixed assets are valued at their fair market value on the date donated. Depreciation is computed on the straight-line method over the estimated useful life of the asset. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The range of estimated useful lives by type of asset is as follows:

Buildings	5-100 years
Improvements other than buildings	30-50 years
Machinery, furniture, and equipment	3-20 years
Vehicles	3-30 years
Infrastructure	30-80 years

LONG-TERM DEBT

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt of 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 reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Fund Financial Statements
EQUITY CLASSIFICATION
Government-Wide Statements

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2015

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

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 improvements of those assets.
- b. Restricted Net Position-Consists of Net Position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted Net Position-All other Net Position that do not meet the definition of "restricted" or "net investment in capital assets."

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the City council through approval of resolutions. The City council must take the same level of action to remove or rescind the limitation. Assigned fund balance is a limitation imposed by a designee of the City council. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative fund balance in other governmental funds represents excess of expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

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.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

PROGRAM REVENUES

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues:

General government	permits, licenses, fees, police fines, rent, pool income, fire insurance and TIF loan interest income.
--------------------	--

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities.

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)
April 30, 2015

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

FUND FINANCIAL STATEMENTS

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans-Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services-Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements-Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers-Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances-Amounts reported in the fund financial statements are interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities-Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers-Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

1.G. PROPERTY TAXES

Property taxes are levied and attach as an enforceable lien on January 1, on property values assessed as of the same date. Taxes are levied by December 31 of the subsequent year (by passage of the Tax Levy Ordinance). The 2014 tax levy was adopted by the Council on December 8, 2014. Tax bills are prepared by the County and issued on or about May 1, and are payable in two installments, on or about June 1, and September 1. The City receives significant distributions of taxes approximately one month after these due dates. No provision has been made for delinquent property taxes since in past years the amount has been immaterial.

The property tax revenues recorded in the current year financial statements represents the collections of the 2013 property tax levy. The 2014 property tax levy has been recorded as a receivable and 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, 2016. As a home rule unit of government, no property tax limitations are imposed.

1.H. USE OF ESTIMATES

The preparation of financial statements in conformity accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2015

1.I. COMPENSATED ABSENCES

City employees are entitled to certain compensated absences based on their length of employment. Vacation days earned do not accumulate and are recorded as expenditures when they are paid. In the Governmental fund types, the cost of these benefits is recognized when payments are made to employees. Enterprise fund types accrue compensated absences in the period in which they are earned. A long-term liability representing the City's commitment to fund such costs from future operations has been recorded in the statement of net position in the amount of \$53,098 and \$12,110, respectively.

1.J. PREPAID ITEMS

In governmental and business-type funds, prepaid expenditures/expenses are deferred and expensed over the term when the services are received.

1.K. DEFERRED OUTFLOWS OF RESOURCES

The City reports decreases in net assets that relate to future periods as deferred outflows of resources. The only deferred outflow of resources reported is a deferred amount arising from the refunding of proprietary fund bonds in a previous year. This deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. No deferred outflows of resources affect the governmental funds financial statements in the current year.

1.L. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE 2. DETAIL NOTES-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.

2.A. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is on the financial statements as "cash investments". In addition, investments are separately held by several of the City's funds.

The Illinois Funds is an investment pool managed by the Illinois Public Treasurer's Office which allows governments within the State to pool their funds for investment purposes. Although not registered with the SEC, Illinois Funds operates in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at share price, the price for which the investment could be sold. The Illinois Municipal Investment Fund is a not-for-profit investment trust formed pursuant to the Illinois Municipal Code. IMET is managed by a Board of Trustees elected from the participating members. IMET is not registered with the SEC as an Investment Company. Investments in IMET are valued at the share price, the price for which the investment could be sold.

DEPOSITS

At year-end the carrying amount of the City's deposits for governmental and business-type activities totaled \$952,475 and the bank balances totaled \$952,475. In addition, the City has \$152,853 invested in a 6 month certificate of deposit at a local financial institution, (\$3,680,648 carrying amount) (bank balance \$2,707,737) invested in the Illinois Funds, and \$7,110 invested in Illinois Metropolitan Investment Fund at year-end.

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)
April 30, 2015

2.A. DEPOSITS AND INVESTMENTS (continued)

CITY INTEREST RATE RISK, CREDIT RISK, CUSTODIAL CREDIT RISK AND CONCENTRATION RISK

INTEREST RATE RISK

Investments are subject to a decline in fair value due to fluctuating market interest rates. Interest rate risk is minimized by having maturities of less than 1 year for 100% of the City's investments, which includes the Illinois Funds and IMET.

CREDIT RATING RISK

Credit risk the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Illinois Funds investment pools were rated AAAM by Standard & Poor's as of March 27, 2015. The Illinois Metropolitan Investment Fund was rated AAAF by Standard & Poor's.

CUSTODIAL CREDIT RISK

Deposits are subject to custodial credit risk if uninsured and uncollateralized or covered by collateral that is not in the City's name. It is City policy to require collateral for deposit and investment balances above Federal Deposit Insurance Corporation (FDIC) insurance coverage. At April 30, 2015, the City's deposits were either covered by FDIC insurance or by pledged collateral held in the City's name. At year-end, the City's investment in the Illinois Funds and IMET were not subject to custodial credit risk.

CONCENTRATION OF CREDIT RISK

Investments are subject to concentration of credit risk when 5% or more of the total are in securities of a single issuer. At year-end, the City's investment in the Illinois Funds and IMET represent more than 5 percent of the total cash investment portfolio.

2.B. CAPITAL ASSETS

A summary of capital assets related to governmental and business-type activities is presented below:

	<i>Balance at May 1, 2014</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance at April 30, 2015</i>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,644,608	0	0	\$ 1,644,608
Land- Right of Way	<u>1,367,195</u>	<u>0</u>	<u>0</u>	<u>1,367,195</u>
Total capital assets not depreciated	<u>3,011,803</u>	<u>0</u>	<u>0</u>	<u>3,011,803</u>
Other capital assets:				
Land improvements	1,314,075	253,960	0	1,568,035
Buildings	3,837,247	120,232	0	3,957,479
Portable machinery and equipment	1,253,774	26,236	61,124	1,218,886
Vehicles	2,587,438	148,106	223,218	2,512,326
Infrastructure	<u>21,757,568</u>	<u>1,629,266</u>	<u>0</u>	<u>23,386,834</u>
Total other capital assets	<u>30,750,102</u>	<u>2,177,800</u>	<u>284,342</u>	<u>32,643,560</u>
Less accumulated depreciation for:				
Land improvements	621,314	49,685	0	670,999
Buildings	1,822,184	78,701	0	1,900,885
Portable machinery and equipment	837,526	75,896	57,625	855,797
Vehicles	1,194,351	120,252	195,013	1,119,590
Infrastructure	<u>6,827,652</u>	<u>443,750</u>	<u>0</u>	<u>7,271,402</u>
Total accumulated depreciation	<u>11,303,027</u>	<u>768,284</u>	<u>252,638</u>	<u>11,818,673</u>
Other capital assets, net	<u>19,447,075</u>	<u>1,409,516</u>	<u>31,704</u>	<u>20,824,887</u>
Governmental activities capital assets, net	<u>\$22,458,878</u>	<u>\$1,409,516</u>	<u>\$ 31,704</u>	<u>\$23,836,690</u>

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)
April 30, 2015

2.B. CAPITAL ASSETS (continued)

	<i>Balance at May 1, 2014</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance at April 30, 2015</i>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ <u>637,198</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>637,198</u>
Other capital assets:				
Plant & Mechanical	11,256,545	0	18,899	11,237,646
Portable Machinery & Equipment	81,161	12,947	33,365	60,743
Vehicles & Equipment	395,666	0	81,676	313,990
Infrastructure	<u>7,152,833</u>	<u>0</u>	<u>53,211</u>	<u>7,099,622</u>
Total other capital assets	<u>18,886,205</u>	<u>12,947</u>	<u>187,151</u>	<u>18,712,001</u>
Less accumulated depreciation for:				
Plant & Mechanical	4,962,580	288,113	10,641	5,240,052
Portable Machinery & Equipment	67,973	4,677	33,365	39,285
Vehicles & Equipment	172,265	21,822	81,676	112,411
Infrastructure	<u>2,606,227</u>	<u>197,066</u>	<u>25,869</u>	<u>2,777,424</u>
Total accumulated depreciation	<u>7,809,045</u>	<u>511,678</u>	<u>151,551</u>	<u>8,169,172</u>
Other capital assets, net	<u>11,077,160</u>	<u>(498,731)</u>	<u>35,600</u>	<u>10,542,829</u>
Business-type activities capital assets, net	<u>\$11,714,358</u>	<u>\$(498,731)</u>	<u>\$ 35,600</u>	<u>\$11,180,027</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

 Governmental Activities:

General government	\$ 30,338
Public safety	115,191
Public works	558,769
Culture and recreation	<u>63,986</u>
Total depreciation expense for governmental activities	<u>\$768,284</u>

Business-Type Activities:

Water	\$234,497
Sewer	<u>277,181</u>
Total depreciation expense for business-type activities	<u>\$511,678</u>

NOTE 3. OTHER NOTES

3.A. 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 the plan assets. Therefore, in accordance with GASB Statement No. 32, the deferred compensation plan is not reported in the City's financial statements.

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2015

3.B. DEFINED BENEFIT PENSION PLAN

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 policemen are included in the group of IMRF plan members. The City's policemen are not covered by any separate pension plans. The City's firemen are all volunteers and as such are not covered by IMRF or any separate pension plans. The City's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy: As set by statute, the City's regular plan members are required to contribute 4.50% 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 employer contribution rate for calendar year 2014 was 10.44% of annual covered payroll. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost: For the calendar year ending December 31, 2014, the City's annual pension cost of \$133,305 for the regular plan was equal to the City's required and actual contributions.

THREE-YEAR TREND INFORMATION for the REGULAR PLAN

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/14	\$133,305	100%	\$0
12/31/13	138,902	100%	0
12/31/12	124,777	100%	0

The required contribution for 2014 was determined as part of the December 31, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2012, included (a) 7.5% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the City's regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The City regular plan's unfunded actuarial accrued liability at December 31, 2012 is being amortized as a level percentage of projected payroll on an open 29 year basis.

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the regular plan was 87.45 percent funded. The actuarial accrued liability for benefits was \$3,650,755 and the actuarial value of assets was \$3,192,708, resulting in an underfunded actuarial accrued liability (UAAL) of \$458,047. The covered payroll for calendar year 2014 (annual payroll of active employees covered by the plan) was \$1,276,864 and the ratio of the UAAL to the covered payroll was 36 percent.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)
April 30, 2015

3.C. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. There has been no significant reductions in insurance coverage from coverage in prior year and the amount of settlements have not exceeded coverage in any of the past three fiscal years. The City handles these risks as follows:

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.

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The City is a participant in an insurance risk pool administered by the Illinois Municipal League Risk Management Association. 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. Settled claims have not exceeded coverage in any of the past three fiscal years.

In May 2014, an unusually severe hail storm passed through the City, causing property damage to city buildings and vehicles. Insurance proceeds were received in FY2015 in the amount of \$456,451. Of that amount, \$400,355 was recorded as deferred revenue until those repairs are completed in FY 2016.

3.D. MOTOR FUEL TAX ALLOTMENT

Under current procedures, the allotments of the City are being received from the State of Illinois each month. These allotments, however, may be expended only for specific projects that have been approved each month by the Department of Transportation, State of Illinois.

3.E. REVENUES DUE FROM STATE AND COUNTY GOVERNMENTS

The following is a breakdown of the amounts due from the State and County governments in the government-wide financial statements at April 30, 2015:

<u>Douglas County:</u>	
Property taxes	\$1,897,030
Police fines	1,923
	<u>\$1,898,953</u>
<u>State of Illinois:</u>	
Sales tax	\$312,549
Home rule sales tax	118,690
Income tax	152,601
Gaming tax	6,459
Corporate pers. repl. tax	9,460
Motor Fuel Tax	<u>10,420</u>
Total	<u>\$610,179</u>

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)
April 30, 2015

3.F. EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended April 30, 2015, the City did not have any expenditure over the legal appropriation limits.

3.G. DEFICIT FUND BALANCES

The following funds had deficit fund balances as of April 30, 2015:

Tax Increment Financing Fund \$1,308,698.

3.H. LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Installment purchase agreements are also general obligations of the government.

The following is a summary of the City's long-term debt transactions for the year ended April 30, 2015:

	<u>Balance</u> <u>May 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2015</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<i>Governmental activities</i>					
Capital lease obligations:					
The City had no capital lease obligations in the fiscal year ending April 30, 2015.					
General obligation bonds (alternate revenue bonds):					
General obligation bonds (Series 2010)	\$366,000	\$ 0	\$ 47,000	\$319,000	\$ 49,000
General obligation bonds (alternate revenue bonds):					
General obligation bonds (Series 2012)	450,000	0	50,000	400,000	50,000
Other long-term obligations:					
Accrued compensated absences	<u>52,033</u>	<u>94,997</u>	<u>93,932</u>	<u>53,098</u>	<u>0</u>
Total governmental activities long-term liabilities	<u>\$868,033</u>	<u>\$ 94,997</u>	<u>\$190,932</u>	<u>\$772,098</u>	<u>\$ 99,000</u>
<i>Business-type activities</i>					
General obligation refunding bonds:					
General obligation refunding bonds (2011WA)	\$1,035,000	\$ 0	\$255,000	\$ 780,000	\$255,000
General obligation refunding bonds (2011SW)	1,470,000	0	295,000	1,175,000	290,000
Less deferred charge on refunding:	(129,727)	(0)	(70,992)	(58,735)	(17,620)
Notes payable:					
Illinois Environmental Protection Agency (WA)	1,198,730	0	54,646	1,144,084	55,332
Illinois Environmental Protection Agency (SW)	174,424	0	8,187	166,237	8,290
Other long-term obligations:					
Accrued compensated absences	<u>11,815</u>	<u>21,381</u>	<u>21,086</u>	<u>12,110</u>	<u>12,110</u>
Total business-type activities Long-term liabilities	<u>\$3,760,242</u>	<u>\$21,381</u>	<u>\$562,927</u>	<u>\$3,218,696</u>	<u>\$603,112</u>

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2015

3.H. LONG-TERM DEBT (continued)

Arbitrage Compliance

Proceeds from tax-exempt bonds issued after September 1, 1986, are subject to the 1986 Tax Reform Act. The City invests records and reports these proceeds in the manner set forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the bonds. Arbitrage liabilities are reported as enterprise fund liabilities. At April 30, 2015 arbitrage liabilities were \$0.

Debt outstanding as of April 30, 2015, consisted of the following:

Governmental Funds:

The City issued \$500,000 of double-barreled Motor Fuel Tax bonds for the purpose of completing resurfacing improvements to Main, Sale, Pembroke, Prairie and Daggy Streets. The bonds, dated August 15, 2010, are of \$5,000 denominations and mature on December 1 of each year. 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.

<u>Fiscal Year</u> <u>Ending April 30,</u>	<u>Bond</u> <u>Principal</u>	<u>Interest</u> <u>Rate</u>
2016	\$ 49,000	2.85%
2017	50,000	3.00%
2018	52,000	3.15%
2019	54,000	3.30%
2020	56,000	3.45%
2021	<u>58,000</u>	3.60%
Total	<u>\$319,000</u>	

Interest paid on said bonds is payable on June 1 and December 1 in each year until paid. Both principal and interest on said bonds shall be payable in lawful money of the United States of America 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.

The bond ordinance requires that moneys held in the Motor Fuel Tax Fund be held in a special reserve account as follows:

<u>Account</u>	<u>Amount</u>	<u>Nature of</u> <u>Authorized Expenditures</u>
Bond and Interest	1/6 of the interest next due and 1/12 of the principle next due.	Restricted for paying principal and interest on bonds.

The City issued \$500,000 of double-barreled Motor Fuel Tax bonds for the purpose of completing resurfacing improvements to South Main Street. The bonds, dated May 4, 2012, are of \$5,000 denominations and mature on December 1 of each year. 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.

<u>Fiscal Year</u> <u>Ending April 30,</u>	<u>Bond</u> <u>Principal</u>	<u>Interest</u> <u>Rate</u>
2016	\$ 50,000	1.75%
2017	50,000	2.00%
2018	50,000	2.25%
2019	50,000	2.50%
2020	50,000	2.75%
2021	50,000	3.00%
2022	50,000	3.25%
2023	<u>50,000</u>	3.50%
Total	<u>\$400,000</u>	

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)
April 30, 2015

3.H. LONG-TERM DEBT (continued)

Interest paid on said bonds is payable on June 1 and December 1 in each year until paid. Both principal and interest on said bonds shall be payable in lawful money of the United States of America at the principal office of the Tuscola National Bank of Tuscola, the paying agent for the bonds, in the City of Tuscola, Illinois.

The bond ordinance requires that moneys held in the Motor Fuel Tax Fund be held in a special reserve account as follows:

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
Bond and Interest	1/6 of the interest next due and 1/12 of the principle next due.	Restricted for paying principal and interest on bonds.

Annual Debt Service Requirements for Governmental Funds Bonds

<u>Year</u>	<u>2010 Series</u>		<u>2012 Series</u>		<u>Total Debt Service Requirement</u>
	<u>G. O. Bonds</u>		<u>G.O. Bonds</u>		
	<u>MFT Alt. Rev.</u>	<u>MFT Alt. Rev.</u>	<u>Principal</u>	<u>Interest</u>	
2016	\$ 49,000	\$10,337	\$ 50,000	\$10,500	\$119,837
2017	50,000	8,940	50,000	9,625	118,565
2018	52,000	7,440	50,000	8,625	118,065
2019	54,000	5,802	50,000	7,500	117,302
2020	56,000	4,020	50,000	6,250	116,270
2021	58,000	2,088	50,000	4,875	114,963
2022	0	0	50,000	3,375	53,375
2023	0	0	50,000	1,750	51,750
	<u>\$319,000</u>	<u>\$38,627</u>	<u>\$400,000</u>	<u>\$52,500</u>	<u>\$810,127</u>

Proprietary Funds:

Enterprise Funds (Water and Sewer Funds):

General Obligation Refunding Bonds (Water and Sewer Alternate Revenue):

The City issued \$2,060,000 of double-barreled Sewerage bonds to refund the Sewerage Refunding Revenue Bonds, Series 1993, General Obligation Sewerage Bonds, Series 2000, and Sewerage Refunding Revenue Bonds (A), Series 2003. The bonds, dated December 29, 2011, are of \$5,000 denominations and mature on September 1 of each year. The principal and interest is intended to be paid from the revenues of the Sewer 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 Sewer Fund and sales taxes, the City will increase its property tax levy to generate the needed revenue for the bond payments.

<u>Fiscal Year</u> <u>Ending April 30,</u>	<u>Bond Principal</u>	<u>Interest Rate</u>
2016	\$ 290,000	1.55%
2017	290,000	1.65%
2018	295,000	1.80%
2019	300,000	2.00%
Total	<u>\$1,175,000</u>	

Interest paid on said bonds is payable on March 1 and September 1 in each year until paid. Both principal and interest on said bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of UMB Bank, N.A., the paying agent for the bonds, in Kansas City, Missouri.

The bond ordinance requires that moneys be accumulated in a debt service account in the Sewer Fund as follows:

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
Bond and Interest	1/6 of the interest next due and 1/12 of the principal next due.	Restricted for paying principal and interest on bonds.

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)
April 30, 2015

3.H. LONG-TERM DEBT (continued)

The City issued \$1,545,000 of double-barreled Waterworks bonds to refund the Waterworks Refunding Revenue Bonds, Series 1997 and the Waterworks Refunding Revenue Bond (B), Series 2003. The bonds, dated December 29, 2011, are of \$5,000 denominations and mature on September 1 of each year. 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.

<u>Fiscal Year</u> <u>Ending April 30,</u>	<u>Bond</u> <u>Principal</u>	<u>Interest</u> <u>Rate</u>
2016	\$255,000	1.55%
2017	260,000	1.65%
2018	<u>265,000</u>	1.80%
Total	<u>\$780,000</u>	

Interest paid on said bonds is payable on March 1 and September 1 in each year until paid. Both principal and interest on said bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of UMB Bank, N.A., the paying agent for the bonds, in Kansas City, Missouri.

The bond ordinance requires that moneys be accumulated in a debt service account in the Sewer Fund as follows:

<u>Account</u>	<u>Amount</u>	<u>Nature of</u> <u>Authorized Expenditures</u>
Bond and Interest	1/6 of the interest next due and 1/12 of the principal next due.	Restricted for paying principal and interest on bonds.

As a result of the current 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.

Proprietary Funds:

Enterprise Funds (Water and Sewer Funds):

Notes Payable:

The City issued a note payable to the Illinois Environmental Protection Agency which was obtained to increase capacity in the water supply lines in the central west side of the city. The total amount drawn on the note is \$948,769, with draw period interest amount of \$22,516 rolled into the principal of the loan. \$222,896 of the note will not be repaid as it was forgiven by the State of Illinois. The note bears 1.25% interest and will have semi-annual repayments for a 20 year term beginning October 1, 2014.

<u>Fiscal Year</u> <u>Ending April 30,</u>	<u>Principal</u> <u>Payment</u>	<u>Interest</u> <u>Payment</u>
2016	\$ 34,545	\$ 8,821
2017	34,978	8,388
2018	35,416	7,949
2019	35,861	7,504
2020	36,310	7,055
2021	36,765	6,600
2022	37,226	6,139
2023	37,693	5,672
2024	38,166	5,200

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2015

3.H. LONG-TERM DEBT (continued)

2025	38,644	4,721
2026	39,129	4,236
2027	39,620	3,746
2028	40,116	3,249
2029	40,619	2,746
2030	41,129	2,237
2031	41,645	1,721
2032	42,167	1,199
2033	42,695	670
2034	<u>21,549</u>	<u>135</u>
Total	<u>\$714,273</u>	<u>\$87,988</u>

Interest paid on said bonds is payable on April 24 and October 24 in each year until paid. Both principal and interest on said bonds shall be payable in lawful money of the United States of America at the office of Amalgamated Bank of Chicago, the authorized trustee of the Illinois Environmental Protection Agency, Water Revolving Fund, in Chicago, Illinois.

The bond ordinance requires that moneys be accumulated in a debt service account in the Water Fund as follows:

<u>Account</u>	<u>Amount</u>	<u>Nature of</u> <u>Authorized Expenditures</u>
Bond and Interest	1/6 of the interest next due and 1/12 of the principal next due.	Restricted for paying principal and interest on bonds.
Depreciation	1/120 th of 10% of the principal of the bonds per month	Extraordinary repairs and maintenance of the system
Bond Reserve	1/24 th maximum annual Debt service	Prevent or remedy payment default

The City also issued a note payable to the Illinois Environmental Protection Agency which was obtained for painting and maintenance to the elevated water storage tank. The total amount drawn on the note is \$601,231. \$150,890 of the note will not be repaid as it has been forgiven by the State of Illinois. The note bears 1.25% interest and will have semi-annual repayments for a 20 year term beginning July 1, 2014.

<u>Fiscal Year</u> <u>Ending April 30,</u>	<u>Principal</u> <u>Payment</u>	<u>Interest</u> <u>Payment</u>
2016	\$ 20,787	\$5,308
2017	21,048	5,047
2018	21,312	4,783
2019	21,579	4,516
2020	21,849	4,246
2021	22,123	3,972
2022	22,401	3,694
2023	22,682	3,413
2024	22,966	3,129
2025	23,254	2,841
2026	23,546	2,549
2027	23,841	2,254
2028	24,140	1,955
2029	24,443	1,652
2030	24,749	1,346

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)
April 30, 2015

3.H. LONG-TERM DEBT (continued)

2031	25,059	1,036
2032	25,374	722
2033	25,692	403
2034	<u>12,966</u>	<u>81</u>
Total	<u>\$429,811</u>	<u>\$52,947</u>

Interest paid on said bonds is payable on January 14 and July 14 in each year until paid. Both principal and interest on said bonds shall be payable in lawful money of the United States of America at the office of Amalgamated Bank of Chicago, the authorized trustee of the Illinois Environmental Protection Agency, Water Revolving Fund, in Chicago, Illinois.

The bond ordinance requires that moneys be accumulated in a debt service account in the Water Fund as follows:

<u>Account</u>	<u>Amount</u>	<u>Nature of</u> <u>Authorized Expenditures</u>
Bond and Interest	1/6 of the interest next due and 1/12 of the principal next due.	Restricted for paying principal and interest on bonds.
Depreciation	1/120 th of 10% of the principal of the bonds per month	Extraordinary repairs and maintenance of the system
Bond Reserve	1/24 th maximum annual Debt service	Prevent or remedy payment default

The City issued a note payable to the Illinois Environmental Protection Agency which was obtained in connection with the wastewater supply system project. The note is in the amount of \$238,466. \$59,987 of the note will not be repaid as it will be forgiven by the State of Illinois. The note bears 1.25% interest and will have semi-annual repayments for a 20 year term beginning February 21, 2014.

<u>Fiscal Year</u> <u>Ending April 30,</u>	<u>Principal</u> <u>Payment</u>	<u>Interest</u> <u>Payment</u>
2016	\$ 8,290	\$ 2,052
2017	8,394	1,948
2018	8,499	1,843
2019	8,606	1,737
2020	8,714	1,629
2021	8,823	1,519
2022	8,933	1,409
2023	9,045	1,297
2024	9,159	1,183
2025	9,274	1,068
2026	9,390	952
2027	9,508	834
2028	9,627	715
2029	9,747	594
2030	9,870	472
2031	9,993	348
2032	10,119	223
2033	<u>10,246</u>	<u>96</u>
Total	<u>\$166,237</u>	<u>\$19,919</u>

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)
April 30, 2015

3.H. LONG-TERM DEBT (continued)

Interest paid on said bonds is payable on February 21 and August 21 in each year until paid. Both principal and interest on said bonds shall be payable in lawful money of the United States of America at the office of Amalgamated Bank of Chicago, the authorized trustee of the Illinois Environmental Protection Agency, Water Revolving Fund, in Chicago, Illinois.

The bond ordinance requires that moneys be accumulated in a debt service account in the Water Fund as follows:

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
Bond and Interest	1/6 of the interest next due and 1/12 of the principal next due.	Restricted for paying principal and interest on bonds.
Depreciation	1/120 th of 10% of the principal of the bonds per month	Extraordinary repairs and maintenance of the system
Bond Reserve	1/24 th maximum annual Debt service	Prevent or remedy payment default

Annual Debt Service Requirements for Enterprise Fund Bonds

<u>Year</u>	<u>2011-WA Series</u> G.O. Refunding bonds Water Alt. Rev.		<u>2011-SW Series G.O.</u> Refunding bonds Sewer Alt. Rev.		<u>IEPA Loan- Water</u> Line Project		<u>IEPA Loan Water</u> Tower Project		<u>IEPA Loan Sewer</u> Project		<u>Total Debt</u> <u>Service</u> <u>Required</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2016	\$255,000	\$11,036	\$290,000	\$18,343	\$34,545	\$8,821	\$20,787	\$5,308	\$8,290	\$2,052	\$654,182
2017	260,000	6,915	290,000	13,703	34,978	8,388	21,048	5,047	8,394	1,948	650,421
2018	<u>265,000</u>	<u>2,385</u>	295,000	8,655	35,416	7,949	21,312	4,783	8,499	1,843	650,842
2019			<u>300,000</u>	<u>3,000</u>	35,861	7,504	21,579	4,516	8,606	1,737	382,803
2020					36,310	7,055	21,849	4,246	8,714	1,629	79,803
2021					36,765	6,600	22,123	3,972	8,823	1,519	79,802
2022					37,226	6,139	22,401	3,694	8,933	1,409	79,802
2023					37,693	5,672	22,682	3,413	9,045	1,297	79,802
2024					38,166	5,200	22,966	3,129	9,159	1,183	79,803
2025					38,644	4,721	23,254	2,841	9,274	1,068	79,802
2026					39,129	4,236	23,546	2,549	9,390	952	79,802
2027					39,620	3,746	23,841	2,254	9,508	834	79,803
2028					40,116	3,249	24,140	1,955	9,627	715	79,802
2029					40,619	2,746	24,443	1,652	9,747	594	79,801
2030					41,129	2,237	24,749	1,346	9,870	472	79,803
2031					41,645	1,721	25,059	1,036	9,993	348	79,802
2032					42,167	1,199	25,374	722	10,119	223	79,804
2033					42,695	670	25,692	403	<u>10,246</u>	<u>96</u>	79,802
					<u>21,548</u>	<u>135</u>	<u>12,966</u>	<u>81</u>			<u>34,730</u>
Total	<u>\$780,000</u>	<u>\$20,336</u>	<u>\$1,175,000</u>	<u>\$43,701</u>	<u>\$714,272</u>	<u>\$87,988</u>	<u>\$429,811</u>	<u>\$52,947</u>	<u>\$166,237</u>	<u>\$19,919</u>	<u>\$3,490,211</u>

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2015

3.I. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of April 30, 2015, interfund receivables and payables resulting from various interfund transactions were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$1,465,294	
TIF Fund		\$1,465,294

Represents start-up costs of a new TIF district within the City and financing large projects within existing TIF districts. This interfund loan is expected to be repaid as revenues from the TIF districts expand. This amount is not expected to be repaid within one year.

3.J. 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. 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, 2015 the Tax Increment Fund received \$1,388,432 in property taxes.

3.K. TIF NOTES RECEIVABLE

On February 13, 2012, the City Council approved a loan of \$59,500 at 3% for 10 years to Double B Properties for renovations at 132 W. Sale St. On March 9, 2015, the City Council rescinded \$17,765 of this loan. At April 30, 2015, \$41,735 of this loan was disbursed and the loan was converted to the repayment schedule.

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 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%. At April 30, 2015, \$159,176 of this loan was disbursed.

On November 13, 2012, the City Council approved a loan of \$8,750 at 3% for 5 years to Double B Properties for exterior renovation at 132 and 134 W. Sale St. The City Council rescinded this loan on March 9, 2015 due to the project not being started. At April 30, 2015, none of this loan was disbursed.

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, an additional amount of \$5,425 was approved by City Council under the same terms. On April 30, 2015, all of the amounts of this loan was disbursed, and the loan was converted to the repayment phase.

On August 12, 2013, the City Council approved a loan of \$7,520 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. At April 30, 2015, \$9,743 of this loan was disbursed.

On October 14, 2013, the City Council approved a loan of \$670 to Sandra Cruzan and Pam Dean for tuck pointing work on Floyd's Barber Shop at 107 W Sale St. At April 30, 2015, all of the amounts of this loan were disbursed, converted to the repayment phase and paid off.

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2015

3.K. TIF NOTES RECEIVABLE (continued)

On January 13, 2014, the City Council approved a loan of \$80,000 to Richard Kidwell for renovations to the building at 901 E Southline Road for use as a donut shop. At April 30, 2015, \$76,977 of this loan had been disbursed.

On October 14, 2014, the City Council approved a loan of \$15,000 to Racheal Puckett for renovations to the building at 102-104 W Sale Street. At April 30, 2015, \$11,044.61 of this loan had been disbursed.

On October 14, 2014, the City Council approved a loan of \$1,155 to Lynnita Brown of Aldridges Collectibles for renovations to 131 W Sale Street. At April 30, 2015, none of this loan had been disbursed.

On April 27, 2015, the City Council approved a loan of \$100,000 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, 2015, none of this loan had been disbursed.

3.L. TAX INCREMENT GRANTS

On May 23, 2011, the City Council approved a \$22,000 grant for M Five Foods, LLC for renovations at 1109 Tuscola Blvd. At April 30, 2015, \$13,921 had been paid on this grant and the remaining amounts were rescinded by the City Council on March 9, 2015.

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 Street. 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, 2015, \$288,084 had been paid on this grant.

On July 9, 2012, the City Council approved a \$40,000 grant to 5KC's LLC, for renovations at 802 E Southline Road. At April 30, 2015, \$16,984 had been paid on this grant and the remaining amounts were rescinded by the City Council on March 9, 2015.

On November 11, 2012, the City Council approved an \$8,750 grant to Double B Properties, for renovations to the rear exterior at 132 and 134 W Sale St. On March 9, 2015, the City Council rescinded the entire amount of this grant due to the project not being started within the specified redevelopment period.

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 RD, 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, 2015, \$1,593,011 had been paid on this grant.

On April 8, 2013, the City Council approved a \$24,500 grant to Aims Sandwiches, LLC, for exterior renovations to the property at 1100 E Southline Road. At April 30, 2015, all amounts had been paid on this grant.

On June 10, 2013, the City Council approved a grant of \$50,000 to John McDevitt of Yellow Dog Artworks for renovation to the HVAC system and roof at 100 N Main St. On April 14, 2014, an additional amount of \$5,425 was approved by City Council under the same terms. On April 30, 2015, all amounts of this grant were disbursed.

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2015

3.L. TAX INCREMENT GRANTS (continued)

On July 8, 2013, the City Council approved a grant, in the amount of \$365,000 to Tim Mooney Inc. for 35% of the cost of renovations to the Ford dealership building at 406 E Southline Rd. At April 30, 2015, all amounts of this grant had been disbursed.

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, 2015, \$11,564 of this grant was disbursed.

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, 2015, \$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, 2015, none of the amounts of this grant were disbursed.

On October 14, 2013, the City Council approved a grant of \$840 to Sandra Cruzan and Pam Dean for tuck pointing work on Floyd's Barber Shop at 107 W Sale St. During fiscal year 2015, \$731 of this grant was disbursed. On March 9, 2015, City Council rescinded the remaining amounts.

On October 14, 2013, the City Council approved a grant of \$3,530 to Jamison Boyd and William Hemmer for brick repairs at 902 S Court St. At April 30, 2015, none of the amounts of this grant were disbursed.

On November 12, 2013, the City Council approved a grant of \$29,700 to Ted Rund for roof and awning renovations at the Tuscola Professional Building at 107 W South Central AVE. At April 30, 2015, all 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, 2015, \$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, 2015, \$76,676 of this grant had been disbursed.

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, 2015, \$7,585 of this grant had been disbursed.

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, 2015, none of the amounts of this grant were disbursed.

On May 27, 2014, the City Council approved a grant to the owners of Tuscola Burger King of up to \$30,000 for construction of an access drive from Burger King north to Apgar Avenue. Prior to April 30, 2015, the project was completed under budget at \$16,320.56 and the remaining amounts were 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, 2015, \$5,244 of this grant had been disbursed.

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2015

3.L. TAX INCREMENT GRANTS (continued)

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, 2015, \$13,543.63 of this grant had been disbursed.

On October 14, 2014, the City Council approved a grant of \$10,157 to Lynnita Brown of Aldridges Collectibles for renovations to 131 W Sale Street. At April 30, 2015, all amounts of this grant had been disbursed.

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, 2015, \$25,675 of these 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, 2015, \$3,500 of this amount was disbursed.

On January 12, 2015, the City Council approved a grant of \$8,000 to Kirby Foods for ADA compliant restrooms and front doors to remodel the west portion of the building at 605 E Southline Road. At April 30, 2015, all amounts of this grant were disbursed.

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, 2015, none of this amount was disbursed.

On March 10, 2015, the City Council approved a grant of up to \$1,400 to Flesor Family Confectionary for window repairs to their building at 101 W Sale Street. At April 30, 2015, all amounts of this grant were 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, 2015, none of the amounts 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, 2015, none of this grant had been disbursed.

3.M. 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, 2015, \$900,000 or six payments of this grant had been disbursed.

On January 28, 2008, the City Council approved a redevelopment agreement with COROC/Tuscola, L.L.C., operators of the Tanger Outlet Center on Progress Boulevard. This agreement addresses expansion and retail retention needed to maintain this very valuable development. Under the agreement, the City will reimburse COROC/Tuscola, L.L.C. for 50% of their costs for capital improvements to the center and for recruitment and store build-out for any of a listing of top retail tenants, contingent upon agreement to certain lease terms. The maximum amount of reimbursement from the City under this portion of the redevelopment agreement is \$1,000,000. As of April 30, 2015, the City had reimbursed COROC/Tuscola, L.L.C. \$969,123 of the amounts contemplated under this agreement. The remaining \$30,877 expired on December 31, 2009. Those amounts assisted in the recruitment of top retailers such as Coldwater Creek, Old Navy, Nike, The Children's Place and Stride Rite to the Center.

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2015

3.M. TAX INCREMENT OTHER REDEVELOPMENT AGREEMENTS AND COMMITMENTS (continued)

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 Chamber and Economic Development, Inc.(TCED) for purposes of the City employing an economic development director position for TCED as it's 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 TCED 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 it's 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, 2015, \$438,168 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, 2015, \$395,917 of this grant had been disbursed.

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, 2015, none of these amounts had been disbursed.

3.N. 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, 2015.

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2015

3.O. SEWER PLANT INFORMATION

The City sewer system received 224,794,025 total gallons at the wastewater plant for calendar year end December 31, 2014. In addition, there were 2,587 users connected to the system and 112,910,600 gallons billed. There were no non-metered users and one user discharging non-domestic or industrial wastes.

3.P. 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, 2015 the City of Tuscola's equity interest was 47.48%, or \$9,972, 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, 2015 is provided below.

Financial Position as of April 30, 2015

Total assets	<u>\$49,974</u>
Total liabilities	\$ 0
Total equity	<u>49,974</u>
Total liabilities and equity	<u>\$49,974</u>

Results of Operations for Fiscal Year Ending April 30, 2015

Total revenues	\$162,360
Total expenditures	<u>157,280</u>
Net income (loss)	5,081
Beginning total equity	<u>44,893</u>
Ending total equity	<u>\$49,974</u>

3.Q. 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.

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2015

3.R. 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

3.S. 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 even 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 one retiree included in its healthcare premiums at April 30, 2015 or during the year ending April 30, 2015. 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, 2015.

3.T. ACCOUNTING CHANGE AND RESTATEMENT

In the current fiscal year, the City implemented Governmental Accounting Standards Board (GASB) Statement 65, Items Previously Reported as Assets and Liabilities.

GASB 65 revises the treatment of a variety of transactions previously reported as either assets or liabilities on the statement of financial position to classification as either deferred outflows/inflows of resources or recognition as revenue or expense.

Implementation of GASB 65 has reclassified deferred revenue on the Governmental Funds Balance Sheet as deferred inflows of resources. Additionally, beginning Net Position for Governmental Activities in the Statement of Activities has been restated by \$(1,990,048) to account for a prior year overstatement of property taxes recognized. In the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds beginning fund balance was restated in the General Fund \$(249,487) and in the Tax Increment Financing Fund \$(675,591).

A restatement was made in the General Fund for \$47,296, and Tax Increment Financing Fund for \$3,840, to correct accrued compensated absences in the governmental funds. The effect of this adjustment was to decrease Accrued Compensated Absences and increase Fund Balance in the Governmental Funds Balance Sheet and the Budgetary Comparison Schedules for each aforementioned fund. In addition, a reclassification of Accrued Compensated Absences on the Statement of Net Position from Current Liabilities to Noncurrent Liabilities was made for both governmental and business-type activities.

In the current fiscal year, the City implemented GASB 61, The Financial Reporting Entity – Omnibus. As a result of this statement the City of Tuscola Library is presented in these financial statements as a discretely presented component unit in the Statement of Net Position and the Statement of Activities. This resulted in a restatement of \$(434,344) to beginning net position in the Statement of Activities.

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2015

3.U. CITY OF TUSCOLA LIBRARY

The carrying amount of the Library's cash and investments was \$83,629 and the bank balance was \$83,629. The Library's cash and investments are held by the Illinois Funds. See footnote 2.A. for additional information on the Illinois Funds.

INTEREST RATE RISK

Investments are subject to a decline in fair value due to fluctuating market interest rates. Interest rate risk is minimized by having maturities of less than 1 year for 100% of the City's investments, which includes the Illinois Funds.

CREDIT RATING RISK

Credit risk the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Illinois Funds investment pools were rated AAAM by Standard & Poor's as of March 27, 2015.

CUSTODIAL CREDIT RISK

Deposits are subject to custodial credit risk if uninsured and uncollateralized or covered by collateral that is not in the Library's name. It is Library policy to require collateral for deposit and investment balances above Federal Deposit Insurance Corporation (FDIC) insurance coverage. At April 30, 2015, the Library's deposits were either covered by FDIC insurance or by pledged collateral held in the Library's name. At year-end, the Library's investment in the Illinois Funds were not subject to custodial credit risk.

CONCENTRATION OF CREDIT RISK

Investments are subject to concentration of credit risk when 5% or more of the total are in securities of a single issuer. At year-end, the Library's investment in the Illinois Funds represent more than 5 percent of the total cash investment portfolio.

Property Taxes and Taxes Receivable: Property tax revenue consists of taxes levied for 2013, which were received during the current fiscal year or were "available" as described in the Summary of Significant Accounting Policies. Property taxes levied for 2014 are not "available," and accordingly, the recognition of revenue has been deferred until the subsequent fiscal year. Any uncollectible amount is not believed to be material. Property taxes receivable at April 30, 2015 are \$132,638.

Pension and Retirement Fund Commitments: The Library contributes to the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government units. Information concerning the plan description and funding status is included in Note 3.B.

Change in Capital Assets:

	<i>Balance at May 1, 2014</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance at April 30, 2015</i>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 224	\$ 0	\$ 0	\$ 224
Other capital assets:				
Buildings	260,784	18,473	0	279,257
Equipment	406,854	18,032	0	424,886
Total other capital assets	667,638	36,505	0	704,143
Less accumulated depreciation:				

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2015

3.U. CITY OF TUSCOLA LIBRARY (continued)

Buildings	36,887	3,501	0	40,388
Equipment	<u>280,022</u>	<u>26,503</u>	<u>0</u>	<u>306,525</u>
Total accumulated depreciation	<u>316,909</u>	<u>30,004</u>	<u>0</u>	<u>346,913</u>
Other capital assets, net	<u>350,729</u>	<u>6,501</u>	<u>0</u>	<u>357,230</u>
Governmental activities capital assets, net	<u>\$350,953</u>	<u>\$ 6,501</u>	<u>\$ 0</u>	<u>\$357,454</u>

Depreciation expense of \$30,004 was charged to the culture and recreation functional expense category.

Accounting Change and Restatement

In the current fiscal year, the City implemented Governmental Accounting Standards Board (GASB) Statement 65, Items Previously Reported as Assets and Liabilities.

GASB 65 revises the treatment of a variety of transactions previously reported as either assets or liabilities on the statement of financial position to classification as either deferred outflows/inflows of resources or recognition as revenue or expense.

Implementation of GASB 65 has reclassified deferred revenue on the Tuscola Public Library Balance Sheet as deferred inflows of resources. Additionally, beginning Net Position for Component Unit Activities in the Statement of Activities has been restated by \$(141,017) to account for a prior year overstatement of property taxes recognized. In the Statement of Revenues, Expenditures and Changes in Fund Balances-Tuscola Public Library beginning fund balance was restated \$(71,317).

Required Supplementary Information

CITY OF TUSCOLA

Tuscola, Illinois

REQUIRED SUPPLEMENTARY INFORMATION

Illinois Municipal Retirement Fund Analysis of Funding Progress

April 30, 2015

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) ---Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/14	\$3,192,708	\$3,650,755	\$458,047	87.45%	\$1,276,864	35.87%
12/31/13	3,374,836	3,720,273	345,437	90.71%	1,222,733	28.25%
12/31/12	3,481,922	3,916,157	434,235	88.91%	1,159,638	37.45%

On a market value basis, the actuarial value of assets as of December 31, 2014 is \$3,750,049. On a market basis, the funded ratio would be 102.72%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with City of Tuscola. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

CITY OF TUSCOLA

Tuscola, Illinois

Budgetary Comparison Schedule (Budgetary Basis)- General Fund For the Year Ended April 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property taxes	\$ 470,248	\$ 470,248	\$ 469,215	\$ (1,033)
Sales taxes	1,864,998	1,864,998	2,041,744	176,746
State income taxes	438,144	438,144	435,033	(3,111)
Replacement taxes	38,450	38,450	38,516	66
Fines and fees	32,000	32,000	24,059	(7,941)
Rent	10,500	10,500	11,860	1,360
Licenses and permits	23,000	23,000	20,293	(2,707)
Grant income	35,195	35,195	24,367	(10,828)
Franchise fees	44,000	44,000	37,494	(6,506)
Fire insurance	8,000	8,000	8,425	425
Pool income	72,500	72,500	80,233	7,733
Interest income	4,150	4,150	1,582	(2,568)
Miscellaneous	19,100	19,100	362,549	343,449
Total revenues	3,060,285	3,060,285	3,555,370	495,085
<u>Expenditures:</u>				
General government				
Salaries - city officials and other	310,000	310,000	201,794	108,206
Professional fees	150,000	150,000	16,576	133,424
Office and general expenses	230,000	230,000	35,159	194,841
Insurance	155,000	155,000	47,454	107,546
Publications	15,000	15,000	3,651	11,349
Maintenance	100,000	100,000	2,597	97,403
Utilities	40,000	40,000	13,817	26,183
Animal and bird control	20,000	20,000	-	20,000
Payroll taxes	55,000	55,000	16,015	38,985
Travel, training and education	10,000	10,000	1,993	8,007
Employee benefits	125,000	125,000	48,673	76,327
Community activity subsidy	225,000	225,000	88,000	137,000
Substance abuse program	10,000	10,000	2,188	7,813
Miscellaneous	50,000	50,000	9,466	40,534
Total expenditures - general government	1,495,000	1,495,000	487,383	1,007,617
Public Safety				
<u>Fire protection</u>				
Salaries	300,000	300,000	109,203	190,797
Payroll taxes	60,000	60,000	8,813	51,187
Employee benefits	5,000	5,000	2,262	2,738
Subscriptions	10,000	10,000	852	9,148
Special bequests	150,000	150,000	3,517	146,483
Utilities	25,000	25,000	4,880	20,120
Travel, training and education	50,000	50,000	5,015	44,985
Office and general expenses	25,000	25,000	2,117	22,883
Uniforms	10,000	10,000	117	9,883
Repairs and maintenance	285,000	285,000	15,013	269,987
Supplies and parts	100,000	100,000	12,162	87,838
Fire prevention	5,000	5,000	920	4,080
Miscellaneous	5,000	5,000	302	4,698
Total expenditures - fire protection	1,030,000	1,030,000	165,172	864,828

CITY OF TUSCOLA

Tuscola, Illinois

Budgetary Comparison Schedule (Budgetary Basis)- General Fund

For the Year Ended April 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures: (continued)</u>				
<u>Public Safety (continued)</u>				
<u>Police protection</u>				
Salaries	\$ 825,000	\$ 825,000	\$ 371,463	\$ 453,537
Payroll taxes	20,000.00	20,000.00	5,286.97	14,713
Employee benefits	300,000.00	300,000.00	120,580.85	179,419
Communications	25,000.00	25,000.00	7,456.58	17,543
Office and general expenses	25,000.00	25,000.00	5,451.95	19,548
Uniforms	20,000.00	20,000.00	7,434.26	12,566
Repairs and maintenance	260,000.00	260,000.00	54,547.38	205,453
Utilities	20,000.00	20,000.00	6,606.73	13,393
Subscriptions	15,000.00	15,000.00	185.00	14,815
Travel, training and education	15,000.00	15,000.00	5,092.99	9,907
Drug fund	100,000.00	100,000.00	1,720.00	98,280
K-9 unit	20,000.00	20,000.00	-	20,000
Miscellaneous	15,000.00	15,000.00	4,270.44	10,730
Total expenditures - police protection	1,660,000.00	1,660,000.00	590,096.29	1,069,904
<u>Building Inspection</u>				
Salaries	110,000.00	110,000.00	52,721.80	57,278
Payroll taxes	11,000.00	11,000.00	3,989.99	7,010
Employee benefits	45,000.00	45,000.00	16,931.57	28,068
Insurance	500.00	500.00	50.00	450
Office and general expenses	20,000.00	20,000.00	2,460.96	17,539
Travel, training and education	10,000.00	10,000.00	-	10,000
Professional fees	120,000.00	120,000.00	650.00	119,350
Repairs and maintenance	45,000.00	45,000.00	2,176.49	42,824
Miscellaneous	5,000.00	5,000.00	77.05	4,923
Total expenditures - building inspection	366,500.00	366,500.00	79,057.86	287,442
<u>ESDA</u>				
Communications	50,000.00	50,000.00	1,879.36	48,121
Travel, training and education	10,000.00	10,000.00	-	10,000
Supplies and parts	15,000.00	15,000.00	-	15,000
Repairs and maintenance	15,000.00	15,000.00	-	15,000
Miscellaneous	15,000.00	15,000.00	-	15,000
Total expenditures - ESDA	105,000.00	105,000.00	1,879.36	103,121
Total expenditures - public safety	3,161,500.00	3,161,500.00	836,205.24	2,325,295
<u>Public Works</u>				
<u>Streets and Alleys</u>				
Salaries	475,000.00	475,000.00	238,251.94	236,748
Payroll taxes	105,000.00	105,000.00	19,491.77	85,508
Employee benefits	250,000.00	250,000.00	90,778.38	159,222
Communications	5,000.00	5,000.00	1,225.70	3,774
Travel, training and education	5,000.00	5,000.00	350.00	4,650
Vehicle fuel	75,000.00	75,000.00	17,953.12	57,047
Vehicle maintenance	150,000.00	150,000.00	14,037.77	135,962
Utilities	150,000.00	150,000.00	38,490.04	111,510
Small equipment	102,500.00	102,500.00	1,050.86	101,449

CITY OF TUSCOLA

Tuscola, Illinois

Budgetary Comparison Schedule (Budgetary Basis)- General Fund

For the Year Ended April 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures: (continued)				
<u>Public Works (continued)</u>				
<u>Streets and Alleys (continued)</u>				
Supplies and parts	\$ 20,000	\$ 20,000	\$ 3,139	\$ 16,861
Repairs and maintenance	450,000	450,000	29,074	420,926
Street, alley and curb maintenance	250,000	250,000	101,629	148,371
Sidewalks	25,000	25,000	296	24,704
Miscellaneous	5,000	5,000	211	4,789
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures - streets and alleys	2,067,500	2,067,500	555,977	1,511,523
<u>Public Works (continued)</u>				
<u>Municipal Building</u>				
Salaries	12,000	12,000	-	12,000
Payroll taxes	6,000	6,000	-	6,000
Employee benefits	10,000	10,000	-	10,000
Insurance	150,000	150,000	59,242	90,758
Communications	5,000	5,000	619	4,381
Leases	10,000	10,000	2,798	7,202
Utilities	50,000	50,000	17,060	32,940
Real estate taxes - drainage	20,000	20,000	567	19,433
Vending	5,000	5,000	345	4,655
Supplies and parts	40,000	40,000	1,720	38,280
Repairs and maintenance	190,000	190,000	37,347	152,654
Miscellaneous	5,000	5,000	189	4,811
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures - municipal building	503,000	503,000	119,887	383,113
Total expenditures - public works	2,570,500	2,570,500	675,864	1,894,636
<u>Culture and Recreation</u>				
<u>Park</u>				
Salaries	135,000	135,000	56,236	78,764
Payroll taxes	11,000	11,000	4,492	6,508
Employee benefits	60,000	60,000	19,329	40,671
Repairs and maintenance	120,000	120,000	14,181	105,819
Communications	5,000	5,000	449	4,551
Travel, training and education	5,000	5,000	40	4,960
Utilities	50,000	50,000	12,078	37,922
Supplies and parts	41,500	41,500	7,359	34,141
Advertising	-	-	-	-
Miscellaneous	40,000	40,000	1,244	38,756
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures - park	467,500	467,500	115,407	352,093
<u>Pool</u>				
Salaries	110,000	110,000	52,027	57,973
Payroll taxes	15,000	15,000	4,266	10,734
Supplies	90,000	90,000	14,207	75,793
Repairs and maintenance	95,000	95,000	4,737	90,263
Advertising	10,000	10,000	245	9,755
Communications	5,000	5,000	452	4,548
Training	5,000	5,000	1,225	3,775

CITY OF TUSCOLA

Tuscola, Illinois

Budgetary Comparison Schedule (Budgetary Basis)- General Fund

For the Year Ended April 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures: (continued)</u>				
<u>Culture and Recreation (continued)</u>				
<u>Pool (continued)</u>				
Utilities	\$ 50,000	\$ 50,000	\$ 26,799	\$ 23,201
Miscellaneous	20,000	20,000	152	19,848
Total expenditures - pool	<u>400,000</u>	<u>400,000</u>	<u>104,111</u>	<u>295,889</u>
Total expenditures - culture and recreation	<u>867,500</u>	<u>867,500</u>	<u>219,518</u>	<u>647,982</u>
<u>Development</u>				
Economic development	<u>5,000,000</u>	<u>5,000,000</u>	<u>53,054</u>	<u>4,946,946</u>
Total expenditures - development	<u>5,000,000</u>	<u>5,000,000</u>	<u>53,054</u>	<u>4,946,946</u>
<u>Capital Outlay</u>				
General government	500,000	500,000	43,503	456,497
Fire protection	1,000,000	1,000,000	-	1,000,000
Police protection	100,000	100,000	26,802	73,198
Building inspection	50,000	50,000	-	50,000
Streets and alleys	1,000,000	1,000,000	112,535	887,465
Municipal building	250,000	250,000	2,668	247,332
ESDA	100,000	100,000	-	100,000
Park	150,000	150,000	73,656	76,344
Pool	1,500,000	1,500,000	-	1,500,000
Total expenditures - capital outlay	<u>4,650,000</u>	<u>4,650,000</u>	<u>259,163</u>	<u>4,390,837</u>
Total expenditures	<u>17,744,500</u>	<u>17,744,500</u>	<u>2,531,189</u>	<u>15,213,311</u>
Excess (deficiency) of revenues over (under) expenditures	(14,684,215)	(14,684,215)	1,024,181	(14,718,226)
Fund balances - beginning	<u>(11,347,973)</u>	<u>(11,347,973)</u>	<u>2,926,891</u>	
Fund balances - ending	\$ <u>(26,032,188)</u>	\$ <u>(26,032,188)</u>	\$ <u>3,951,072</u>	\$ <u>(14,718,226)</u>
Fund balances, ending - budgetary basis			\$ <u>3,951,072</u>	
<u>Accrual Adjustments</u>				
Revenues			(352,824)	
Expenditures			(52,527)	
Net			<u>(405,351)</u>	
Other financing sources (uses)			-	
Beginning fund balance adjustment to GAAP basis			<u>701,750</u>	
Fund balance, ending - GAAP basis			\$ <u>4,247,471</u>	

The notes to budgetary comparison schedules are in integral part of this statement.

CITY OF TUSCOLA

Tuscola, Illinois

Budgetary Comparison Schedule (Budgetary Basis) - Tax Increment Financing Fund

For the Year Ended April 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property taxes	\$ 1,388,500	\$ 1,388,500	\$ 1,388,432	\$ (68)
Replacement taxes	-	-	-	-
Income taxes	-	-	-	-
Sales taxes	-	-	-	-
Sales taxes - city	-	-	-	-
Motor fuel tax	-	-	-	-
Fines and fees	-	-	-	-
Memorial funds	-	-	-	-
Interest income	23,050	23,050	17,417	(5,633)
Miscellaneous	-	-	-	-
Total revenues	<u>1,411,550</u>	<u>1,411,550</u>	<u>1,405,849</u>	<u>(5,701)</u>
<u>Expenditures:</u>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Development	19,002,000	19,002,000	3,646,749	15,355,251
Debt service				
Principal	500,000	500,000	-	500,000
Interest expense and fiscal charges	150,000	150,000	-	150,000
Capital outlay	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
Total expenditures	<u>21,652,000</u>	<u>21,652,000</u>	<u>3,646,749</u>	<u>18,005,251</u>
Excess (deficiency) of revenues over (under) expenditures	(20,240,450)	(20,240,450)	(2,240,900)	(18,010,952)
<u>Other financing sources (uses):</u>				
Bond proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(20,240,450)</u>	<u>(20,240,450)</u>	<u>(2,240,900)</u>	<u>(18,010,952)</u>
Fund balances - beginning	<u>(139,863,932)</u>	<u>(139,863,932)</u>	<u>885,268</u>	<u>-</u>
Fund balances - ending	<u>\$ (160,104,382)</u>	<u>\$ (160,104,382)</u>	<u>\$ (1,355,632)</u>	<u>\$ (18,010,952)</u>
Fund balances, ending - budgetary basis			<u>\$ (1,355,632)</u>	
<u>Accrual Adjustments</u>				
Revenues			95	
Expenditures			<u>(440,054)</u>	
Net			<u>(439,959)</u>	
Other financing sources (uses)			-	
Beginning fund balance adjustment to GAAP basis			486,893	
Fund balance, ending - GAAP basis			<u>\$ (1,308,698)</u>	

The notes to budgetary comparison schedules are in integral part of this statement.

CITY OF TUSCOLA

Tuscola, Illinois

Budgetary Comparison Schedule (Budgetary Basis) - Motor Fuel Tax Fund

For the Year Ended April 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Replacement taxes	-	-	-	-
Income taxes	-	-	-	-
Sales taxes	-	-	-	-
Sales taxes - city	-	-	-	-
Motor fuel tax	127,864	127,864	146,263	18,399
Fines and fees	-	-	-	-
Memorial funds	-	-	-	-
Interest income	500	500	197	(303)
Miscellaneous	-	-	-	-
Total revenues	128,364	128,364	146,461	18,097
<u>Expenditures:</u>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	250,000	250,000	-	250,000
Culture and recreation	-	-	-	-
Development	-	-	-	-
Debt service	-	-	-	-
Principal	200,000	200,000	97,000	103,000
Interest expense and fiscal charges	150,000	150,000	22,856	127,145
Capital outlay	1,500,000	1,500,000	-	1,500,000
Total expenditures	2,100,000	2,100,000	119,856	1,980,145
Excess (deficiency) of revenues over (under) expenditures	(1,971,636)	(1,971,636)	26,605	(1,962,048)
<u>Other financing sources (uses):</u>				
Bond proceeds	-	-	-	-
Net change in fund balances	(1,971,636)	(1,971,636)	26,605	(1,962,048)
Fund balances - beginning	(851,692)	(851,692)	(368,274)	-
Fund balances - ending	\$ (2,823,328)	\$ (2,823,328)	\$ (341,669)	\$ (1,962,048)
Fund balances, ending - budgetary basis			\$ (341,669)	
Accrual Adjustments				
Revenues			2,716	
Expenditures			-	
Net			2,716	
Other financing sources (uses)				
Beginning fund balance adjustment to GAAP basis			583,533	
Fund balance, ending - GAAP basis			\$ 244,580	

The notes to budgetary comparison schedules are in integral part of this statement.

CITY OF TUSCOLA

Tuscola, Illinois

Budgetary Comparison Schedule (Budgetary Basis) - Tourism Fund

For the Year Ended April 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Replacement taxes	-	-	-	-
Income taxes	-	-	-	-
Sales taxes	-	-	-	-
Sales taxes - city	162,250	162,250	150,064	(12,186)
Motor fuel tax	-	-	-	-
Fines and fees	12,500	12,500	13,469	969
Memorial funds	-	-	-	-
Interest income	100	100	35	(65)
Grant income	10,000	10,000	6,243	(3,757)
Miscellaneous	500	500	1,220	720
Total revenues	<u>185,350</u>	<u>185,350</u>	<u>171,031</u>	<u>(14,319)</u>
<u>Expenditures:</u>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Development	1,252,000	1,252,000	163,310	1,088,690
Debt service				
Principal	-	-	-	-
Interest expense and fiscal charges	-	-	-	-
Capital outlay	150,000	150,000	-	150,000
Total expenditures	<u>1,402,000</u>	<u>1,402,000</u>	<u>163,310</u>	<u>1,238,690</u>
Excess (deficiency) of revenues over (under) expenditures	(1,216,650)	(1,216,650)	7,721	(1,253,010)
Fund balances - beginning	<u>4,430,316</u>	<u>4,430,316</u>	<u>200,126</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,213,666</u>	<u>\$ 3,213,666</u>	<u>\$ 207,847</u>	<u>\$ (1,253,010)</u>
Fund balances, ending - budgetary basis			<u>\$ 207,847</u>	
Accrual Adjustments				
Revenues			10,690	
Expenditures			(860)	
Net			9,830	
Other financing sources (uses)			-	
Beginning fund balance adjustment to GAAP basis			51,506	
Fund balance, ending - GAAP basis			<u>\$ 269,183</u>	

The notes to budgetary comparison schedules are in integral part of this statement.

CITY OF TUSCOLA

Tuscola, Illinois

Budgetary Comparison Schedule (Budgetary Basis) - Tuscola Chamber & Economic Development, Inc For the Year Ended April 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Replacement taxes	-	-	-	-
Income taxes	-	-	-	-
Sales taxes	-	-	-	-
Sales taxes - city	-	-	-	-
Motor fuel tax	-	-	-	-
Fines and fees	-	-	-	-
Memorial funds	-	-	-	-
Interest income	-	-	1	1
Grant income	100,000	100,000	94,762	(5,238)
Miscellaneous	30,000	30,000	30,264	264
Total revenues	<u>130,000</u>	<u>130,000</u>	<u>125,027</u>	<u>(4,973)</u>
Expenditures:				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Development	121,780	121,780	133,179	(11,399)
Debt service	-	-	-	-
Principal	-	-	-	-
Interest expense and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>121,780</u>	<u>121,780</u>	<u>133,179</u>	<u>(11,399)</u>
Excess (deficiency) of revenues over (under) expenditures	8,220	8,220	(8,152)	6,426
Fund balances - beginning	<u>44,779</u>	<u>44,779</u>	<u>61,667</u>	<u>-</u>
Fund balances - ending	<u>\$ 52,999</u>	<u>\$ 52,999</u>	<u>\$ 53,515</u>	<u>\$ 6,426</u>
Fund balances, ending - budgetary basis			<u>\$ 53,515</u>	
Accrual Adjustments				
Revenues			-	
Expenditures			-	
Net			-	
Other financing sources (uses)			-	
Beginning fund balance adjustment to GAAP basis			1,513	
Fund balance, ending - GAAP basis			<u>\$ 55,028</u>	

The notes to budgetary comparison schedules are in integral part of this statement.

CITY OF TUSCOLA

Tuscola, Illinois

Notes to Budgetary Comparison Schedules

April 30, 2015

Budget:

The City Council prepares its annual operating budget under the provisions of the Illinois Municipal Budget Law. In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to the end of the first quarter of each fiscal year, the mayor submits to the City Council a proposed operating budget for the year commencing on May 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 10 days prior to final approval of the budget.
- c. Prior to July 31 the appropriations budget is legally enacted through passage of an ordinance. The appropriations ordinance budget was adopted on July 14, 2014.
- d. The City Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The budget was amended during the fiscal year, but the total expenditures per department did not change.
- e. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
- f. Budgets for General and Special Revenue Funds, are adopted on a cash basis and lapse at year end.

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

Supplementary Information

Tuscola Public Library
A component unit of the City of Tuscola

CITY OF TUSCOLA

Tuscola, Illinois

**Tuscola Public Library
Balance Sheet**

April 30, 2015

	<u>Library</u>	<u>Total</u>
<u>Assets</u>		
Cash and investments	\$ 83,629	\$ 83,629
Due from Douglas County	132,638	132,638
Due from State of Illinois	1,926	1,926
Prepaid items	1,620	1,620
	<hr/>	<hr/>
<u>Total Assets</u>	\$ 219,813	\$ 219,813
	<hr/>	<hr/>
<u>Liabilities and Fund Balance</u>		
<u>Liabilities</u>		
Accounts payable	1,265	1,265
Accrued salaries	1,603	1,603
Unearned revenue	4,146	4,146
	<hr/>	<hr/>
<u>Total Liabilities</u>	7,014	7,014
	<hr/>	<hr/>
<u>Deferred Inflows of Resources</u>		
Unavailable revenue- property taxes	132,638	132,638
	<hr/>	<hr/>
<u>Total Deferred Inflows of Resources</u>	132,638	132,638
	<hr/>	<hr/>
<u>Fund Balance</u>		
Nonspendable		
Prepaid items	1,620	1,620
Assigned		
Culture and recreation	78,541	78,541
	<hr/>	<hr/>
<u>Total Fund Balance</u>	80,161	80,161
	<hr/>	<hr/>
<u>Total Liabilities, Deferred Inflows of Resources and Fund Balance</u>	\$ 219,813	
	<hr/>	

Reconciliation to Statement of Net Position

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.	704,367
	<hr/>
	(346,913)
	<hr/>
	357,454
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities are as follows:	
Accrued compensated absences	(2,587)
	<hr/>
	(2,587)
Net Position of component unit	<hr/>
	\$ 435,028
	<hr/>

City of Tuscola

Tuscola, Illinois

Statement of Revenues, Expenditures and Changes in Fund Balances- Tuscola Public Library

For the Year Ended April 30, 2015

	<u>Library</u>	<u>Total</u>
<u>Revenues:</u>		
Property taxes	\$ 132,509	\$ 132,509
Replacement taxes	10,150	10,150
Fines and fees	11,081	11,081
Grant revenues	11,200	11,200
Memorial funds	1,936	1,936
Interest income	17	17
Miscellaneous	21,282	21,282
	<hr/>	<hr/>
Total Revenues	188,175	188,175
<u>Expenditures:</u>		
Current		
Culture and recreation	166,678	166,678
Capital outlay	1,859	1,859
	<hr/>	<hr/>
Total Expenditures	168,537	168,537
Excess of revenues over (under) expenditures	<hr/>	<hr/>
	19,638	19,638
Net Change in Fund Balance	<hr/>	<hr/>
	19,638	19,638
Fund Balances, beginning as originally reported	130,840	130,840
Restatement	<hr/>	<hr/>
	(70,317)	(70,317)
Fund Balances, beginning as restated	<hr/>	<hr/>
	60,523	60,523
Fund Balances, ending	<hr/>	<hr/>
	\$ 80,161	\$ 80,161
Reconciliation to the Statement of Activities:		
Net change in fund balances - total governmental funds		\$ 19,638
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	36,505
	Depreciation expense	(30,004)
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.		
	Accrued compensated absences	(794)
	Change in Net Position of component unit	<hr/>
		\$ 25,345

CITY OF TUSCOLA

Tuscola, Illinois

Budgetary Comparison Schedule (Budgetary Basis) - Library Fund

For the Year Ended April 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 132,601	\$ 132,601	\$ 132,509	\$ (92)
Replacement taxes	9,830	9,830	9,847	17
Income taxes	-	-	-	-
Sales taxes	-	-	-	-
Sales taxes - city	-	-	-	-
Motor fuel tax	-	-	-	-
Fines and fees	9,000	9,000	11,082	2,082
Memorial funds	500	500	1,936	1,436
Interest income	20	20	17	(3)
Grant income	5,600	5,600	11,200	5,600
Miscellaneous	1,000	1,000	25,429	24,429
Total revenues	158,551	158,551	192,019	33,468
Expenditures:				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	740,000	740,000	172,309	567,691
Development	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest expense and fiscal charges	-	-	-	-
Capital outlay	100,000	100,000	-	100,000
Total expenditures	840,000	840,000	172,309	667,691
Excess (deficiency) of revenues over (under) expenditures	(681,449)	(681,449)	19,710	(634,223)
Fund balances - beginning	(2,060,675)	(2,060,675)	61,525	-
Fund balances - ending	\$ (2,742,124)	\$ (2,742,124)	\$ 81,235	\$ (634,223)
Fund balances, ending - budgetary basis			\$ 81,235	
Accrual Adjustments				
Revenues			(3,843)	
Expenditures			1,914	
Net			(1,929)	
Other financing sources (uses)			-	
Beginning fund balance adjustment to GAAP basis			855	
Fund balance, ending - GAAP basis			\$ 80,161	

The notes to budgetary comparison schedules are in integral part of this statement.

CITY OF TUSCOLA

Tuscola, Illinois

Assessed Valuations, Tax Rates, Taxes Extended and Collected

April 30, 2015

Tax Levy Year	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Equalized Assessed Valuation (not including TIF Districts)	\$ <u>54,831,830</u>	\$ <u>59,070,133</u>	\$ <u>56,246,346</u>	\$ <u>57,642,615</u>	\$ <u>59,002,898</u>
<u>Tax Rates</u>					
(Per \$100 Equalized Assessed Valuation)					
General corporate	\$ 0.1419	\$ 0.1317	\$ 0.1349	\$ 0.1303	\$ 0.1265
Audit	0.0104	0.0096	0.0098	0.0094	0.0091
ESDA	-	-	0.0061	0.0058	0.0056
Liability insurance	0.0832	0.0773	0.0791	0.0764	0.0741
Social security	0.0693	0.0644	0.0598	0.0577	0.0560
Fire protection	0.1520	0.1411	0.1445	0.1396	0.1355
Parks	0.0690	0.0641	0.0656	0.0633	0.0614
Police protection	0.1400	0.1300	0.1331	0.1285	0.1247
IMRF	0.1052	0.0977	0.1000	0.0966	0.0937
Library	0.2419	0.2245	0.2300	0.2140	0.2077
Workmans compensation	<u>0.0469</u>	<u>0.0436</u>	<u>0.0446</u>	<u>0.0430</u>	<u>0.0417</u>
Total Tax Rate	\$ <u>1.0598</u>	\$ <u>0.9840</u>	\$ <u>1.0075</u>	\$ <u>0.9646</u>	\$ <u>0.9360</u>
Equalized Assessed Valuation - TIF Districts only	\$ <u>17,739,671</u>	\$ <u>17,701,197</u>	\$ <u>17,267,027</u>	\$ <u>17,799,199</u>	\$ <u>18,166,472</u>
TIF Districts	\$ <u>7.9005</u>	\$ <u>7.6942</u>	\$ <u>7.9432</u>	\$ <u>7.7363</u>	\$ <u>7.5733</u>
<u>Tax Extensions</u>					
General corporate	\$ 77,806	\$ 77,795	\$ 75,876	\$ 75,108	\$ 74,639
Audit	5,703	5,671	5,512	5,418	5,369
ESDA	-	-	3,431	3,343	3,304
Liability insurance	45,620	45,661	44,491	44,039	43,721
Social security	37,998	38,041	33,635	33,260	33,042
Road and bridge	20,178	20,970	21,092	21,443	21,890
Fire protection	83,344	83,348	81,276	80,469	79,949
Parks	37,834	37,864	36,898	36,488	36,228
Police protection	76,765	76,791	74,864	74,071	73,577
IMRF	57,683	57,712	56,246	55,683	55,286
Library	132,638	132,612	129,367	123,355	122,549
Workmans compensation	25,716	25,755	25,086	24,786	24,604
TIF Districts	<u>1,428,382</u>	<u>1,387,828</u>	<u>1,371,556</u>	<u>1,377,001</u>	<u>1,410,898</u>
Taxes extended - in total	\$ <u>2,029,668</u>	\$ <u>1,990,048</u>	\$ <u>1,959,330</u>	\$ <u>1,954,464</u>	\$ <u>1,985,055</u>
<u>Taxes Collected</u>					
General corporate	\$ -	\$ 77,735	\$ 75,864	\$ 76,723	\$ 73,005
Audit	-	5,666	5,511	5,535	5,252

(continued)

CITY OF TUSCOLA
Tuscola, Illinois

Assessed Valuations, Tax Rates, Taxes Extended and Collected
April 30, 2015

Tax Levy Year	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Taxes Collected (continued)</u>					
Civil defense	\$ -	\$ -	\$ 3,431	\$ 3,415	\$ 3,232
Liability insurance	-	45,625	44,483	44,986	42,765
Social security	-	38,012	33,629	33,975	32,319
Road and bridge	-	20,928	21,049	21,737	21,560
Fire protection	-	83,283	81,262	82,199	78,200
Park	-	37,835	36,891	37,272	35,435
Police protection	-	76,731	74,851	75,663	71,967
IMRF	-	57,666	56,236	56,880	54,076
Library	-	132,509	129,343	126,007	119,846
Workmen's compensation	-	25,734	25,081	25,319	24,066
TIF Districts	-	<u>1,388,432</u>	<u>1,370,148</u>	<u>1,376,173</u>	<u>1,371,876</u>
Taxes collected	<u>\$ -</u>	<u>\$ 1,990,156</u>	<u>\$ 1,957,780</u>	<u>\$ 1,965,883</u>	<u>\$ 1,933,599</u>
Percentage of Extensions					
Collected	<u>0.00%</u>	<u>100.01%</u>	<u>99.92%</u>	<u>100.58%</u>	<u>97.41%</u>