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Certified Public Accountants

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JAMES P. BRAY, CPA (Retired)

September 13, 2013

Honorable Mayor and
City Council
City of Tuscola
Tuscola, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tuscola for the year ended April 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated to you such information in our letter to you dated May 3, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Tuscola are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending April 30, 2013. We noted no transactions entered into by the City of Tuscola during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was:

Management's estimate of the useful lives of capital assets is based upon past experience. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We noted no material misstatements as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 13, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issue

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Mayor and City Council and management of the City of Tuscola and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


BRAY, DRAKE, LILES & RICHARDSON LLP

**CITY OF TUSCOLA
Tuscola, Illinois**

Annual Financial Report

For the Year Ended April 30, 2013

CITY OF TUSCOLA

Tuscola, Illinois

Annual Financial Report
For the Year Ended April 30, 2013

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Tuscola, Illinois

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JAMES P. BRAY, CPA (Retired)

September 13, 2013

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, 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, 2013, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tuscola as of April 30, 2013, 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 47-57 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 schedule of equalized assessed valuations, tax rates, and taxes extended and collected is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of equalized assessed valuations, tax rates, and taxes extended and collected 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 schedule of equalized assessed valuations, tax rates, and taxes extended and collected is fairly stated, in all material respects, in relation to the basic financial statements as a whole.


BRAY, DRAKE, LILES & RICHARDSON LLP

City of Tuscola

Management's Discussion and Analysis

April 30, 2013

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, 2013.

Financial Highlights

- The assets of the City of Tuscola exceeded its liabilities at the close of the most recent fiscal year by \$37,589,774 (*net position*).
- The City's total net position increased by \$974,651, or 2.59% in the last fiscal year
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,356,190. Of this amount, \$1,262,957 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 \$1,267,260, or 39.4% of total general fund expenditures.
- City of Tuscola's total debt increased by \$179,728 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).

Both of 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. Additionally this year, the general government activities include the economic development activities of the Tuscola Economic Development, Inc. (TEDI). TEDI is a legally separate not for profit (501 (c)6) entity, organized by local businesses for the furtherance of local business development activities. TEDI was considered a component unit to the city for the fiscal year ending April 30, 2013 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 six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, TIF Fund, Motor Fuel Tax Fund, Tourism Fund and Library Fund, all of which are considered to be major funds. The City also presents the financial statements of TEDI 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. And 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 statements can be found on page 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-46 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 47-57 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Tuscola, assets exceeded liabilities by \$37,589,774 at the close of the most recent fiscal year.

The largest portion of the City of Tuscola's net position (*75 percent*) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Tuscola uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Tuscola's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following table reflects the condensed Statement of Net position.

Summary of City of Tuscola's Net position

	Governmental Activities 2013	Governmental Activities 2012	Business-Type Activities 2013	Business-Type Activities 2012	Total 2013	Total 2012
Current and Other Assets	\$ 8,639,212	\$ 8,025,135	\$ 1,147,972	\$ 1,776,332	\$ 9,787,184	\$ 9,801,467
Capital Assets	21,630,421	21,135,657	11,571,170	11,201,167	33,201,591	32,336,824
Total Assets	<u>\$ 30,269,633</u>	<u>\$ 29,160,792</u>	<u>\$ 12,719,142</u>	<u>\$ 12,977,499</u>	<u>\$ 42,988,775</u>	<u>\$ 42,138,291</u>
Long-term Liabilities	\$ 816,000	\$ 462,000	\$ 3,617,599	\$ 3,894,172	\$ 4,433,599	\$ 4,356,172
Other Liabilities	415,295	556,061	550,107	610,935	965,402	1,166,996
Total Liabilities	<u>\$ 1,231,295</u>	<u>\$ 1,018,061</u>	<u>\$ 4,167,706</u>	<u>\$ 4,505,107</u>	<u>\$ 5,399,001</u>	<u>\$ 5,523,168</u>
Net Assets:						
Invested in Capital Assets	\$ 20,668,421	\$ 20,578,657	\$ 7,413,571	\$ 7,596,166	\$ 28,081,992	\$ 28,174,823
Restricted	1,716,238	1,910,806	974,424	973,809	2,690,662	2,884,615
Unrestricted	6,653,679	5,653,268	163,441	(97,583)	6,817,120	5,555,685
Total Net Assets	<u>\$ 29,038,338</u>	<u>\$ 28,142,731</u>	<u>\$ 8,551,436</u>	<u>\$ 8,472,392</u>	<u>\$ 37,589,774</u>	<u>\$ 36,615,123</u>

An additional portion of the City of Tuscola's net position (\$2,690,662) represents resources that are subject to external restrictions on how they may be used. The remaining balance of Net position, *unrestricted net position* (\$6,817,120) 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.

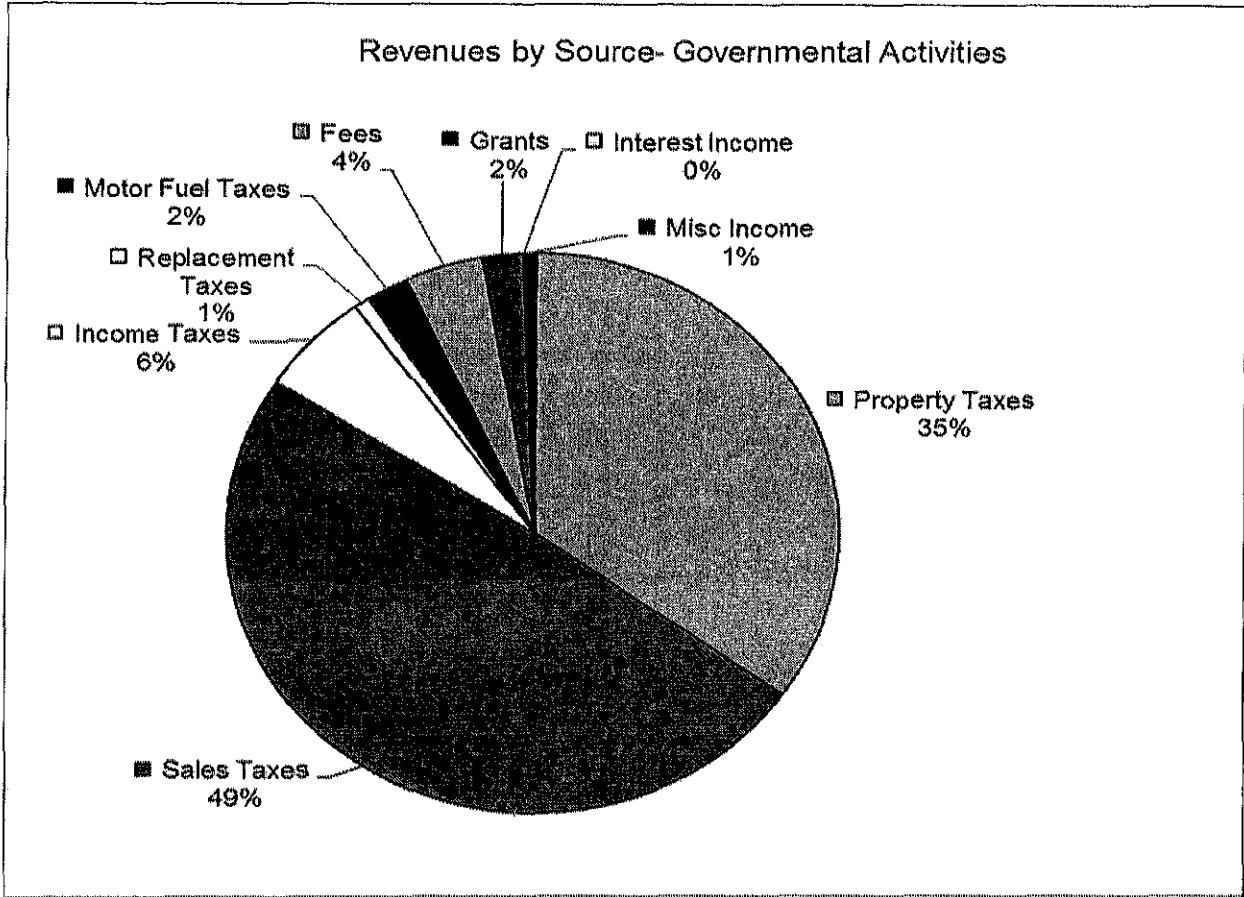
The following table summarizes the revenues and expenses of the City's activities:

	Governmental Activities 2013	Governmental Activities 2012	Business- Type Activities 2013	Business- Type Activities 2012	Total 2013	Total 2012
Revenues:						
Program Revenues						
Charges for Services	\$ 234,911	\$ 255,534	\$ 1,640,022	\$ 1,653,783	\$ 1,874,933	\$ 1,909,317
Grants & Contributions	122,246	130,413	9,885	548,189	132,131	678,602
General Revenues:						
Property Taxes	1,970,748	1,938,104	-	-	1,970,748	1,938,104
Sales Taxes	2,798,221	2,361,028	-	-	2,798,221	2,351,028
Income Taxes	335,855	560,197	-	-	335,855	560,197
Replacement Taxes	46,092	44,647	-	-	46,092	44,647
Motor Fuel Taxes	125,996	129,792	-	-	125,996	129,792
Investment Earnings	6,297	4,070	1,938	3,413	8,235	7,483
Miscellaneous	32,606	33,125	-	-	32,606	33,125
Total Revenues	\$ 5,672,972	\$ 5,446,910	\$ 1,651,845	\$ 2,205,385	\$ 7,324,817	\$ 7,652,295
Expenses:						
General Government	\$ 751,014	\$ 533,474	\$ -	\$ -	\$ 751,014	\$ 533,474
Public Safety	1,123,030	944,612	-	-	1,123,030	944,612
Public Works	662,348	290,054	-	-	662,348	290,054
Culture and Recreation	439,474	415,203	-	-	439,474	415,203
Development	1,767,895	1,880,603	-	-	1,767,895	1,880,603
Interest on L-T Debt	33,604	16,401	-	-	33,604	16,401
Water Department	-	-	956,867	942,354	956,867	942,354
Sewer Department	-	-	561,647	605,650	561,647	605,650
Total Expenses	4,777,365	4,080,347	1,518,514	1,548,004	6,295,879	5,628,351
Change in Net Assets	895,607	1,366,563	133,331	657,381	1,028,938	2,023,944
Net Assets, Beginning	28,142,731	26,776,168	8,418,105	7,815,011	36,560,836	34,591,179
Net Assets, Ending	\$ 29,038,338	\$ 28,142,731	\$ 8,551,436	\$ 8,472,392	\$ 37,589,774	\$ 36,615,123

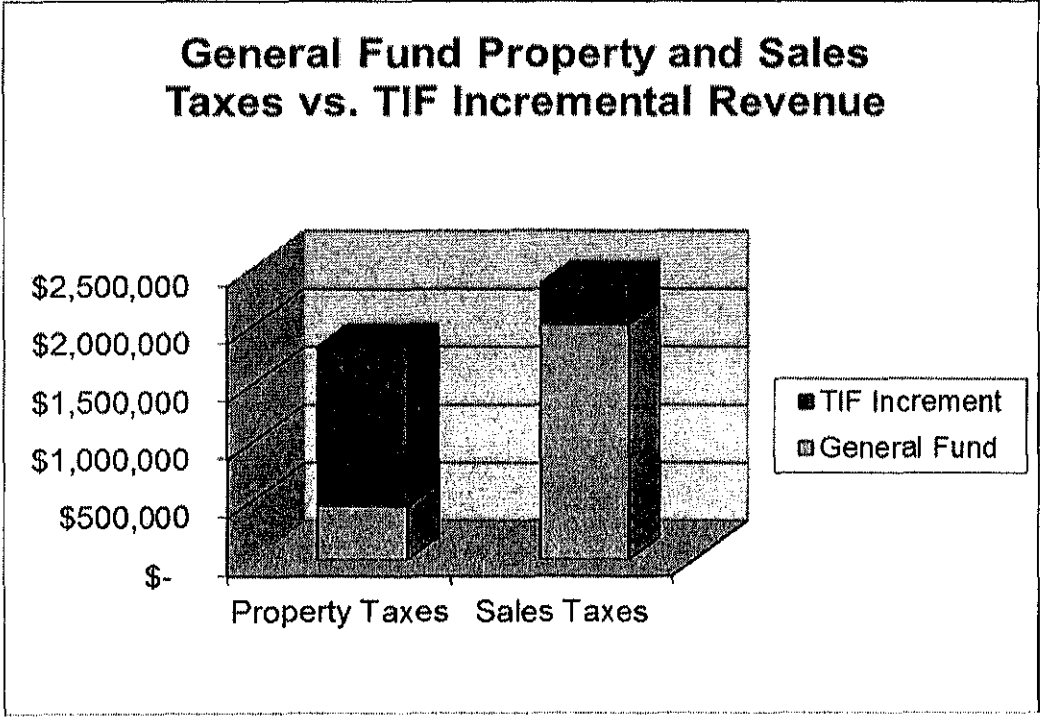
Revenues for the City are generated from a number of different sources and for the most part are dependent on different financial factors. The majority of revenue is derived from sales taxes and property taxes, as illustrated in the chart below. Property taxes are a stable source of revenues, not dependent 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 Council passed an ordinance to raise the home rule portion of the sales tax rate by ½%, effective July 2012. Those revenues were committed, by intergovernmental agreement, exclusively to the Tuscola Community School District Unit 301 for purposes of building and maintaining their Tuscola facilities only. For that reason, FY 2013 sales tax revenues are significantly increased from the prior fiscal year.

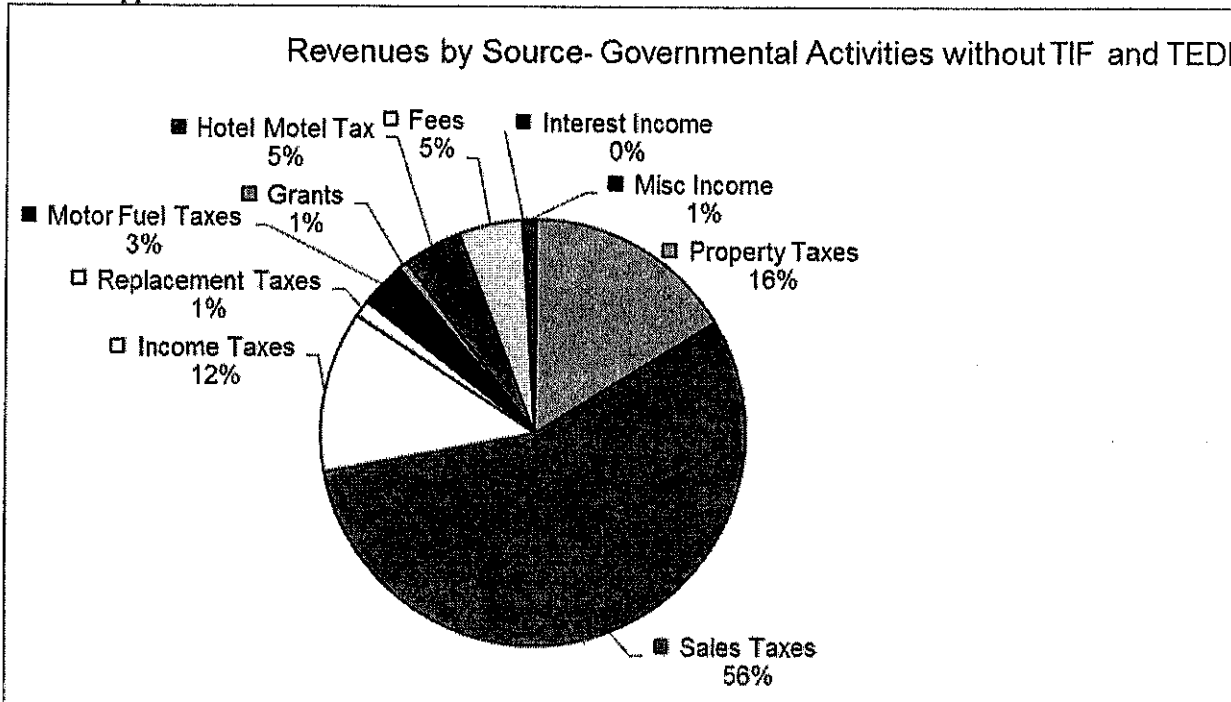
The City also accounts for income tax collected by the State of Illinois and vouchered by the Illinois Department of Revenue that is being held by the Illinois State Treasurer until the funds are available to pay the vouchers. In FY 2012, that amount was \$183,092 and in FY 2013 the amount was \$76,438.



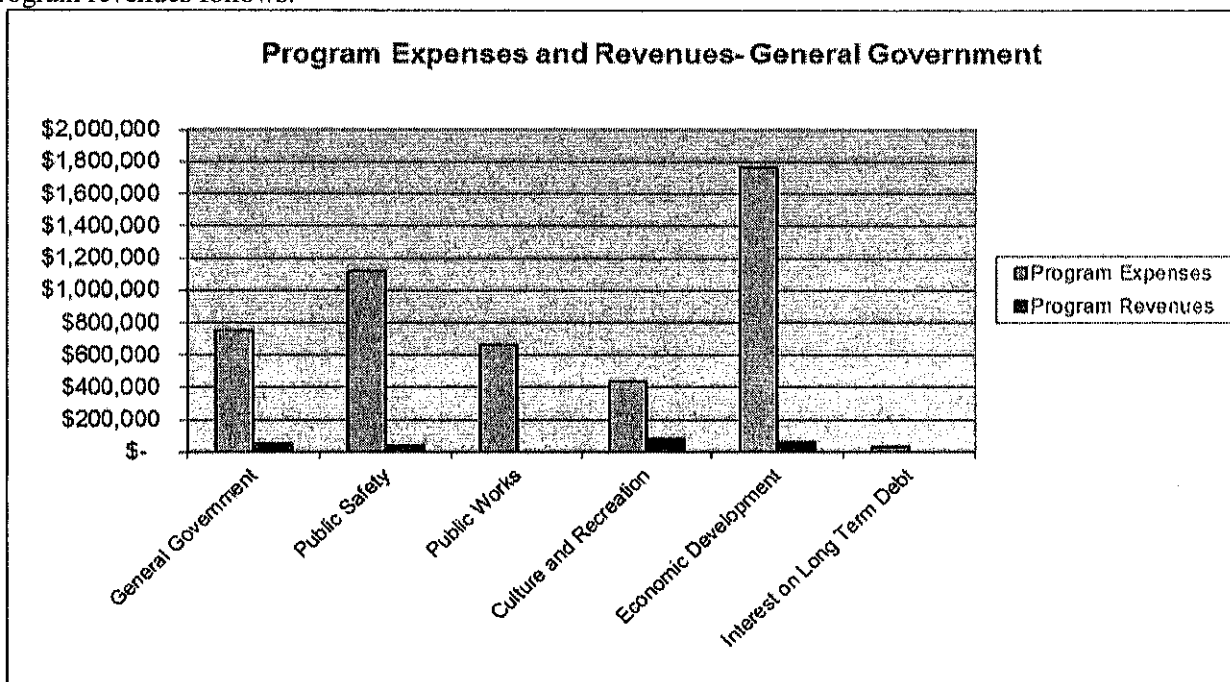
The City of Tuscola is unique in that it has a very successful Tax Increment Financing (TIF) District that provides revenues from property tax and sales tax increment to fund most of the City's economic development plans. While sales and property tax revenues are the main sources of overall revenue for the City's combined funds, the amounts of these types of revenues that are attributable to the TIF District are significant (41%). As shown in the chart below, TIF increment accounts for 75% of all property taxes collected and 15% of sales taxes.



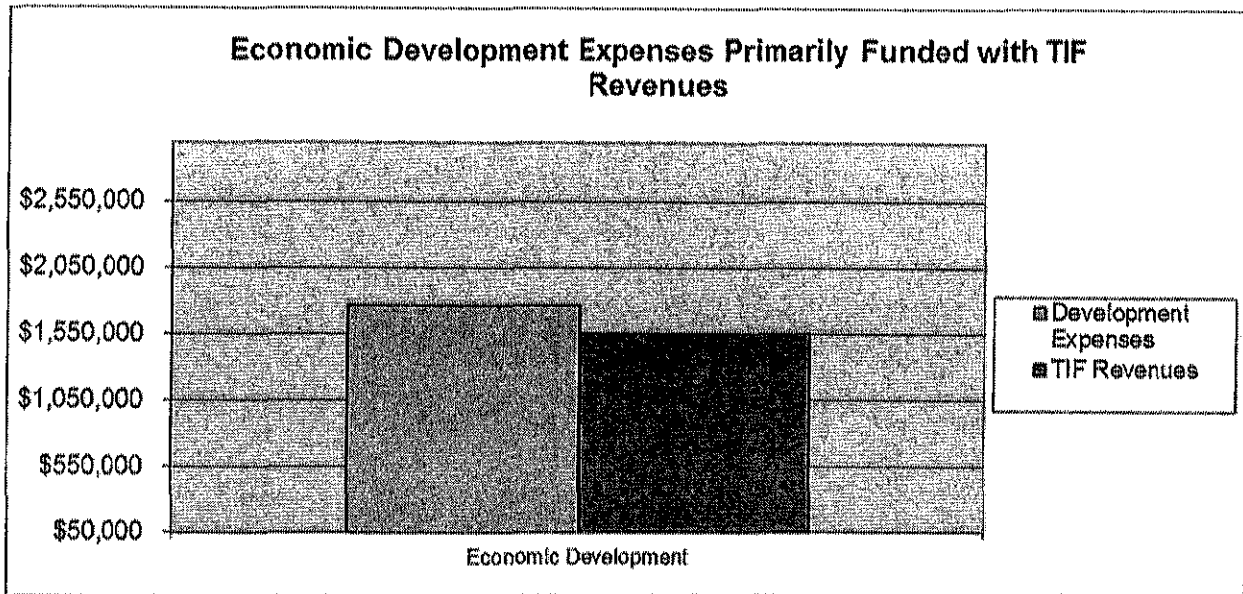
When the general government funds are analyzed independently of the Tax Increment Financing Fund and the component unit, TEDI, one gets a clearer picture of the priorities of the City's government. As shown in the chart below, the City government has made a priority of keeping property tax levies low to keep the burden off local residents. This is possible due to the high percentage (56%) of sales taxes, paid in large part by out of town shoppers.



Economic Development expenses were the largest program expense with \$1,767,895 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 safety at \$1,123,030, which is the highest priority for the City government with general revenues. Public works programs accounted for \$662,348 and Culture and recreation programs were \$439,474 for the fiscal year. Those programs are followed by \$751,014 of general government expenses, which is only 16% 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 2013.



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 \$6,356,190. Nearly twenty percent, or \$1,262,957, of this amount constitutes *unassigned, undesignated fund balance*, which is available for spending at the government's discretion. \$1,176,242 is in a nonspendable form, such as prepaid expenses or long term receivable amounts. The remainder of fund balance is *restricted or committed* to indicate that it is not available for new spending because it has already been committed for debt service (\$228,450) and other designated projects and programs (\$3,688,541).

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 \$3,699,452, of that \$2,432,192 is nonspendable, restricted or committed for specific purposes while \$1,267,260 is unassigned and available for spending at the government's discretion. Unassigned fund balance represents 39 percent of total general fund expenditures. Because of its reliance on sales tax revenues (56% 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. For the fiscal year ending April 30, 2012, City sales tax revenues showed a robust 11.57% increase, and continued to grow another 2.33% in the year ending April 30, 2013. The current year, ending April 30, 2013, revenues continued their positive gaining with a 3.42% increase, the largest sales tax year in the City's history!

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 2013 were Alpha and Omega Powertraining, The Car Wash, Country Financial Offices, Burger King Renovations, Dairy Queen Renovations, Dollar General Renovations and the former Dixie Truckstop property redevelopment. 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. In FY 2013 funds were also used for annual maintenance to the City's chip and tar streets. In FY 2013 the city also completed improvements to South Main Street with funding from the issuance of a \$500,000 general obligation bond. Motor Fuel Tax Funds will also be used to meet debt service obligations on that debt.

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.

The City's Library Fund expenses are to operate and improve the City's library. The library was built in 1903 with a Carnegie library grant and operates today mostly from property tax funds.

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 \$8,551,436.

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.

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.

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 State statute, if the total appropriation amount needs to be raised or lowered.

During the fiscal year 2013 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, 2013, amounts to \$33,201,550 (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 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Land	\$ 2,957,877	\$ 2,820,194	\$ 637,198	\$ 637,198	\$ 3,595,075	\$ 3,457,392
Land Improvements	681,275	676,361	-	-	681,275	676,361
Buildings	2,288,149	2,316,597	-	-	2,288,149	2,316,597
Plant, Machinery & Equipment	611,115	696,177	6,212,499	6,500,667	6,823,614	7,196,844
Vehicles	1,363,824	904,631	25,457	31,141	1,389,281	935,772
Distribution System	-	-	3,011,151	4,032,161	3,011,151	4,032,161
Infrastructure	13,728,181	13,721,697	-	-	13,728,181	13,721,697
Work in Progress	-	-	1,684,824	-	1,684,824	-
	<u>\$ 21,630,421</u>	<u>\$ 21,135,657</u>	<u>\$ 11,571,129</u>	<u>\$ 11,201,167</u>	<u>\$ 33,201,550</u>	<u>\$ 32,336,824</u>

Additional information on the City of Tuscola's capital assets can be found in Note 2C 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 total debt outstanding of \$4,967,778. Following is a comparative statement of outstanding debt:

	Governmental Activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds-						
Alternate Revenue Bonds	\$ 912,000	\$ 457,000	\$ 3,045,000	\$ 3,605,000	\$ 3,957,000	\$ 4,062,000
TIF Revenue Bonds	50,000	100,000	-	-	50,000	100,000
IEPA Loan Payable	-	-	1,112,599	849,172	1,112,599	849,172
Less deferred charge on refunding	-	-	(208,442)	(287,157)	(208,442)	(287,157)
Compensated Absences	<u>44,256</u>	<u>49,941</u>	<u>12,365</u>	<u>14,094</u>	<u>56,621</u>	<u>64,035</u>
Total	<u>\$ 1,006,256</u>	<u>\$ 606,941</u>	<u>\$ 3,961,522</u>	<u>\$ 4,181,109</u>	<u>\$ 4,967,778</u>	<u>\$ 4,788,050</u>

The City of Tuscola's total debt increased by \$179,728 during the current fiscal year. \$500,000 of the increase is due to the City issuing Motor Fuel Tax bonds to fund the resurfacing project on South Main Street. The remainder of the increase is due to the addition of debt in the form of low interest loans from the Illinois Environmental Protection Agency for water and sewer infrastructure improvements. It is anticipated that 25% of the \$1,543,840, or \$385,960 in those IEPA loans will be forgiven as a grant upon completion of the projects provided for under the financing. Additional information on the City's long-term debt can be found in Note 3G 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. During this fiscal year, the Tanger Outlet Center has continued to enjoy a rejuvenation of retail occupancy by adding to their top brand name stores with new offerings such as UnderArmor and Chico's. Additionally, the very successful Coach outlet store, is in the process of expanding to occupy the space of two retail units.

The rate setting (not including TIF EAV of \$17,267,027) equalized assessed value (EAV) of taxable property in the City for 2012 levy year was \$56,246,346, which represents one-third market value. Residential properties make up 84% of the EAV for the 2012 levy year. Commercial developments constitute 14.5% 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 caught up some of the amounts owed to local governments in the past fiscal year and is currently 1 month behind in distribution of the local portion of state income tax, which accounts for \$76,438 in revenues that the State of Illinois owes the City of Tuscola. Due to these financial problems, some state legislators are proposing 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, 2013

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 183,639	\$ 100	\$ 183,739
Investments	2,072,913	44,222	2,117,135
Due from Douglas County	1,961,496	-	1,961,496
Due from State of Illinois	608,463	-	608,463
Receivables, net	24,427	111,580	136,007
Loans receivable	751,802	-	751,802
Prepaid items	93,359	12,697	106,056
Investment in joint venture	-	4,949	4,949
Deferred bond issue costs, net	-	-	-
Restricted Assets:			
Cash and cash equivalents	234,103	778,749	1,012,852
Investments	2,709,010	195,675	2,904,685
Capital Assets (net of accumulated depreciation):			
Land	2,957,877	637,198	3,595,075
Land improvements	681,275	-	681,275
Buildings	2,288,149	-	2,288,149
Plant, machinery and equipment	611,115	6,277,201	6,888,316
Vehicles	1,363,824	25,457	1,389,281
Infrastructure	13,728,181	4,631,314	18,359,495
<u>Total Assets</u>	<u>30,269,633</u>	<u>12,719,142</u>	<u>42,988,775</u>
<u>Liabilities:</u>			
Accounts payable	137,687	152,984	290,671
Accrued payroll	65,310	14,589	79,899
Accrued interest	22,042	7,692	29,734
Customer deposits	-	30,919	30,919
Accrued compensated absences	44,256	12,365	56,621
Unearned Revenue	-	-	-
Deferred outflow of resources, net	-	(208,442)	(208,442)
Non-current liabilities:			
Due within one year	146,000	540,000	686,000
Due after more than one year	816,000	3,617,599	4,433,599
<u>Total Liabilities:</u>	<u>1,231,295</u>	<u>4,167,706</u>	<u>5,399,001</u>
<u>Net Position:</u>			
Invested in capital assets, net of related debt	20,668,421	7,413,571	28,081,992
Restricted for:			
Debt service	228,450	778,749	1,007,199
Transportation projects	85,394	-	85,394
Capital projects and improvements	468,864	195,675	664,539
Other	933,530	-	933,530
Unrestricted	6,653,679	163,441	6,817,120
<u>Total Net Position:</u>	<u>\$ 29,038,338</u>	<u>\$ 8,551,436</u>	<u>\$ 37,589,774</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, 2013

	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Governmental activities:							
General government	\$ 751,014	\$ 51,453	\$ 13,195	\$ -	\$ (686,366)	\$ -	\$ (686,366)
Public safety	1,123,030	39,088	1,000	-	(1,082,942)	-	(1,082,942)
Public works	662,348	-	-	-	(662,348)	-	(662,348)
Culture and recreation	439,474	84,303	6,245	-	(348,926)	-	(348,926)
Development	1,767,895	60,067	101,806	-	(1,606,022)	-	(1,606,022)
Interest on long-term debt	33,604	-	-	-	(33,604)	-	(33,604)
Total governmental activities	4,777,365	234,911	122,246	-	(4,420,208)	-	(4,420,208)
Business-type activities:							
Water	956,867	944,504	-	-	-	(12,363)	(12,363)
Sewer	561,647	695,518	-	9,885	-	143,756	143,756
Total business-type activities	1,518,514	1,640,022	-	9,885	-	131,393	131,393
Total functions/programs	\$ 6,295,879	\$ 1,874,933	\$ 122,246	\$ 9,885	\$ (4,420,208)	\$ 131,393	\$ (4,288,815)
General revenues:							
Taxes:							
Property taxes					1,970,748	-	1,970,748
Sales taxes					2,798,221	-	2,798,221
Income taxes					335,855	-	335,855
Replacement taxes					46,092	-	46,092
Motor fuel taxes					125,996	-	125,996
Interest income					6,297	1,938	8,235
Miscellaneous income					32,606	-	32,606
Total general revenues					5,315,815	1,938	5,317,753
Change in Net Position					895,607	133,331	1,028,938
Net Position, beginning, as previously stated					28,142,731	8,472,392	36,615,123
Adjustment to expense remaining bond issuance costs					-	(54,287)	(54,287)
Net Position, beginning, as restated					28,142,731	8,418,105	36,560,836
Net Position, ending					\$ 29,038,338	\$ 8,551,436	\$ 37,589,774

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

CITY OF TUSCOLA

Tuscola, Illinois

Balance Sheet - Governmental Funds

April 30, 2013

	General Fund	Tax Increment Financing Fund	Motor Fuel Tax Fund	Tourism Fund	Library Fund	Tuscola Economic Development, Inc	Total
Assets							
Cash and cash equivalents	\$ 147,910	\$ -	\$ -	\$ -	\$ 50	\$ 35,680	\$ 183,640
Investments	872,855	814,108	85,394	230,038	56,007	14,511	2,072,913
Due from Douglas County	460,574	1,371,556	-	-	129,367	-	1,961,497
Due from State of Illinois	434,396	88,043	7,704	-	1,880	-	532,023
Due from other Funds	331,082	-	-	-	-	-	331,082
Accounts receivable	9,815	-	-	14,815	-	-	24,430
Loans receivable	-	751,802	-	-	-	-	751,802
Prepaid Items	91,362	-	-	424	1,572	-	93,358
Restricted Assets:							
Cash and cash equivalents	4,852	54,546	173,904	-	-	800	234,102
Investments	1,346,806	1,362,204	-	-	-	-	2,709,010
Total Assets	\$ 3,699,452	\$4,442,259	\$ 267,002	\$ 245,277	\$ 188,876	\$ 50,991	\$ 8,893,857
Liabilities and Fund Balance							
Liabilities							
Accounts payable	104,250	31,125	-	776	1,536	-	137,687
Due to other funds	-	331,082	-	-	-	-	331,082
Accrued salaries	54,531	5,593	-	953	4,234	-	65,311
Accrued compensated absences	40,901	2,807	-	135	413	-	44,256
Unearned revenue	458,408	1,371,556	-	-	129,367	-	1,959,331
Total Liabilities	658,090	1,742,163	-	1,864	135,550	-	2,537,667
Fund Balance							
Nonspendable	422,444	751,802	-	424	1,572	-	1,176,242
Restricted	88,953	1,416,751	267,002	230,038	56,057	-	2,058,801
Committed	1,282,705	-	-	-	-	800	1,283,505
Assigned	-	531,543	-	12,951	-	50,191	594,685
Unassigned	1,267,260	-	-	-	(4,303)	-	1,262,957
Total Fund Balance	3,041,362	2,700,096	267,002	243,413	53,326	50,991	6,356,190
Total Liabilities and Fund Balance	\$ 3,699,452	\$4,442,259	\$ 267,002	\$ 245,277	\$ 188,876	\$ 50,991	

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.	32,719,819 (11,089,398) <u>21,630,421</u>
Other assets are not available to pay for current-period expenditures and therefore are deferred or not recorded in the funds.	2,035,769
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(984,042)</u>
Net Position of governmental activities	<u>\$ 29,038,338</u>

City of Tuscola
Tuscola, Illinois

**Statement of Revenues, Expenditures and Changes in Fund Balances-
Governmental Funds**
For the Year Ended April 30, 2013

	General	Tax Increment Financing	Motor Fuel Tax	Tourism	Library	Tuscola Economic Development, Inc	Total Governmental Funds
Revenues:							
Property taxes	\$ 463,703	\$ 1,376,173	\$ -	\$ -	\$ 126,007	\$ -	\$ 1,965,983
State sales taxes	2,023,527	360,985	-	-	-	-	2,384,512
State income taxes	442,509	-	-	-	-	-	442,509
Replacement taxes	36,707	-	-	-	9,384	-	46,091
Motor fuel taxes	-	-	125,996	-	-	-	125,996
Sales taxes - city	-	250,133	-	163,576	-	-	413,709
Fines and fees	30,959	-	-	-	9,051	-	40,010
Grant revenues	14,195	-	-	3,099	6,245	98,707	122,246
Licenses and permits	21,725	-	-	-	-	-	21,725
Rent	8,435	-	-	-	-	-	8,435
Franchise fee	29,728	-	-	-	-	-	29,728
Memorial funds	-	-	-	-	560	-	560
Interest Income	3,564	25,076	413	165	62	-	29,280
Fire Insurance	8,129	-	-	-	-	-	8,129
Pool Income	66,817	-	-	-	-	-	66,817
Program Revenue	-	-	-	-	-	37,083	37,083
Miscellaneous	26,539	-	-	4,096	1,409	-	32,044
Total Revenues	3,176,537	2,012,367	126,409	170,938	162,718	135,790	5,774,759
Expenditures:							
Current							
General government	906,911	-	-	-	-	-	906,911
Public safety	896,090	-	-	-	-	-	896,090
Public works	413,465	-	74,732	-	-	-	488,197
Culture and recreation	226,386	-	-	-	134,716	-	361,102
Development	25,195	1,499,124	-	110,609	-	131,456	1,766,384
Debt Service:							
Principal retirement	-	50,000	45,000	-	-	-	95,000
Interest and fiscal charges	-	5,900	13,859	-	-	-	19,759
Capital outlay	747,587	-	72,273	-	-	-	819,840
Total Expenditures	3,215,614	1,555,024	205,864	110,609	134,716	131,456	5,353,283
Excess of revenues over (under) expenditures	(39,077)	457,343	(79,455)	60,329	18,002	4,334	421,476
Other Financing Sources (Uses):							
Debt Proceeds	-	-	500,000	-	-	-	500,000
Transfers In	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-
Total Other Financing Sources (Uses):	-	-	500,000	-	-	-	500,000
Net Change in Fund Balance	(39,077)	457,343	420,545	60,329	18,002	4,334	921,476
Fund Balances, beginning	3,080,439	2,242,753	(163,543)	183,094	35,324	48,657	5,434,714
Fund Balances, ending	\$ 3,041,362	\$ 2,700,096	\$ 267,002	\$ 243,413	\$ 53,326	\$ 50,991	\$ 6,356,190

Reconciliation to the Statement of Activities:

Net change in fund balances - total governmental funds	921,476
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while government activities report depreciation expense to allocate those expenditures over the life of the assets	
Capital asset purchases capitalized	1,349,798
Gain (Loss) on Asset Disposal	(124,073)
Depreciation expense	(730,962)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(101,786)
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.	(405,000)
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.	(13,846)
Change in Net Position of Governmental Activities	\$ 895,607

CITY OF TUSCOLA

Tuscola, Illinois

Statement of Net Position - Proprietary Funds

April 30, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>Assets</u>			
<u>Current assets</u>			
Cash and cash equivalents	\$ 60	\$ 40	\$ 100
Investments	2,123	42,100	44,223
Due from State of Illinois	-	-	-
Accounts receivable, net	63,450	48,131	111,581
Prepaid items	6,985	5,713	12,698
Total Current Assets	72,618	95,984	168,602
<u>Noncurrent assets</u>			
Cash-restricted	402,056	376,693	\$ 778,749
Investments-restricted	124,150	71,525	195,675
Deferred bond issue costs, net	-	-	-
Investment in joint venture	4,949	-	4,949
Capital assets:			
Property, plant and equipment	7,439,309	11,569,748	19,009,057
Accumulated Depreciation	(2,589,395)	(4,848,493)	(7,437,888)
Total Noncurrent Assets	5,381,069	7,169,473	12,550,542
Total Assets	5,453,687	7,265,457	12,719,144
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable	143,898	9,086	152,984
Customer deposits	30,919	-	30,919
Accrued payroll	8,959	5,629	14,588
Accrued interest	3,142	4,553	7,695
Unearned Revenue	0	0	0
Deferred outflow of resources, net	(114,467)	(93,975)	(208,442)
Accrued compensated absences	7,327	5,038	12,365
General obligation bonds - current	250,000	290,000	540,000
Total Current Liabilities	329,778	220,331	550,109
<u>Noncurrent Liabilities</u>			
General obligation bonds	1,035,000	1,470,000	2,505,000
IEPA Loan Payable	951,720	160,879	1,112,599
Total Noncurrent Liabilities	1,986,720	1,630,879	3,617,599
Total Liabilities	2,316,498	1,851,210	4,167,708
<u>Net Position</u>			
Invested in capital assets, net of related debt	2,613,194	4,800,376	7,413,570
Restricted:			
Restricted for capital projects and improvements	124,150	71,525	195,675
Restricted for debt service	402,056	376,693	778,749
Unrestricted	(2,211)	165,653	163,442
Total Net Position	\$ 3,137,189	\$ 5,414,247	\$ 8,551,436

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, 2013

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>Operating Revenues:</u>			
Charges for services	\$ 931,158	\$ 695,508	\$ 1,626,666
Miscellaneous	13,347	11	13,358
Total Operating Revenues	<u>944,505</u>	<u>695,519</u>	<u>1,640,024</u>
<u>Operating Expenses:</u>			
Personnel services	204,505	132,047	336,552
Supplies and materials	56,555	57,135	113,690
Contractual services	447,901	71,467	519,368
Depreciation	166,946	263,160	430,106
Total Operating Expenses	<u>875,907</u>	<u>523,809</u>	<u>1,399,716</u>
Operating Income (Loss)	<u>68,598</u>	<u>171,710</u>	<u>240,308</u>
<u>Non Operating Revenues (Expenses)</u>			
Interest income	1,099	838	1,937
Sprayfield farm Income (loss), net	-	8,284	8,284
Intragovernmental Revenues	-	9,885	9,885
Interest expense	(80,960)	(46,123)	(127,083)
Total Non Operating Revenues (Expenses)	<u>(79,861)</u>	<u>(27,116)</u>	<u>(106,977)</u>
Net Income (loss)	<u>(11,263)</u>	<u>144,594</u>	<u>133,331</u>
Net Position - beginning, as previously stated	3,176,926	5,295,466	8,472,392
Adjustment to expense remaining bond issuance costs	<u>(28,474)</u>	<u>(25,813)</u>	<u>(54,287)</u>
Net Position - beginning, as restated	<u>3,148,452</u>	<u>5,269,653</u>	<u>8,418,105</u>
Net Position - ending	<u>\$ 3,137,189</u>	<u>\$ 5,414,247</u>	<u>\$ 8,551,436</u>

The notes to basic 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, 2013

<u>Cash Flows from Operating Activities:</u>	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Receipts from users	\$ 920,600	\$ 687,237	\$ 1,607,837
Payments to suppliers	(456,331)	(168,220)	(624,551)
Payments to employees	(205,514)	(132,545)	(338,059)
Other receipts (payments)	13,347	12	13,359
Net cash provided by (used in) operating activities	<u>272,102</u>	<u>386,484</u>	<u>658,586</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Sale (purchase) of capital assets	(743,377)	(56,732)	(800,109)
Interest paid on capital debt	(20,253)	(28,463)	(48,716)
Sprayfield farm income (loss)	-	8,284	8,284
Capital debt proceeds	533,789	160,879	694,668
Principal paid on capital debt	(260,000)	(300,000)	(560,000)
Net cash used by capital and related financing activities	<u>(489,841)</u>	<u>(216,032)</u>	<u>(705,873)</u>
<u>Cash Flows from Investing Activities:</u>			
Investment income	1,099	838	1,937
Sale of investments	206,060	-	206,060
Purchase of investments	-	(42,125)	(42,125)
Net cash provided (used) by investing activities	<u>207,159</u>	<u>(41,287)</u>	<u>165,872</u>
Net increase (decrease) in cash and cash equivalents	(10,580)	129,165	118,585
Cash and cash equivalents, beginning of the year	<u>412,696</u>	<u>247,568</u>	<u>660,264</u>
Cash and cash equivalents, end of the year	<u>\$ 402,116</u>	<u>\$ 376,733</u>	<u>\$ 778,849</u>
<u>Reconciliation of Operating Income (Loss)</u>			
<u>To Net Cash Provided (Used) By Operating Activities</u>			
Operating income (loss)	68,597	171,709	240,306
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	166,946	263,160	430,106
Change in assets and liabilities:			
(Increase) decrease-accounts receivable	(11,917)	(8,271)	(20,188)
(Increase) decrease-prepaid insurance	(71)	(131)	(202)
(Increase) decrease-joint venture equity	(169)	-	(169)
Increase (decrease)-accounts payable	48,366	(39,486)	8,880
Increase (decrease)-accrued payroll	244	(22)	223
Increase (decrease)-customer deposits	1,359	-	1,359
Increase (decrease)-accrued compensated absences	(1,253)	(476)	(1,729)
Total adjustments	<u>203,505</u>	<u>214,775</u>	<u>418,280</u>
Net cash provided (used) by operating activities	<u>\$ 272,102</u>	<u>\$ 386,484</u>	<u>\$ 658,586</u>

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

CITY OF TUSCOLA
Tuscola, Illinois

Statement of Fiduciary Net Position - Fiduciary Funds
April 30, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
<u>Current assets:</u>	
Cash	-
Accounts receivable	19,464
Total assets	<u>\$ 19,464</u>
<u>LIABILITIES</u>	
<u>Current liabilities:</u>	
Accounts payable	19,464
Total liabilities	<u>\$ 19,464</u>

Notes to Basic Financial Statements
April 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

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 City has no discretely presented component units.

As discussed further in Note 1.C., these financial statements are presented on a modified accrual basis of accounting. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The financial statements of the reporting unit include those of the City of Tuscola (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit – Tuscola Economic Development, Inc. (TEDI), 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, TEDI is a blended component unit and will be reported as if it were part of the City's operations for financial reporting purposes.

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

In March 2009, the GASB issued Statement No. 54-*Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance policies and procedures.

Notes to Basic Financial Statements – (continued)

April 30, 2013

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 Tax Increment Financing 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.
Library	Accounts for revenues and expenditures of operating the City Library. Property taxes and Replacement taxes provide the revenues for operations.
Tuscola Economic Development, Inc.	Accounts for revenues and expenditures of developing economic opportunities for the City.

Notes to Basic Financial Statements – (continued)

April 30, 2013

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.

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 property taxes, sales taxes, income taxes,

Notes to Basic Financial Statements – (continued)

April 30, 2013

personal property replacement taxes, other intergovernmental revenues, charges for services and investment interest.

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.

Notes to Basic Financial Statements – (continued)

April 30, 2013

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

Equity is classified as Net Position and displayed in three components:

- a. Invested in capital assets, net of related debt-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.

Notes to Basic Financial Statements – (continued)

April 30, 2013

- c. Unrestricted Net Position-All other Net Position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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. 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.

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.

Notes to Basic Financial Statements – (continued)

April 30, 2013

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 2012 tax levy was adopted by the Council on December 10, 2012. Tax bills are prepared by the County and issued on or about June 1, and are payable in two installments, on or about July 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. In the governmental funds, property taxes are recorded as receivables and unearned revenues at the time the tax levy attaches as an enforceable lien on January 1. In the enterprise funds, property taxes are recorded as revenue at the time the tax levy attaches as an enforceable lien on January 1. The City has received and recognized \$1,965,883 from the 2011 tax levy.

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.

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. Governmental funds record as an expenditure the amount accrued during the year that would normally be liquidated with expendable resources. Governmental funds have recorded \$44,256 as the current portion of compensated absences. The proprietary funds recorded \$12,365 as compensated absences all of which is due within one year.

Notes to Basic Financial Statements – (continued)

April 30, 2013

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.

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

DEPOSITS

At April 30, 2013 the carrying amount of the City's deposits totaled \$1,209,155 and the bank balances totaled \$1,348,945.

CUSTODIAL CREDIT RISK - DEPOSITS

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, 2013, the City's deposits were either covered by FDIC insurance or by pledged collateral held in the City's name.

INVESTMENTS

At April 30, 2013 the carrying amount of the City's investments totaled \$4,957,912 and the bank balances totaled \$4,946,587. The Illinois Funds money market investment pool and certificates of deposit are the City's current investments.

CUSTODIAL CREDIT RISK - INVESTMENTS

The Illinois Funds investments are classified as external investment pools by GASB Statement No. 31. As an investment pool, the Illinois Funds are not subject to custodial credit risk, because they are evidenced by securities that exist in physical or book entry form. The certificates of deposit are covered completely by FDIC insurance.

CREDIT RATING RISK - INVESTMENTS

Investments are subject to credit rating risk for all debt securities, whether held directly or indirectly (through investment pools, mutual funds or money market funds). The Illinois Funds investment pools were rated AAAM by Standard & Poor's as of September 30, 2012.

CONCENTRATION OF CREDIT RISK - INVESTMENTS

Investments are subject to concentration of credit risk when 5% or more of the total are in securities of a single issuer. The Illinois Funds investment pools are not subject to concentration of credit risk disclosures.

INTEREST RATE RISK - INVESTMENTS

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.

DEPOSITS AND INVESTMENTS – LEGAL AND CONTRACTUAL PROVISIONS

Investments are limited by Public Funds Investment Act of the State of Illinois to the following:

- Bonds, notes, certificates of indebtedness, treasury bills which are guaranteed by the full faith and credit of the United States of America as to principal and interest.

Notes to Basic Financial Statements – (continued)

April 30, 2013

- Bonds, notes, debentures or similar obligations of the United States of America or its agencies.
- Interest-bearing savings, certificates of deposit, or time deposits of any bank as defined by the Illinois Banking Act.
- Short term obligations of corporations organized in the U.S. with assets exceeding \$500,000,000 and other specified criteria.
- Money market mutual funds registered under the Investment Company Act of 1940 provided the portfolio is limited to obligations described in points 1 and 2 above.
- Federal National Mortgage Association
- Public Treasurers' Investment Pools
- Repurchase agreements of government securities within the meaning of the Government Securities Act of 1986.

2.B. RESTRICTED ASSETS

Assets that are not available to finance general operations of the City are reported as restricted on the Statement of Net Position. The restriction for transportation projects in the governmental activities is imposed under State of Illinois laws concerning how motor fuel taxes may be spent. The City's policy is to apply restricted resources first when an expense is incurred for purposes, which both restricted and unrestricted Net Position are available. The City's restricted assets are as follows:

Governmental Funds

The General Fund has restricted assets consisting of the following:

Cashford Funds	\$ 53,207
Capital Replacement Funds	468,864
Reserve Funds	793,585
Fire Special Bequest Funds	31,150
Police Drug Funds	4,596
Other Funds	<u>256</u>
Total restricted assets – General Fund	<u>1,351,658</u>

The Special Revenue Funds have restricted assets consisting of the following:

The Tax Increment Financing Fund has in accordance with the revenue bond ordinance and other requirements restricted the following assets:

Special Tax Allocation	1,456,028
Amishland Tax Fund	237,460
Pledged Tax Principal & Interest	<u>54,546</u>
Total restricted assets – Tax Increment Financing Fund	<u>1,748,034</u>

The Motor Fuel Tax Fund has in accordance with the revenue bond ordinance and other requirements restricted the following assets:

Pledged Tax Principal & Interest	173,904
Reserved by enabling legislation for highways and streets	<u>85,394</u>
Total restricted assets – Motor Fuel Tax Fund	<u>259,298</u>
Total restricted assets – Governmental Funds	<u>\$3,358,990</u>

Notes to Basic Financial Statements – (continued)
April 30, 2013

Proprietary Funds

Proprietary Funds have restricted assets consisting of the following:

The Sewer Fund has in accordance with the revenue bond ordinance, bond defeasance plans, and grant agreements restricted the following assets:

Capital Replacement Funds	\$ 71,525
Bond and Interest	<u>376,693</u>
Total restricted assets – Sewer Fund	<u>448,218</u>

The Water Fund has in accordance with the revenue bond ordinance and the bond defeasance plan restricted the following assets:

Customer Deposits	\$ 30,919
Capital Replacement Funds	124,150
Bond & Interest	<u>402,056</u>
Total restricted assets – Water Fund	<u>557,125</u>
Total restricted assets – Proprietary Funds	<u>\$1,005,343</u>

2.C. CAPITAL ASSETS

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

	<i>Balance at</i> <u>May 1, 2012</u>	<i>Additions</i>	<i>Deductions</i>	<i>Balance at</i> <u>April 30, 2013</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$1,452,998	137,683	0	\$ 1,590,681
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>2,820,193</u>	<u>137,683</u>	<u>0</u>	<u>2,957,876</u>
Other capital assets:				
Land improvements	1,216,135	43,437	0	1,259,572
Buildings	4,020,039	48,392	0	4,068,431
Plant, machinery and equipment	1,607,315	24,910	6,982	1,625,243
Vehicles	2,322,726	687,518	350,000	2,660,244
Infrastructure	<u>19,740,593</u>	<u>407,859</u>	<u>0</u>	<u>20,148,452</u>
Total other capital assets	<u>28,906,808</u>	<u>1,212,116</u>	<u>356,982</u>	<u>29,761,942</u>
Less accumulated depreciation for:				
Land improvements	539,774	38,523	0	578,297
Buildings	1,703,442	76,840	0	1,780,282
Plant, machinery and equipment	911,137	109,100	6,109	1,014,128
Vehicles	1,418,094	105,125	226,800	1,296,419
Infrastructure	<u>6,018,897</u>	<u>401,374</u>	<u>0</u>	<u>6,420,271</u>
Total accumulated depreciation	<u>10,591,344</u>	<u>730,962</u>	<u>232,909</u>	<u>11,089,397</u>
Other capital assets, net	<u>18,315,464</u>	<u>481,154</u>	<u>124,073</u>	<u>18,672,545</u>
Governmental activities capital assets, net	<u>\$21,135,657</u>	<u>\$618,837</u>	<u>\$ 124,073</u>	<u>\$21,630,421</u>

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2013

	<i>Balance at</i> <u>May 1, 2012</u>	<i>Additions</i>	<i>Deductions</i>	<i>Balance at</i> <u>April 30, 2013</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 637,198	\$ 0	\$ 0	\$ 637,198
Other capital assets:				
Plant, machinery and equipment	10,881,039	0	0	10,881,039
Furniture and fixtures	73,284	0	0	73,284
Vehicles	284,979	0	0	284,979
Work in progress	988,707	696,118	0	1,684,825
Infrastructure	<u>5,343,740</u>	<u>103,991</u>	<u>0</u>	<u>5,447,731</u>
Total other capital assets	<u>17,571,749</u>	<u>800,109</u>	<u>0</u>	<u>18,371,858</u>
Less accumulated depreciation for:				
Plant, machinery and equipment	4,398,050	280,198	0	4,678,248
Furniture and fixtures	59,188	4,390	0	63,578
Vehicles	253,839	5,684	0	259,523
Infrastructure	<u>2,296,746</u>	<u>139,834</u>	<u>0</u>	<u>2,436,580</u>
Total accumulated depreciation	<u>7,007,823</u>	<u>430,106</u>	<u>0</u>	<u>7,437,929</u>
Other capital assets, net	<u>10,563,926</u>	<u>370,003</u>	<u>0</u>	<u>10,933,929</u>
Business-type activities capital assets, net	<u>\$ 11,201,124</u>	<u>\$370,003</u>	<u>\$ 0</u>	<u>\$11,571,127</u>

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

Governmental Activities:

General government	\$ 31,688
Public safety	103,740
Public works	503,124
Culture and recreation	<u>92,409</u>
Total depreciation expense for governmental activities	<u>\$730,962</u>

Business-Type Activities:

Water	\$166,946
Sewer	<u>263,160</u>
Total depreciation expense for business-type activities	<u>\$430,106</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.

Notes to Basic Financial Statements -- (continued)

April 30, 2013

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 2012 was 10.76% 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, 2012, the City's annual pension cost of \$124,777 for the regular plan was equal to the City's required and actual contributions.

THREE-YEAR TREND INFORMATION for the REGULAR PLAN

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/12	\$124,777	100%	\$0
12/31/11	116,545	100%	0
12/31/10	114,534	100%	0

The required contribution for 2012 was determined as part of the December 31, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, 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, 2010 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the regular plan was 88.91 percent funded. The actuarial accrued liability for benefits was \$3,916,157 and the actuarial value of assets was \$3,481,922, resulting in an underfunded actuarial accrued liability (UAAL) of \$434,234. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$1,159,638 and the ratio of the UAAL to the covered payroll was 37 percent.

The schedule of funding progress, presented as 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.

Notes to Basic Financial Statements – (continued)
April 30, 2013

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.

The City manages these various risks of loss as follows:

<i>Type of Loss</i>	<i>Method Managed</i>	<i>Risk of Loss Retained</i>
a. Torts, errors, and omissions	Membership in Risk Management Pool	None
b. Workers compensation, health and life	Membership in Risk Management Pool	None
c. Physical property loss and natural disasters	Membership in Risk Management Pool	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past ten fiscal years.

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, 2013:

<u>Douglas County:</u>	
Property taxes	\$1,959,330
Police fines	<u>2,166</u>
	<u>\$1,961,496</u>
 <u>State of Illinois:</u>	
Sales tax	\$204,266
Home rule sales tax	157,560
Income tax	141,654
Sales tax – TIF	88,043
Corporate pers. repl. tax	9,236
Motor Fuel Tax	<u>7,704</u>
 Total	 <u>\$608,463</u>

3.F. EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended April 30, 2013, the City did not have any expenditure over the legal appropriation limits.

Notes to Basic Financial Statements – (continued)

April 30, 2013

3.G. 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, 2013:

	<u>Balance</u> <u>May 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2013</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, 2013					
General obligation bonds (alternate revenue bonds):					
General obligation bonds (Series 2010)	\$457,000	\$ 0	\$ 45,000	\$412,000	\$ 46,000
General obligation bonds (alternate revenue bonds):					
General obligation bonds (Series 2012)	0	500,000	0	500,000	50,000
Tax increment refunding revenue bonds:					
Tax increment refunding rev. bonds (Series 1996)	100,000	0	50,000	50,000	50,000
Other long-term obligations:					
Accrued compensated absences	<u>49,941</u>	<u>83,419</u>	<u>89,105</u>	<u>44,255</u>	<u>44,255</u>
Total governmental activities long-term liabilities	<u>\$606,941</u>	<u>\$ 583,419</u>	<u>\$184,105</u>	<u>\$1,006,255</u>	<u>\$144,941</u>
<i>Business-type activities</i>					
General obligation refunding bonds:					
General obligation refunding bonds (2011SW)	2,060,000	0	300,000	1,760,000	250,000
General obligation refunding bonds (2011WA)	1,545,000	0	260,000	1,285,000	290,000
Less deferred charge on refunding:	(287,157)	(0)	(78,715)	(208,442)	(78,715)
Notes payable:					
Illinois Environmental Protection Agency (WA)	688,293	263,427	0	951,720	0
Illinois Environmental Protection Agency (SW)	160,879	0	0	160,879	0
Other long-term obligations:					
Accrued compensated absences	<u>14,094</u>	<u>24,280</u>	<u>26,009</u>	<u>12,365</u>	<u>12,365</u>
Total business-type activities Long-term liabilities	<u>\$4,181,109</u>	<u>\$287,707</u>	<u>\$507,294</u>	<u>\$3,961,522</u>	<u>\$473,650</u>

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, 2013 arbitrage liabilities were \$0.

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2013

Debt outstanding as of April 30, 2013, 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>
2014	\$ 46,000	2.55%
2015	47,000	2.70%
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>\$412,000</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>
2014	\$ 50,000	1.25%
2015	50,000	1.50%
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>\$500,000</u>	

Notes to Basic Financial Statements – (continued)

April 30, 2013

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.

Tax Increment Refunding Revenue Bonds:

A revenue bond issued dated October 1, 1996, was issued to advance refund \$1,810,000 of outstanding principal of the City's 1991 Series Tax Increment Revenue Bonds. The Tax Increment Revenue Bond issue dated July 22, 1991, was issued to cover several projects including land purchase, community building repair, and street repairs. Tax Increment Revenue bonds of \$2,535,000 dated October 1, 1996 are of \$5,000 denomination and mature on December 1 in each of the years and bearing interest as follows:

<u>Fiscal Year</u> <u>Ending April 30,</u>	<u>Bond Principal</u>	<u>Interest Rate</u>
2014	\$50,000	5.90%
Total	\$50,000	

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 Bank of New York, the paying agent for the bonds, in the City of St. Louis, Missouri.

The Tax Increment Revenue Bond Ordinance requires that moneys held in the Tax Increment Fund be segregated and be held in special reserve accounts as follows:

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
a) Prior Redevelopment	Sufficient to meet prior Redevelopment Agreements	Restricted for paying prior Redevelopment Agreements
b) Principal and Interest	Sufficient to pay principal and interest due December 1 and June 1, respectively	Restricted for paying principal and interest on bonds
c) Reserve	Maximum Annual Future Debt Service Amount	Restricted for paying principal and interest on bonds
d) Project 1991	Surplus funds	Qualifying project costs

Notes to Basic Financial Statements – (continued)
April 30, 2013

Annual Debt Service Requirements for Governmental Funds Bonds

<u>Year</u>	2010 Series		2012 Series		1996 Series		Total Debt Service Requirement
	G. O. Bonds		G.O. Bonds		Tax Increment		
	<u>MFT Alt. Rev.</u>		<u>MFT Alt. Rev.</u>		<u>Refunding Rev.</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2014	\$ 46,000	\$12,779	\$ 50,000	\$18,703	\$50,000	\$2,950	\$180,432
2015	47,000	11,606	50,000	11,250			119,856
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	<u>58,000</u>	<u>2,088</u>	50,000	4,875			114,963
2022			50,000	3,375			53,375
2023			<u>50,000</u>	<u>1,750</u>			<u>51,750</u>
	<u>\$412,000</u>	<u>\$63,012</u>	<u>\$500,000</u>	<u>\$82,453</u>	<u>\$50,000</u>	<u>\$2,950</u>	<u>\$1,110,415</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>Bond</u>	<u>Interest</u>
<u>Ending April 30,</u>	<u>Principal</u>	<u>Rate</u>
2014	\$ 290,000	1.05%
2015	295,000	1.30%
2016	290,000	1.55%
2017	290,000	1.65%
2018	295,000	1.80%
2019	<u>300,000</u>	2.00%
Total	<u>\$1,760,000</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.

Notes to Basic Financial Statements – (continued)

April 30, 2013

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.

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 Ending April 30.</u>	<u>Bond Principal</u>	<u>Interest Rate</u>
2014	\$ 250,000	1.05%
2015	255,000	1.30%
2016	255,000	1.55%
2017	260,000	1.65%
2018	<u>265,000</u>	1.80%
Total	<u>\$1,285,000</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.

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.

Notes to Basic Financial Statements – (continued)

April 30, 2013

Proprietary Funds:

Enterprise Funds (Water and Sewer Funds):

Notes Payable:

The City is currently advancing a note payable to the Illinois Environmental Protection Agency which was obtained in connection with the public water supply project. The note is approved up to \$891,583. \$222,896 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 6 months after the final draw-down is received. The City is also currently advancing a note payable to the Illinois Environmental Protection Agency which was obtained for painting and maintenance to the elevated water storage tank. The note is approved up to \$603,560. \$150,890 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 6 months after the final draw-down is received. The City has drawn down \$951,720 on these notes combined in the Water Fund as of April 30, 2013.

The City is currently advancing a note payable to the Illinois Environmental Protection Agency which was obtained in connection with the wastewater supply system project. The note is approved up to \$239,945. \$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 6 months after the final draw-down is received. The City has drawn down \$160,879 in the Sewer Fund as of April 30, 2013.

Annual Debt Service Requirements for Enterprise Fund Bonds

<u>Year</u>	<u>2011-WA Series</u>		<u>2011-SW Series</u>		<u>Total</u>	
	<u>G.O. Refunding Bonds</u>		<u>G.O. Refunding Bonds</u>			<u>Debt</u>
	<u>Water Alt. Rev.</u>		<u>Sewer Alt. Rev.</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>	
2014	\$ 250,000	\$17,640	\$ 290,000	\$ 25,948	\$ 583,588	
2015	255,000	14,670	295,000	22,508	587,178	
2016	255,000	11,036	290,000	18,343	574,379	
2017	260,000	6,915	290,000	13,703	570,618	
2018	265,000	2,385	295,000	8,655	571,040	
2019	0	0	300,000	3,000	303,000	
	<u>1,285,000</u>	<u>52,646</u>	<u>1,760,000</u>	<u>92,157</u>	<u>3,189,803</u>	
2013 loans still advancing	0	0	0	0	1,112,599	
Future loan forgiveness	0	0	0	0	278,150	
Total	<u>\$1,285,000</u>	<u>\$52,646</u>	<u>\$1,760,000</u>	<u>\$92,157</u>	<u>\$4,024,252</u>	

Notes to Basic Financial Statements – (continued)

April 30, 2013

3.I. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of April 30, 2013, 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	<u>\$331,082</u>	
TIF Fund- Barker/Prairie St. TIF 3		<u>\$331,082</u>

Represents start-up costs of a new TIF City. This interfund loan is expected to be repaid as revenues from the City 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 or Illinois Sales and Use Taxes 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, 2013 the Tax Increment Fund received \$1,376,173 in property taxes and \$611,119 in sales tax.

3.K. TAX INCREMENT FINANCING LOAN INTEREST SUBSIDIES

On May 11, 2009, the City Council approved a 30% TIF interest subsidy for Visual Image Salon for improvements at 103 N Main St on a \$94,000 loan for 5 years. At April 30, 2013, \$921 had been paid on this subsidy

On December 28, 2009, the City Council approved a 30% TIF interest subsidy for Spirits of Tuscola for renovations at 911 E Southline Road for 5 years on approximately \$108,000 in commercial financing. At April 30, 2013, \$6,616 had been paid on this subsidy, and the subsidy was closed out.

On February 8, 2010, the City Council approved a 30% TIF interest subsidy for Illini Community Insurance for renovations at 802 S Main St for 10 years on \$50,000 in commercial financing. At April 30, 2013, nothing had been paid on this subsidy.

On July 12, 2011, the City Council approved a 30% TIF interest subsidy for Greg Bates Automotive for renovations at 1100 S. Washington for 10 years on approximately \$48,500 in commercial financing. At April 30, 2013, nothing had been paid on this subsidy.

3.L. TIF NOTES RECEIVABLE

On December 10, 2007, the City Council approved a \$30,000 grant to Kelsey Furniture Company for roof and façade renovations at the Kelsey Furniture showroom at 106-108 E. Sale Street. On April 12, 2010, the City Council approved a two year extension to the draw period of this loan so that the owner can complete the work. On June 25, 2012, the City Council rescinded this loan with no amounts paid on the loan.

Notes to Basic Financial Statements – (continued)

April 30, 2013

On August 24, 2009, the City Council approved a loan for \$4,945 at 3% for 10 years to Jim Nees at Pro Hardware for the purpose of completing improvements to the property at 800 E Southline Road. On June 25, 2012, the City Council rescinded this loan with no amounts paid on the loan.

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. At April 30, 2013, \$35,895 of this loan was disbursed.

On July 9, 2012, the City Council approved a loan of \$40,000 at 3% for 10 years to Alpha and Omega Power Training for renovations at 122 W. Sale St. At April 30, 2013, all amounts of this loan were disbursed and the loan was converted to the repayment phase.

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. At April 30, 2013, \$14,536 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. At April 30, 2013, none of this loan was disbursed.

On April 8, 2013, the City Council approved a loan of \$24,532 at 3% for 10 years to Greco Enterprises for renovation at 101 E. Sale St. At April 30, 2013, none of this loan was disbursed.

3.M. TAX INCREMENT GRANTS

On December 10, 2007, the City Council approved a \$37,500 grant to Kelsey Furniture Company for roof and façade renovations at the Kelsey Furniture showroom at 106-108 E. Sale Street. As of April 30, 2013, \$6,703 of the amount of this grant was disbursed. On April 12, 2010, the City Council approved a two year extension of the draw period on this grant in order for the owner to complete the renovations. On June 25, 2012, the City Council rescinded the remaining amounts of the loan and closed out the project.

On August 24, 2009, the City Council approved a 50% grant up to \$6,180 grant to Jim Nees/Pro Hardware for purposes of completing renovations at 800 E Southline Rd. At April 30, 2013, none of the amounts of this grant were disbursed. On June 25, 2012, the City Council rescinded the remaining amounts of the loan and closed out the project.

On December 14, 2009, the City Council approved a 50% grant up to \$6,575 to Darrell Latch for emergency roof repairs at his business at 122 W Sale St. On September 27, 2010, the City Council approved changing the reimbursement rate from 50% to 60% on this project, for a potential increase in the grant amount of \$1,300. At April 30, 2013, \$3,134 of the grant amount was disbursed. On June 25, 2012, the City Council rescinded the remaining amounts of the loan and closed out the project.

On December 28, 2009, the City Council approved a 50% grant up to \$36,352 to Spirits of Tuscola for renovations at 911 E Southline Rd. On June 25, 2012, the City Council approved a 3 year extension of the grant due to project delays. On December 26, 2012, the City Council approved an assignment of this grant to the new owners of the business, Tuscola Beverage Depot. At April 30, 2013, \$1,953 of the grant amount was disbursed.

On July 12, 2010, the City Council approved a redevelopment agreement with PMG Tuscola, LLC for a grant of \$75,000 for demolition of the former Dixie Truckstop building at 1000 E Southline Road. On December 13, 2010, the City Council approved an additional grant of \$12,000 for the demolition of the

Notes to Basic Financial Statements – (continued)

April 30, 2013

building to the north side of this property so that the property would be completely clear and ready for development. At April 30, 2013 \$65,560 of the amounts of this grant had been disbursed. On June 25, 2012, the City Council rescinded the remaining amounts of the loan and closed out the project.

On July 12, 2010, the City Council approved a \$25,000 grant for Greg Bates Automotive for renovations at 1100 S. Washington. At April 30, 2013, nothing had been paid on this grant.

On September 27, 2010, the City Council approved a grant to ARTCO in the amount of \$3,000 for purposes of a business feasibility study for a theatre business at 100-104 W Sale Street. On February 14, 2011, the City Council approved an additional \$500 grant toward this project. At April 30, 2013, \$2,338 of this grant had been disbursed.

On March 14, 2011, the City Council approved a grant of \$46,250 to Eddie Boutillier for purposes of renovating the building at 134 W. Sale St. for a future computer network store. At April 30, 2013, all amounts of the grant amount had been disbursed and the project was closed.

On May 23, 2011, the City Council approved a \$5,000 grant for Douglas County Abstract for renovations at 110 E. Sale St. At April 30, 2013, \$4,975 had been paid on this grant.

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, 2013, \$4,999 had been paid on this grant.

On September 12, 2011, the City Council approved a \$50,000 grant to Cecil and Nancy Smith for renovations at 400 S Main Street. At April 30, 2013, all amounts had been paid on this grant.

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. At April 30, 2013, \$14,210 had been paid on this grant.

On April 9, 2012, the City Council approved a \$10,800 grant to John & Phyllis Ehrsam for demolition of the structure at 115 E. Sale Street. At April 30, 2013, all amounts had been paid on this grant.

On July 9, 2012, the City Council approved a \$10,000 grant to Alpha & Omega Power Training, Amber Seip and Ali Ray, for renovations at 122 W. Sale Street. At April 30, 2013, all amounts 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, 2013, \$6,159 had been paid on this grant.

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. At April 30, 2013, no amount had been paid on this grant.

On December 26, 2012, the City Council approved a \$47,500 grant to Maruti Gagan Management, LLC, for renovations to the property at 1004 E Southline Road. At April 30, 2013, all amounts had been paid on this grant.

Notes to Basic Financial Statements -- (continued)

April 30, 2013

On December 26, 2012, the City Council approved a \$44,800 grant to Kris Clodfelder, for demolition and property improvements to the property at 900 Meadowview. At April 30, 2013, \$17,877 had been paid on this grant.

On February 11, 2013, the City Council approved a Memorandum of Understanding providing a \$61,900 grant to Tuscola Properties, LLC, for site work for public infrastructure improvements to the property at 1000 E Southline Road. At April 30, 2013, no amount 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, 2013, no amount had been paid on this grant.

On April 8, 2013, the City Council approved a \$30,665 grant to Greco Enterprises, LLC, for renovations to the property at 101 E Sale St. At April 30, 2013, no amount had been paid on this grant.

3.N. 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, 2013, \$600,000 or three 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, 2013, 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.

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 TIF City life. The terms of this extension is the same as the terms in the original redevelopment agreement on this development.

On September 12, 2005, the City Council approved an agreement with Tuscola Economic Development, Inc.(TEDI) for purposes of the City employing an economic development director position for TEDI as 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, 2013. 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

Notes to Basic Financial Statements – (continued)

April 30, 2013

an additional three year term. On March 23, 2009, the City Council approved a \$5,000 grant to TEDI for purposes of providing assistance to clean up commercial properties within the TIF City. On September 27, 2010, the City Council approved an additional \$40,000 for additional personnel costs for economic development and renewed it's commitment for an additional three fiscal years at an amount not to exceed \$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, 2013, \$317,355 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, 2013, \$243,671 of this grant had been disbursed.

3.O. 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, 2013.

3.P. SEWER PLANT INFORMATION

The City sewer system received 197,731,594 total gallons at the wastewater plant for calendar year end December 31, 2012. In addition, there were 2,587 users connected to the system and 109,735,639 gallons billed. There were no non-metered users and one user discharging non-domestic or industrial wastes.

3.Q. 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

Notes to Basic Financial Statements – (continued)

April 30, 2013

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 City's share of water usage for the prior year and the proportion of funding provided by each City during a year. At April 30, 2013 the City of Tuscola's equity interest was 49.83%, or \$4,949, 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, 2013 is provided below.

Financial Position as of April 30, 2013

Total assets	<u>\$29,204</u>
Total liabilities	\$ 0
Total equity	<u>29,204</u>
 Total liabilities and equity	 <u>\$29,204</u>

Results of Operations for Fiscal Year Ending April 30, 2013

Total revenues	\$181,861
Total expenditures	<u>176,707</u>
Net income (loss)	5,153
Beginning total equity	<u>24,051</u>
Ending total equity	<u>\$29,204</u>

3.R. 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.

3.S. 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.

Sales Tax Funds:

Route 36 Business corridor plans to include private grants and subsidies and public infrastructure improvements	\$900,000
Flood and Environmental mitigation along the Scattering Fork	650,000
Future Debt Service	5,978

Property Tax Funds:

Land Improvements; Private Loans, Subsidies, and Grants	2,500,000
Development of Business Centre east of I-57	1,500,000
Future Debt Service	46,972

Notes to Basic Financial Statements -- (continued)
April 30, 2013

3.T. 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, 2013 or during the year ending April 30, 2013. 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, 2013.

3.U. PRIOR PERIOD ADJUSTMENT

The City has corrected the carrying amount of bond issue costs for prior bond issues to reflect new guidance contained within GASB Statement No. 65 *"Items Previously Reported as Assets and Liabilities"*. According to this statement all costs associated with bond issues should be expenses in the year of the bond issue, instead of being amortized over the life of the bond issue.

Required Supplementary Information

CITY OF TUSCOLA
Tuscola, Illinois

REQUIRED SUPPLEMENTARY INFORMATION
Illinois Municipal Retirement Fund Analysis of Funding Progress
April 30, 2013

<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>
12/31/12	\$3,481,922	\$3,916,157	\$434,235	88.91%	\$1,159,638	37.45%
12/31/11	3,076,505	3,647,848	571,343	84.34%	1,074,150	53.19%
12/31/10	2,840,183	3,311,660	471,477	85.76%	1,090,803	43.22%

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$3,571,532. On a market basis, the funded ratio would be 91.20%.

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, 2013

	<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	\$ 454,382	\$ 454,382	\$ 463,703	\$ 9,321
Sales taxes	1,780,000	1,780,000	1,965,310	185,310
State income taxes	339,900	339,900	472,152	132,252
Replacement taxes	34,239	34,239	34,496	257
Fines and fees	31,000	31,000	28,892	(2,108)
Rent	10,500	10,500	8,415	(2,085)
Licenses and permits	24,500	24,500	21,725	(2,775)
Grant income	40,195	40,195	26,643	(13,552)
Franchise fees	28,000	28,000	30,013	2,013
Fire insurance	8,000	8,000	8,129	129
Pool income	72,000	72,000	66,817	(5,183)
Interest income	2,800	2,800	3,564	764
Miscellaneous	20,850	20,850	15,052	(5,798)
Total revenues	<u>2,846,366</u>	<u>2,846,366</u>	<u>3,144,912</u>	<u>298,546</u>
<u>Expenditures:</u>				
General government				
Salaries - city officials and other	260,000	260,000	160,979	99,021
Professional fees	150,000	150,000	17,550	132,450
Office and general expenses	205,000	205,000	24,721	180,279
Insurance	105,000	105,000	52,042	52,958
Publications	15,000	15,000	7,094	7,906
Maintenance	100,000	100,000	3,680	96,320
Utilities	40,000	40,000	12,306	27,694
Animal and bird control	20,000	20,000	-	20,000
Payroll taxes	55,000	55,000	12,653	42,347
Travel, training and education	10,000	10,000	2,007	7,993
Employee benefits	100,000	100,000	30,550	69,450
Community activity subsidy	930,000	930,000	405,471	524,529
Substance abuse program	10,000	10,000	993	9,007
Miscellaneous	25,000	25,000	9,538	15,462
Total expenditures - general government	<u>2,025,000</u>	<u>2,025,000</u>	<u>739,583</u>	<u>1,285,417</u>
<u>Public Safety</u>				
<u>Fire protection</u>				
Salaries	300,000	300,000	117,159	182,841
Payroll taxes	60,000	60,000	11,018	48,982
Employee benefits	5,000	5,000	2,365	2,635
Subscriptions	10,000	10,000	844	9,156
Special bequests	150,000	150,000	9,394	140,607
Utilities	25,000	25,000	4,632	20,368
Travel, training and education	50,000	50,000	4,454	45,546
Office and general expenses	25,000	25,000	2,065	22,935
Uniforms	10,000	10,000	22	9,978
Repairs and maintenance	285,000	285,000	25,446	259,554
Supplies and parts	100,000	100,000	22,485	77,515
Fire prevention	5,000	5,000	1,008	3,992
Miscellaneous	5,000	5,000	533	4,468
Total expenditures - fire protection	<u>1,030,000</u>	<u>1,030,000</u>	<u>201,424</u>	<u>828,576</u>

(continued)

CITY OF TUSCOLA

Tuscola, Illinois

Budgetary Comparison Schedule (Budgetary Basis)- General Fund

For the Year Ended April 30, 2013

	<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	\$ 550,000	\$ 550,000	\$ 395,461	\$ 154,539
Payroll taxes	15,000	15,000	6,591	8,409
Employee benefits	225,000	225,000	123,462	101,538
Communications	20,000	20,000	7,868	12,132
Office and general expenses	25,000	25,000	2,225	22,775
Uniforms	20,000	20,000	4,497	15,503
Repairs and maintenance	235,000	235,000	46,125	188,875
Utilities	20,000	20,000	5,060	14,940
Subscriptions	15,000	15,000	100	14,900
Travel, training and education	15,000	15,000	5,077	9,923
Drug fund	100,000	100,000	7,832	92,168
K-9 unit	20,000	20,000	-	20,000
Miscellaneous	10,000	10,000	5,698	4,302
Total expenditures - police protection	<u>1,270,000</u>	<u>1,270,000</u>	<u>609,997</u>	<u>660,003</u>
<u>Building Inspection</u>				
Salaries	85,000	85,000	49,787	35,213
Payroll taxes	11,000	11,000	3,818	7,182
Employee benefits	30,000	30,000	17,580	12,420
Insurance	500	500	50	450
Office and general expenses	20,000	20,000	2,470	17,530
Travel, training and education	10,000	10,000	-	10,000
Professional fees	120,000	120,000	-	120,000
Repairs and maintenance	45,000	45,000	3,311	41,689
Miscellaneous	5,000	5,000	-	5,000
Total expenditures - building inspection	<u>326,500</u>	<u>326,500</u>	<u>77,016</u>	<u>249,484</u>
<u>ESDA</u>				
Communications	50,000	50,000	1,983	48,017
Travel, training and education	10,000	10,000	-	10,000
Supplies and parts	15,000	15,000	-	15,000
Repairs and maintenance	15,000	15,000	-	15,000
Miscellaneous	15,000	15,000	-	15,000
Total expenditures - ESDA	<u>105,000</u>	<u>105,000</u>	<u>1,983</u>	<u>103,017</u>
Total expenditures - public safety	<u>2,731,500</u>	<u>2,731,500</u>	<u>890,420</u>	<u>1,841,080</u>
<u>Public Works</u>				
<u>Streets and Alleys</u>				
Salaries	450,000	450,000	207,495	242,505
Payroll taxes	105,000	105,000	16,723	88,277
Employee benefits	220,000	220,000	77,964	142,036
Communications	5,000	5,000	1,259	3,741
Travel, training and education	5,000	5,000	220	4,780
Vehicle fuel	75,000	75,000	23,335	51,665
Vehicle maintenance	150,000	150,000	11,511	138,489
Utilities	150,000	150,000	39,117	110,883
Small equipment	102,500	102,500	524	101,976

(continued)

CITY OF TUSCOLA

Tuscola, Illinois

Budgetary Comparison Schedule (Budgetary Basis)- General Fund

For the Year Ended April 30, 2013

	<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 Works (continued)</u>				
<u>Streets and Alleys (continued)</u>				
Supplies and parts	\$ 20,000	\$ 20,000	\$ 5,014	\$ 14,986
Repairs and maintenance	300,000	300,000	1,552	298,448
Street, alley and curb maintenance	150,000	150,000	38,557	111,443
Sidewalks	25,000	25,000	525	24,475
Miscellaneous	5,000	5,000	271	4,729
	<u>1,762,500</u>	<u>1,762,500</u>	<u>424,067</u>	<u>1,338,433</u>
Total expenditures - streets and alleys				
<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	100,000	100,000	51,871	48,129
Communications	5,000	5,000	-	5,000
Leases	10,000	10,000	3,187	6,813
Utilities	75,000	75,000	16,589	58,411
Real estate taxes - drainage	10,000	10,000	375	9,625
Vending	5,000	5,000	369	4,631
Supplies and parts	100,000	100,000	4,454	95,546
Repairs and maintenance	310,000	310,000	13,974	296,026
Miscellaneous	55,000	55,000	397	54,603
	<u>698,000</u>	<u>698,000</u>	<u>91,216</u>	<u>606,784</u>
Total expenditures - municipal building				
Total expenditures - public works	<u>2,460,500</u>	<u>2,460,500</u>	<u>515,283</u>	<u>1,945,217</u>
<u>Culture and Recreation</u>				
<u>Park</u>				
Salaries	135,000	135,000	57,174	77,826
Payroll taxes	11,000	11,000	4,661	6,339
Employee benefits	60,000	60,000	19,821	40,179
Repairs and maintenance	120,000	120,000	13,842	106,158
Communications	5,000	5,000	385	4,615
Travel, training and education	5,000	5,000	20	4,980
Utilities	50,000	50,000	10,140	39,860
Supplies and parts	41,500	41,500	6,516	34,984
Advertising	-	-	-	-
Miscellaneous	40,000	40,000	(215)	40,215
	<u>467,500</u>	<u>467,500</u>	<u>112,344</u>	<u>355,156</u>
Total expenditures - park				
<u>Pool</u>				
Salaries	85,000	85,000	53,748	31,252
Payroll taxes	15,000	15,000	5,267	9,733
Supplies	90,000	90,000	15,637	74,363
Repairs and maintenance	95,000	95,000	9,491	85,509
Advertising	10,000	10,000	230	9,770
Communications	5,000	5,000	399	4,601
Training	5,000	5,000	2,145	2,855

(continued)

CITY OF TUSCOLA

Tuscola, Illinois

Budgetary Comparison Schedule (Budgetary Basis)- General Fund

For the Year Ended April 30, 2013

	<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	\$ 16,715	\$ 33,285
Miscellaneous	20,000	20,000	270	19,730
Total expenditures - pool	375,000	375,000	103,903	271,097
Total expenditures - culture and recreation	842,500	842,500	216,247	626,253
<u>Development</u>				
Economic development	5,000,000	5,000,000	25,195	4,974,805
Total expenditures - development	5,000,000	5,000,000	25,195	4,974,805
<u>Capital Outlay</u>				
General government	500,000	500,000	-	500,000
Fire protection	1,000,000	1,000,000	683,788	316,212
Police protection	100,000	100,000	4,122	95,878
Building inspection	50,000	50,000	-	50,000
Streets and alleys	500,000	500,000	6,613	493,387
Municipal building	400,000	400,000	-	400,000
ESDA	100,000	100,000	-	100,000
Park	150,000	150,000	46,392	103,608
Pool	1,500,000	1,500,000	8,002	1,491,998
Total expenditures - capital outlay	4,300,000	4,300,000	748,916	3,551,084
Total expenditures	17,359,500	17,359,500	3,135,644	14,223,856
Excess (deficiency) of revenues over (under) expenditures	(14,513,134)	(14,513,134)	9,268	(13,925,310)
Fund balances - beginning	16,726,206	16,726,206	2,392,019	
Fund balances - ending	\$ 2,213,072	\$ 2,213,072	\$ 2,401,287	\$ (13,925,310)
Fund balances, ending - budgetary basis			\$ 2,401,287	
<u>Accrual Adjustments</u>				
Revenues			31,625	
Expenditures			(79,970)	
Net			(48,345)	
Other financing sources (uses)			-	
Beginning fund balance adjustment to GAAP basis			688,420	
Fund balance, ending - GAAP basis			\$ 3,041,362	

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, 2013

	<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	\$ 1,362,500	\$ 1,362,500	\$ 1,376,173	\$ 13,673
Replacement taxes	-	-	-	-
Income taxes	-	-	-	-
Sales taxes	300,000	300,000	356,987	56,987
Sales taxes - city	200,000	200,000	250,133	50,133
Motor fuel tax	-	-	-	-
Fines and fees	-	-	-	-
Memorial funds	-	-	-	-
Interest income	30,000	30,000	25,076	(4,924)
Miscellaneous	500	500	-	(500)
Total revenues	1,893,000	1,893,000	2,008,369	115,369
<u>Expenditures:</u>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Development	24,652,000	24,652,000	1,486,612	23,165,388
Debt service				
Principal	650,000	650,000	50,000	600,000
Interest expense and fiscal charges	225,000	225,000	5,900	219,100
Capital outlay	3,500,000	3,500,000	-	3,500,000
Total expenditures	29,027,000	29,027,000	1,542,512	27,484,488
Excess (deficiency) of revenues over (under) expenditures	(27,134,000)	(27,134,000)	465,857	(27,369,119)
<u>Other financing sources (uses):</u>				
Bond proceeds	-	-	-	-
Net change in fund balances	(27,134,000)	(27,134,000)	465,857	(27,369,119)
Fund balances - beginning	(85,401,682)	(85,401,682)	2,096,856	-
Fund balances - ending	<u>\$(112,535,682)</u>	<u>\$(112,535,682)</u>	<u>\$ 2,562,713</u>	<u>\$(27,369,119)</u>
Fund balances, ending - budgetary basis			<u>\$ 2,562,713</u>	
<u>Accrual Adjustments</u>				
Revenues			3,998	
Expenditures			(12,512)	
Net			(8,514)	
Other financing sources (uses)			-	
Beginning fund balance adjustment to GAAP basis			145,897	
Fund balance, ending - GAAP basis			<u>\$ 2,700,096</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, 2013

	<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	130,044	130,044	126,989	(3,055)
Fines and fees	-	-	-	-
Memorial funds	-	-	-	-
Interest income	225	225	413	188
Miscellaneous	-	-	-	-
Total revenues	130,269	130,269	127,402	(2,867)
Expenditures:				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	250,000	250,000	78,481	171,519
Culture and recreation	-	-	-	-
Development	-	-	-	-
Debt service				
Principal	200,000	200,000	45,000	155,000
Interest expense and fiscal charges	150,000	150,000	13,859	136,142
Capital outlay	1,500,000	1,500,000	344,215	1,155,785
Total expenditures	2,100,000	2,100,000	481,555	1,618,445
Excess (deficiency) of revenues over (under) expenditures	(1,969,731)	(1,969,731)	(354,153)	(1,621,312)
Other financing sources (uses):				
Bond proceeds	500,000	500,000	500,000	-
Net change in fund balances	(1,469,731)	(1,469,731)	145,847	(1,621,312)
Fund balances - beginning	3,093,259	3,093,259	37,623	-
Fund balances - ending	\$ 1,123,528	\$ 1,123,528	\$ (316,530)	\$ (1,621,312)
Fund balances, ending - budgetary basis			\$ (316,530)	
Accrual Adjustments				
Revenues			(993)	
Expenditures			275,691	
Net			274,698	
Other financing sources (uses)			500,000	
Beginning fund balance adjustment to GAAP basis			(191,166)	
Fund balance, ending - GAAP basis			\$ 267,002	

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, 2013

	<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	161,000	161,000	162,140	1,140
Motor fuel tax	-	-	-	-
Fines and fees	-	-	-	-
Memorial funds	-	-	-	-
Interest income	500	500	165	(335)
Grant income	2,000	2,000	3,099	1,099
Miscellaneous	1,000	1,000	4,098	3,098
Total revenues	164,500	164,500	169,502	5,002
Expenditures:				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Development	1,002,000	1,002,000	128,238	873,762
Debt service				
Principal	-	-	-	-
Interest expense and fiscal charges	-	-	-	-
Capital outlay	150,000	150,000	-	150,000
Total expenditures	1,152,000	1,152,000	128,238	1,023,762
Excess (deficiency) of revenues over (under) expenditures	(987,500)	(987,500)	41,265	(1,018,760)
Fund balances - beginning	(2,466,066)	(2,466,066)	150,642	-
Fund balances - ending	\$ (3,453,566)	\$ (3,453,566)	\$ 191,907	\$ (1,018,760)
Fund balances, ending - budgetary basis			\$ 191,907	
Accrual Adjustments				
Revenues			1,436	
Expenditures			17,629	
Net			19,064	
Other financing sources (uses)			-	
Beginning fund balance adjustment to GAAP basis			32,442	
Fund balance, ending - GAAP basis			\$ 243,413	

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

CITY OF TUSCOLA

Tuscola, Illinois

Budgetary Comparison Schedule (Budgetary Basis) - Library Fund

For the Year Ended April 30, 2013

	<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	\$ 123,309	\$ 123,309	\$ 126,007	\$ 2,698
Replacement taxes	9,652	9,652	8,819	(833)
Income taxes	-	-	-	-
Sales taxes	-	-	-	-
Sales taxes - city	-	-	-	-
Motor fuel tax	-	-	-	-
Fines and fees	6,900	6,900	9,051	2,151
Memorial funds	500	500	560	60
Interest income	50	50	62	12
Grant income	4,500	4,500	6,245	1,745
Miscellaneous	1,000	1,000	1,409	409
Total revenues	<u>145,911</u>	<u>145,911</u>	<u>152,153</u>	<u>6,242</u>
<u>Expenditures:</u>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	627,500	627,500	137,146	490,354
Development	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest expense and fiscal charges	-	-	-	-
Capital outlay	100,000	100,000	-	100,000
Total expenditures	<u>727,500</u>	<u>727,500</u>	<u>137,146</u>	<u>590,354</u>
Excess (deficiency) of revenues over (under) expenditures	(581,589)	(581,589)	15,007	(584,112)
Fund balances - beginning	<u>(858,136)</u>	<u>(858,136)</u>	<u>37,464</u>	<u>-</u>
Fund balances - ending	<u>\$ (1,439,725)</u>	<u>\$ (1,439,725)</u>	<u>\$ 52,471</u>	<u>\$ (584,112)</u>
Fund balances, ending - budgetary basis			<u>\$ 52,471</u>	
<u>Accrual Adjustments</u>				
Revenues			565	
Expenditures			<u>290</u>	
Net			855	
Other financing sources (uses)			-	
Beginning fund balance adjustment to GAAP basis			-	
Fund balance, ending - GAAP basis			<u>\$ 53,326</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 Economic Development, Inc
For the Year Ended April 30, 2013

	<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	-	-	42	42
Grant income	100,000	100,000	98,707	(1,293)
Miscellaneous	32,500	32,500	37,041	4,541
Total revenues	132,500	132,500	135,790	3,290
Expenditures:				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Development	129,595	129,595	132,968	(3,373)
Debt service	-	-	-	-
Principal	-	-	-	-
Interest expense and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	129,595	129,595	132,968	(3,373)
Excess (deficiency) of revenues over (under) expenditures	2,905	2,905	2,822	6,663
Fund balances - beginning	33,654	33,654	46,657	-
Fund balances - ending	\$ 36,559	\$ 36,559	\$ 49,479	\$ 6,663
Fund balances, ending - budgetary basis			\$ 49,479	
Accrual Adjustments				
Revenues			(0)	
Expenditures			1,512	
Net			1,512	
Other financing sources (uses)			-	
Beginning fund balance adjustment to GAAP basis			-	
Fund balance, ending - GAAP basis			\$ 50,991	

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, 2013

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 9, 2012.
- 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

CITY OF TUSCOLA
Tuscola, Illinois

Assessed Valuations, Tax Rates, Taxes Extended and Collected
April 30, 2013

Tax Levy Year	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Equalized Assessed Valuation (not including TIF Districts)	\$ 56,246,346	\$ 57,642,615	\$ 59,002,898	\$ 56,112,673	\$ 54,325,162
<u>Tax Rates</u>					
(Per \$100 Equalized Assessed Valuation)					
General corporate	\$ 0.1349	\$ 0.1303	\$ 0.1265	\$ 0.1310	\$ 0.1289
Audit	0.0098	0.0094	0.0091	0.0094	0.0093
ESDA	0.0061	0.0058	0.0056	0.0057	0.0056
Liability insurance	0.0791	0.0764	0.0741	0.0767	0.0755
Social security	0.0598	0.0577	0.0560	0.0580	0.0571
Fire protection	0.1445	0.1396	0.1355	0.1403	0.1381
Parks	0.0656	0.0633	0.0614	0.0636	0.0626
Police protection	0.1331	0.1285	0.1247	0.1291	0.1271
IMRF	0.1000	0.0966	0.0937	0.0970	0.0955
Library	0.2300	0.2140	0.2077	0.2151	0.2117
Workmans compensation	0.0446	0.0430	0.0417	0.0431	0.0424
Total Tax Rate	\$ 1.0075	\$ 0.9646	\$ 0.9360	\$ 0.9690	\$ 0.9538
Equalized Assessed Valuation - TIF Districts only	\$ 17,267,027	\$ 17,799,199	\$ 18,166,472	\$ 17,288,303	\$ 16,577,169
TIF Districts	\$ 7,9432	\$ 7,7363	\$ 7,5733	\$ 7,4256	\$ 7,3091
<u>Tax Extensions</u>					
General corporate	\$ 75,876	\$ 75,108	\$ 74,639	\$ 73,508	\$ 70,025
Audit	5,512	5,418	5,369	5,275	5,062
ESDA	3,431	3,343	3,304	3,198	3,042
Liability insurance	44,491	44,039	43,721	43,038	41,016
Social security	33,635	33,260	33,042	32,545	31,020
Road and bridge	21,092	21,443	21,890	21,884	21,132
Fire protection	81,276	80,469	79,949	78,726	75,023
Parks	36,898	36,488	36,228	35,688	34,008
Police protection	74,864	74,071	73,577	72,441	69,047
IMRF	56,246	55,683	55,286	54,429	51,881
Library	129,367	123,355	122,549	120,698	115,006
Workmans compensation	25,086	24,786	24,604	24,185	23,034
TIF Districts	1,371,556	1,377,001	1,410,898	1,283,762	1,211,643
Taxes extended - in total	\$ 1,959,330	\$ 1,954,464	\$ 1,985,055	\$ 1,849,377	\$ 1,750,929
<u>Taxes Collected</u>					
General corporate	\$ -	\$ 76,723	\$ 73,005	\$ 73,328	\$ 69,958
Audit	-	5,535	5,252	5,261	5,047

(continued)

CITY OF TUSCOLA
Tuscola, Illinois

Assessed Valuations, Tax Rates, Taxes Extended and Collected
April 30, 2013

Tax Levy Year	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Taxes Collected (continued)</u>					
Civil defense	\$ -	\$ 3,415	\$ 3,232	\$ 3,191	\$ 3,039
Liability insurance	-	44,986	42,765	42,933	40,976
Social security	-	33,975	32,319	30,990	30,990
Road and bridge	-	21,737	21,560	21,823	21,102
Fire protection	-	82,199	78,200	78,533	74,951
Park	-	37,272	35,435	35,600	33,975
Police protection	-	75,663	71,967	72,264	68,981
IMRF	-	56,880	54,076	42,848	51,831
Library	-	126,007	119,846	120,424	114,895
Workmen's compensation	-	25,319	24,066	24,125	23,012
TIF Districts	-	<u>1,376,173</u>	<u>1,371,876</u>	<u>1,264,600</u>	<u>1,212,494</u>
Taxes collected	<u>\$ -</u>	<u>\$ 1,965,883</u>	<u>\$ 1,933,599</u>	<u>\$ 1,815,921</u>	<u>\$ 1,751,249</u>
Percentage of Extensions Collected	<u>0.00%</u>	<u>100.58%</u>	<u>97.41%</u>	<u>98.19%</u>	<u>100.02%</u>