

**CITY OF TUSCOLA  
Tuscola, Illinois**

**Annual Financial Report**

**For the Year Ended April 30, 2011**

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For the Year Ended April 30, 2011

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JAMES P. BRAY, CPA (Retired)

August 1, 2011

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Tuscola. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tuscola as of April 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 11 and 46 through 55 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tuscola's financial statements as a whole. The schedule of equalized assessed valuations, tax rates, and taxes extended and collected is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of equalized assessed valuations, tax rates, and taxes extended and collected is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
BRAY, DRAKE, LILES & RICHARDSON LLP

## City of Tuscola

### Management's Discussion and Analysis

April 30, 2011

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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, 2011.

#### Financial Highlights

- The assets of the City of Tuscola exceeded its liabilities at the close of the most recent fiscal year by \$34,645,310 (*net assets*).
- The City's total net assets increased by \$984,985 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 \$5,487,230. Of this amount, \$899,108 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 \$899,108, or 40% of total general fund expenditures.
- City of Tuscola's total debt decreased by \$15,924 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 assets* presents information on all of the City of Tuscola's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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. 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 12-13 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 14-15 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 16-18 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 Veolia Environmental Services, 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 19 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 20-45 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 46-55 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets 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 \$34,645,310 at the close of the most recent fiscal year.

The largest portion of the City of Tuscola's net assets (*73 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 Assets.

**Summary of City of Tuscola's Net Assets**

	Governmental Activities 2011	Governmental Activities 2010	Business-Type Activities 2011	Business-Type Activities 2010	Total 2011	Total 2010
Current and Other Assets	\$ 7,686,410	\$ 7,078,985	\$ 2,190,415	\$ 2,396,491	\$ 9,876,825	\$ 9,475,476
Capital Assets	19,964,645	19,396,429	9,765,802	9,660,514	29,730,447	29,056,943
Total Assets	<u>\$ 27,651,055</u>	<u>\$ 26,475,414</u>	<u>\$ 11,956,217</u>	<u>\$ 12,057,005</u>	<u>\$ 39,607,272</u>	<u>\$ 38,532,419</u>
Long-term Liabilities	\$ 645,000	\$ 217,500	\$ 3,960,000	\$ 4,420,000	\$ 4,605,000	\$ 4,637,500
Other Liabilities	175,756	125,970	181,206	(25,297)	356,962	100,673
Total Liabilities	<u>\$ 820,756</u>	<u>\$ 343,470</u>	<u>\$ 4,141,206</u>	<u>\$ 4,394,703</u>	<u>\$ 4,961,962</u>	<u>\$ 4,738,173</u>
Net Assets:						
Invested in Capital Assets	\$ 19,319,644	\$ 19,178,931	\$ 5,805,802	\$ 5,240,514	\$ 25,125,446	\$ 24,419,445
Restricted	2,120,638	2,028,305	1,416,965	1,209,713	3,537,603	3,238,018
Unrestricted	5,390,017	4,924,708	592,244	1,212,075	5,982,261	6,136,783
Total Net Assets	<u>\$ 26,830,299</u>	<u>\$ 26,131,944</u>	<u>\$ 7,815,011</u>	<u>\$ 7,662,302</u>	<u>\$ 34,645,310</u>	<u>\$ 33,794,246</u>

An additional portion of the City of Tuscola's net assets (\$3,238,018) represents resources that are subject to external restrictions on how they may be used. The remaining balance of Net Assets, *unrestricted net assets* (\$6,136,783) 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 assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

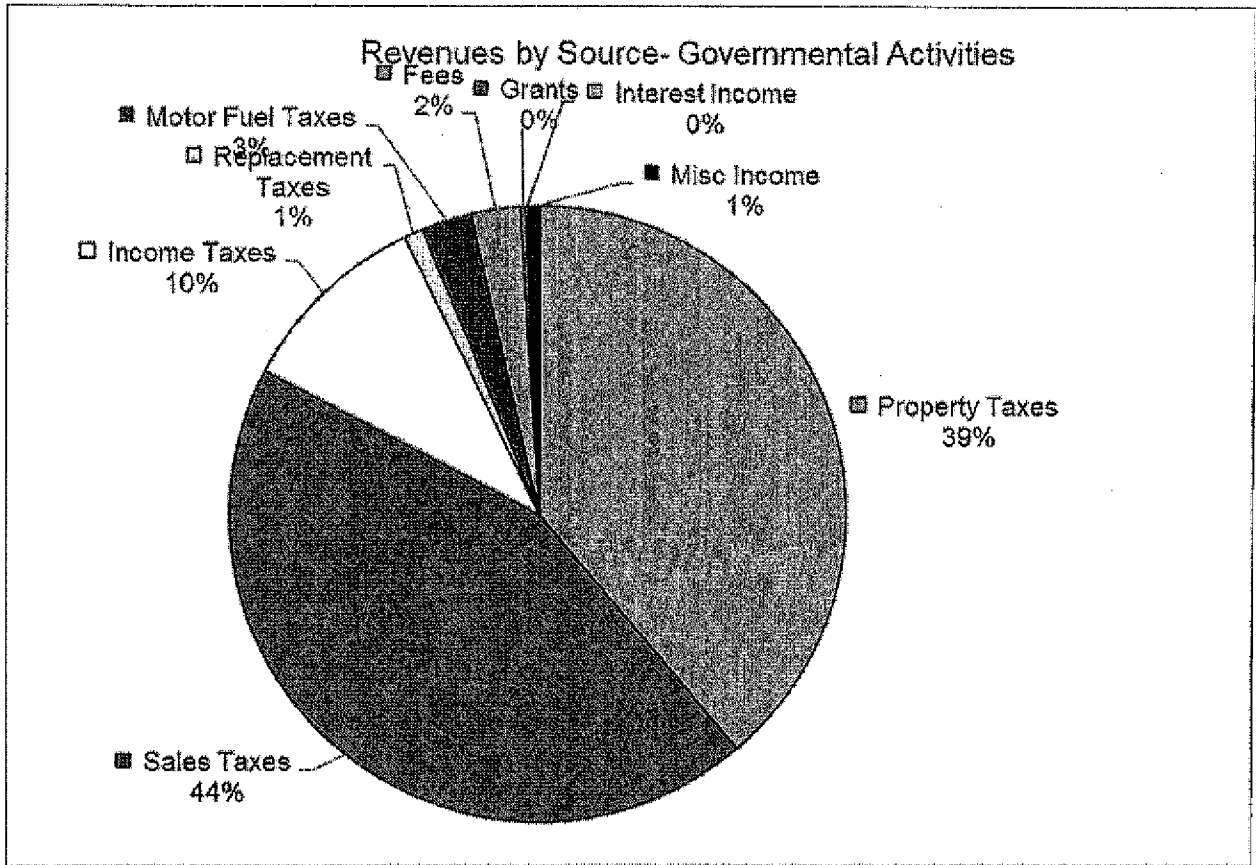
The following table summarizes the revenues and expenses of the City's activities:

**City of Tuscola's Revenues, Expenses and Net Assets**

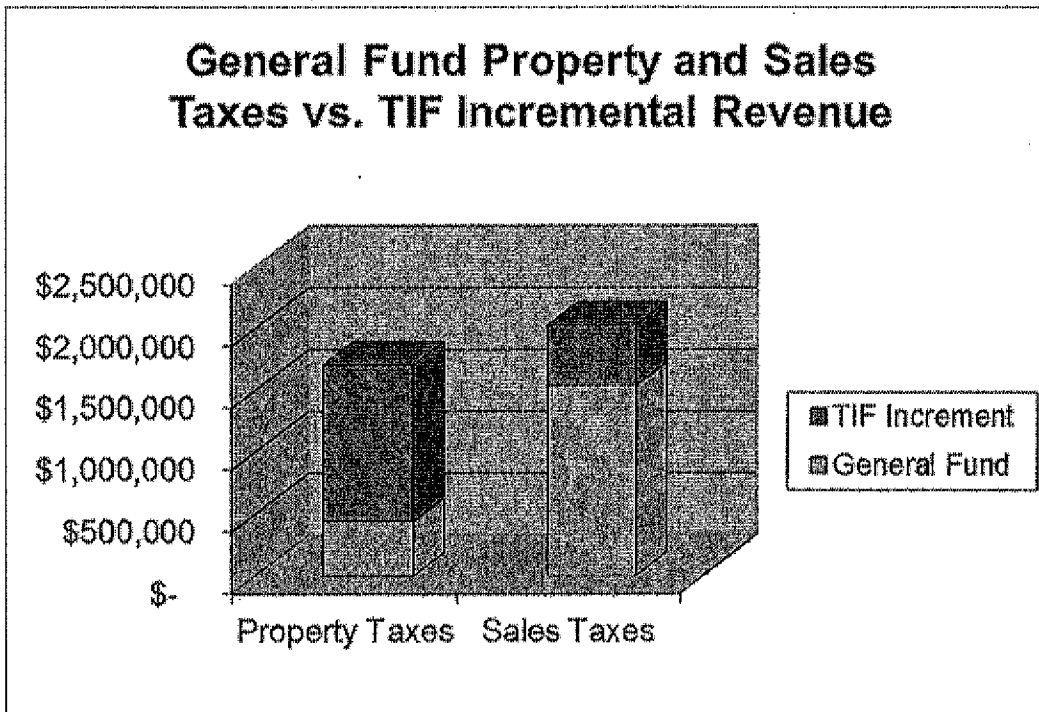
	Governmental Activities 2011	Governmental Activities 2010	Business- Type Activities 2011	Business- Type Activities 2010	Total 2011	Total 2010
<b>Revenues:</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 127,885	\$ 183,964	\$ 1,661,441	\$ 1,578,962	\$ 1,789,326	\$ 1,762,926
Grants & Contributions	16,335	162,764	29,086	-	44,421	162,764
<b>General Revenues:</b>						
Property Taxes	1,929,427	1,849,697	-	-	1,929,427	1,849,697
Sales Taxes	2,185,985	2,029,310	-	-	2,185,985	2,029,310
Income Taxes	478,113	397,235	-	-	478,113	397,235
Replacement Taxes	48,278	40,025	-	-	48,278	40,025
Motor Fuel Taxes	131,842	112,255	-	-	131,842	112,255
Investment Earnings	7,916	7,040	3,711	5,304	11,627	12,344
Miscellaneous	30,680	38,991	-	-	30,680	38,991
<b>Total Revenues</b>	<b>\$ 4,955,461</b>	<b>\$ 4,821,281</b>	<b>\$ 1,694,238</b>	<b>\$ 1,584,266</b>	<b>\$ 6,649,699</b>	<b>\$ 6,405,547</b>
<b>Expenses:</b>						
General Government	\$ 533,446	\$ 557,877	\$ -	\$ -	\$ 533,446	\$ 557,877
Public Safety	910,634	950,372	-	-	910,634	950,372
Public Works	679,234	851,385	-	-	679,234	851,385
Culture and Recreation	328,868	374,154	-	-	328,868	374,154
Development	1,644,349	1,226,658	-	-	1,644,349	1,226,658
Interest on L-T Debt	26,654	23,537	-	-	26,654	23,537
Water Department	-	-	878,319	738,713	878,319	738,713
Sewer Department	-	-	663,210	627,846	663,210	627,846
<b>Total Expenses</b>	<b>4,123,185</b>	<b>3,983,983</b>	<b>1,541,529</b>	<b>1,366,559</b>	<b>5,664,714</b>	<b>5,350,542</b>
<b>Change in Net Assets</b>	<b>832,276</b>	<b>837,298</b>	<b>152,709</b>	<b>217,707</b>	<b>984,985</b>	<b>1,055,005</b>
<b>Net Assets, Beginning</b>	<b>25,998,023</b>	<b>25,294,646</b>	<b>7,662,302</b>	<b>7,444,595</b>	<b>33,660,325</b>	<b>32,739,241</b>
<b>Net Assets, Ending</b>	<b>\$ 26,830,299</b>	<b>\$ 26,131,944</b>	<b>\$ 7,815,011</b>	<b>\$ 7,662,302</b>	<b>\$ 34,645,310</b>	<b>\$ 33,794,246</b>

Revenues for the City are generated from a number of different sources and for the most part are dependent on different financial factors. The majority of revenue is derived from sales taxes and property taxes, as illustrated in the chart below. Property taxes are a stable source of revenues, not dependent on economic trends and fluctuations. Sales tax revenues, conversely, are heavily dependent on economic trends and the success of a smaller number of local businesses. Property taxes are derived solely from local property owners, while sales taxes are partly paid by out of town shoppers. Keeping sales tax revenues strong and the local economy growing is taking some of the financial burden of running the City's programs off of the local citizenry. Having a balance between those two revenues is essential to the stability of the operations of the City. The City also accounts for income 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 2010, that amount was \$133,922 and in FY 2011 the amount was \$92,594. These amounts due the City of Tuscola account for the difference in net assets from FY 2010 to FY 2011 as shown on the above chart.

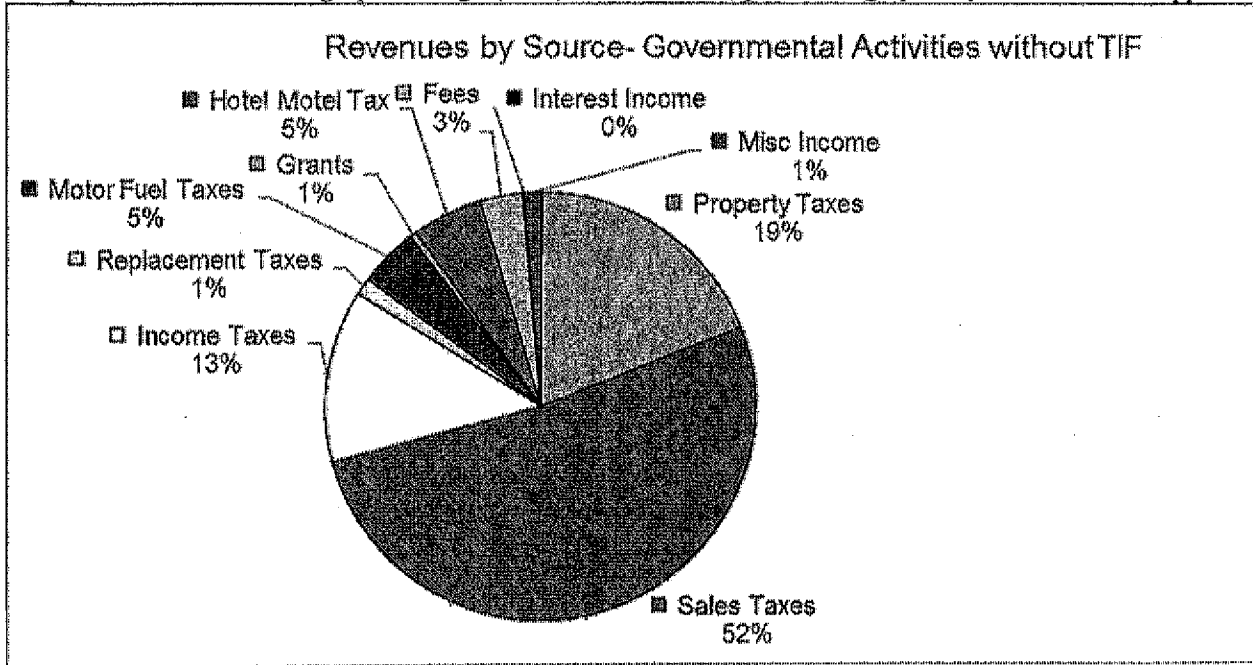




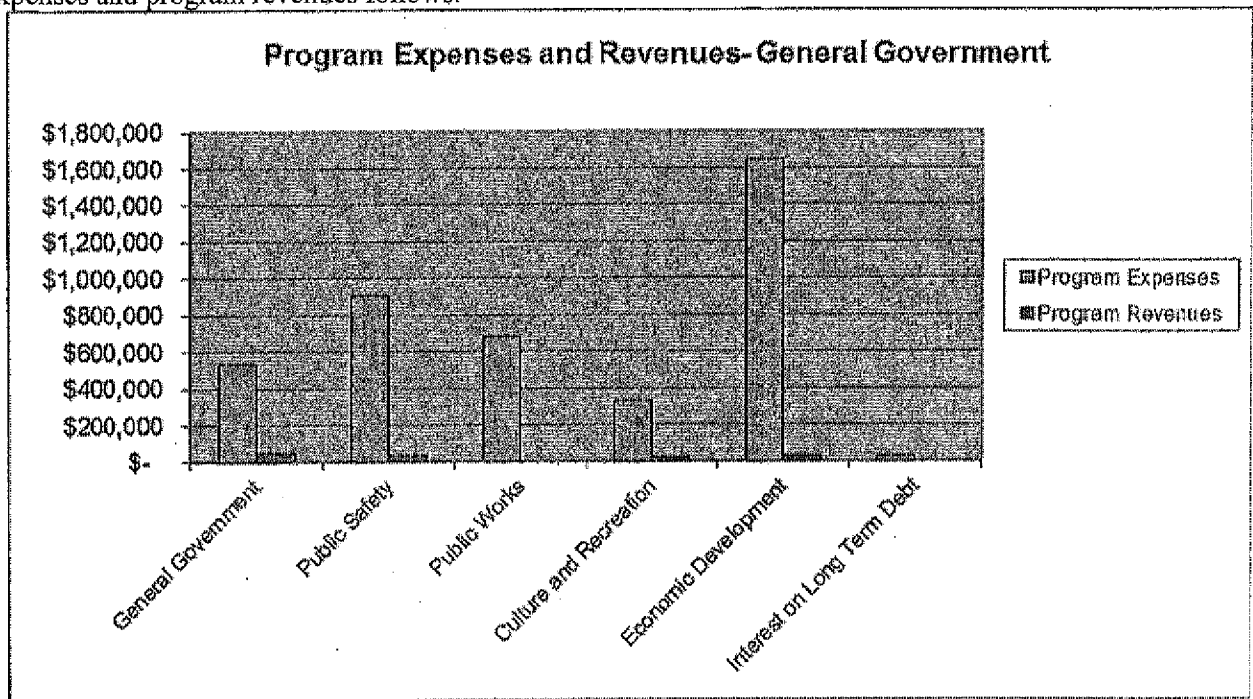
The City of Tuscola is unique in that it has a very successful Tax Increment Financing (TIF) District that provides revenues from property tax and sales tax increment to fund most of the City's economic development plans. While sales and property tax revenues are the main sources of overall revenue for the City's combined funds, the amounts of these types of revenues that are attributable to the TIF District are significant (47%). As shown in the chart below, TIF increment accounts for 74% of all property taxes collected and 24% of sales taxes.



When the general government funds are analyzed independently of the Tax Increment Financing Fund, one gets a clearer picture of the priorities of the City's government. As shown in the chart below, the City government has made a priority of keeping property tax levies low to keep the burden off local residents. This is possible due to the high percentage (52%) of sales taxes, paid in large part by out of town shoppers.

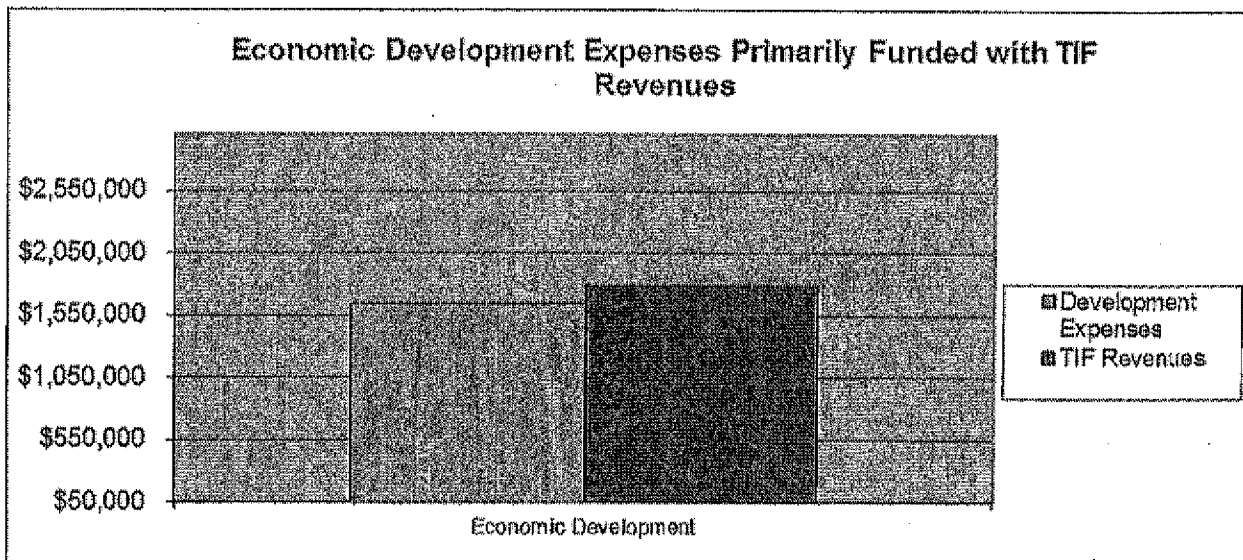


Economic Development expenses were the largest program expense with \$1,644,349 being spent toward development of the local economy. As explained later, that focus on economic development would not be possible without the City's Tax Increment Financing District Revenue. Other than development, the largest program expenses are for public safety at \$910,634, which is the highest priority for the City government with general revenues, and public works at \$679,234. Those programs are followed by \$533,446 of general government expenses, which is only 13% of the total program expenses. A breakdown by program of expenses and program revenues follows.



The City of Tuscola funds a vast majority of the economic development programs with Tax Increment Financing revenues, not with General Fund revenues. The following chart shows the current year TIF

revenues were the primary means to fund all other expenditures for economic development projects for FY 2011.



### 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 \$5,487,230. Sixteen percent, or \$899,108, of this amount constitutes *unassigned fund balance*, which is available for spending at the government's discretion. \$907,783 is in a nonspendable form, such as prepaid expenses or long term receivable amounts. The remainder of fund balance is *restricted, committed, or assigned* to indicate that it is not available for new spending because it has already been committed for debt service (\$235,553) and other designated projects and programs (\$3,444,786).

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 \$2,638,641, of that \$1,739,535 is nonspendable, restricted or committed for specific purposes while \$899,108 is unassigned and available for spending at the government's discretion. Unassigned fund balance represents 40 percent of total general fund expenditures. Because of its reliance on sales tax revenues (52% 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 recent economic turmoil, due to the housing market crash and the credit market tightening, has caused a general downturn in consumer spending in the United States. While the retail segment of the City of Tuscola was expected to reflect that same slow down of consumer spending, we were fortunate that our sales tax revenues were dramatically up 11.57% for the fiscal year ending April 30, 2011.

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 2011 were the Tanger Outlet Center, Lighthouse

Insurance Agency, the Sav-Mor Pharmacy and related business suites, 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 Prairie Street and Niles Street improvement projects. Both of those debt service obligations are complete and paid off. In FY 2011 funds were also used for annual maintenance to the City's chip and tar streets. Additionally, in FY 2011, the City again bonded for road improvements in the amount of \$500,000 for portions of Main, Sale, Daggy, and Pembroke Streets

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.

Unrestricted net assets of the proprietary funds at the end of the year amounted to \$592,244.

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 2011 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, 2011, amounts to \$29,730,447 (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 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Land	\$ 2,544,515	\$ 2,544,515	\$ 637,198	\$ 637,198	\$ 3,181,713	\$ 3,181,713
Land Improvements	674,342	343,016	-	-	674,342	343,016
Buildings	2,394,440	2,341,016	-	-	2,394,440	2,341,016
Plant, Machinery & Equipment	530,481	586,155	6,206,022	6,425,549	6,736,503	7,011,704
Vehicles	841,290	943,000	24,061	28,671	865,351	971,671
Distribution System	-	-	2,898,521	2,569,096	2,898,521	2,569,096
Infrastructure	12,979,577	12,638,727	-	-	12,979,577	12,638,727
Work in Progress	-	-	-	-	-	-
	<u>\$19,964,645</u>	<u>\$19,396,429</u>	<u>\$ 9,765,802</u>	<u>\$ 9,660,514</u>	<u>\$29,730,447</u>	<u>\$29,056,943</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 \$4,543,226. Following is a comparative statement of outstanding debt:

	Governmental Activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds-						
Alternate Revenue Bonds	\$ 500,000	\$ 32,500	\$ 3,960,000	\$ 4,420,000	\$ 4,460,000	\$ 4,452,500
TIF Revenue Bonds	145,000	185,000	-	-	145,000	185,000
Capital Lease Obligations	-	-	-	-	-	-
Less deferred charge on refunding	-	-	(112,706)	(130,045)	(112,706)	(130,045)
Compensated Absences	<u>39,989</u>	<u>41,686</u>	<u>10,943</u>	<u>10,009</u>	<u>50,932</u>	<u>51,695</u>
Total	<u>\$ 684,989</u>	<u>\$ 259,186</u>	<u>\$ 3,858,237</u>	<u>\$ 4,299,964</u>	<u>\$ 4,543,226</u>	<u>\$ 4,559,150</u>

The City of Tuscola's total debt decreased by \$15,924 (less than 1%) during the current fiscal year. The small decrease is due to the addition of \$500,000 in motor fuel tax bonds for street resurfacing projects on Pembroke, Main, Sale and Daggy Streets. 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 with their top brand name stores such as Aeropostle clothing retailer, Sketcher shoe outlet, and Christopher and Banks clothing.

The rate setting (not including TIF EAV of \$18,166,472) equalized assessed value (EAV) of taxable property in the City for 2010 levy year was \$59,002,898, which represents one-third market value. Residential properties make up 84% of the EAV for the 2010 levy year. Commercial developments constitute 14.6% of the EAV. Keeping the City's tax rate low has been a long-standing goal of the City's leadership. After a 10 year period of lowering rates each year, the Council has in recent years maintained a flat rate with only small increases in the prior few years' levies. It is expected that, barring unforeseen events, this goal will continue to drive tax levy decisions in future years.

The State of Illinois collects and distributes sales and income tax revenues to the City of Tuscola, as it does to all local governments. Those tax revenues are a significant portion of the general fund revenues for the City. In recent years, the State of Illinois has encountered a mounting fiscal crisis, punctuated by the fact that the General Revenue fund of the state is reaching the largest backlog of unpaid bills in state history. The State is currently 3 months behind in distribution of the local portion of state income tax, which accounts for \$92,594 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 Assets**

April 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 8,015	\$ 100	\$ 8,115
Investments	1,758,786	426,638	2,185,424
Due from Douglas County	1,951,930	-	1,951,930
Due from State of Illinois	490,087	-	490,087
Receivables, net	26,936	94,770	121,706
Loans receivable	822,780	-	822,780
Prepaid Items	85,002	11,804	96,806
Investment in joint venture	-	5,597	5,597
Deferred bond issue costs, net	-	234,541	234,541
Restricted Assets:			
Cash and cash equivalents	90,625	502,414	593,039
Investments	2,452,249	914,551	3,366,800
Capital Assets (net of accumulated depreciation):			
Land	2,544,515	637,198	3,181,713
Land improvements	674,342	-	674,342
Buildings	2,394,440	-	2,394,440
Plant, machinery and equipment	530,481	6,206,022	6,736,503
Vehicles	841,290	24,061	865,351
Infrastructure	12,979,577	2,898,521	15,878,098
<b><u>Total Assets</u></b>	<b><u>27,651,055</u></b>	<b><u>11,956,217</u></b>	<b><u>39,607,272</u></b>
<b><u>Liabilities:</u></b>			
Accounts payable	64,719	69,434	134,153
Accrued payroll	51,918	11,240	63,158
Accrued Interest	19,130	23,971	43,101
Customer deposits	-	28,250	28,250
Accrued compensated absences	39,989	10,943	50,932
Deferred revenue	-	150,074	150,074
Deferred loss on bond refunding, net	-	(112,706)	(112,706)
Non-current liabilities:			
Due within one year	88,000	470,000	558,000
Due after more than one year	557,000	3,490,000	4,047,000
<b><u>Total Liabilities:</u></b>	<b><u>820,756</u></b>	<b><u>4,141,206</u></b>	<b><u>4,961,962</u></b>
<b><u>Net Assets:</u></b>			
Invested in capital assets, net of related debt	19,319,644	5,805,802	25,125,446
Restricted for:			
Debt service	235,553	352,340	587,893
Transportation projects	229,005	-	229,005
Capital projects and improvements	-	1,064,625	1,064,625
Other	1,656,080	-	1,656,080
Unrestricted	5,390,017	592,244	5,982,261
<b><u>Total Net Assets:</u></b>	<b><u>\$ 26,830,299</u></b>	<b><u>\$ 7,815,011</u></b>	<b><u>\$ 34,645,310</u></b>

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, 2011

<u>Functions/Programs:</u>	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 533,446	\$ 45,834	\$ 6,445	\$ -	\$ (481,167)	\$ -	\$ (481,167)
Public safety	910,634	35,408	1,000	-	(874,226)	-	(874,226)
Public works	679,234	-	-	-	(679,234)	-	(679,234)
Culture and recreation	328,868	19,497	5,895	-	(303,476)	-	(303,476)
Development	1,644,349	27,146	1,995	-	(1,615,208)	-	(1,615,208)
Interest on long-term debt	26,654	-	-	-	(26,654)	-	(26,654)
<b>Total governmental activities</b>	<b>4,123,185</b>	<b>127,885</b>	<b>15,335</b>	<b>-</b>	<b>(3,979,965)</b>	<b>-</b>	<b>(3,979,965)</b>
Business-type activities:							
Water	878,319	952,951	-	-	-	74,632	74,632
Sewer	663,210	708,490	-	29,086	-	74,366	74,366
<b>Total business-type activities</b>	<b>1,541,529</b>	<b>1,661,441</b>	<b>-</b>	<b>29,086</b>	<b>-</b>	<b>148,998</b>	<b>148,998</b>
<b>Total functions/programs</b>	<b>\$ 5,664,714</b>	<b>\$ 1,789,326</b>	<b>\$ 15,335</b>	<b>\$ 29,086</b>	<b>(3,979,965)</b>	<b>148,998</b>	<b>(3,830,967)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes					1,929,427	-	1,929,427
Sales taxes					2,185,985	-	2,185,985
Income taxes					478,113	-	478,113
Replacement taxes					48,278	-	48,278
Motor fuel taxes					131,842	-	131,842
Interest income					7,916	3,711	11,627
Miscellaneous income					30,680	-	30,680
<b>Total general revenues</b>					<b>4,812,241</b>	<b>3,711</b>	<b>4,815,952</b>
Change in net assets					<b>832,276</b>	<b>152,709</b>	<b>984,985</b>
Net assets, beginning					<b>25,998,023</b>	<b>7,662,302</b>	<b>33,660,325</b>
Net assets, ending					<b>\$ 26,830,299</b>	<b>\$ 7,815,011</b>	<b>\$ 34,645,310</b>

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



**CITY OF TUSCOLA**

Tuscola, Illinois

**Balance Sheet - Governmental Funds**

April 30, 2011

	General Fund	Tax Increment Financing Fund	Motor Fuel Tax Fund	Tourism Fund	Library Fund	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 7,965	\$ -	\$ -	\$ -	\$ 50	\$ 8,015
Investments	704,014	630,088	219,825	168,956	35,902	1,758,785
Due from Douglas County	453,579	1,375,802	-	-	122,549	1,951,930
Due from State of Illinois	314,693	72,369	9,180	-	1,251	397,493
Accounts receivable	4,080	-	-	22,856	-	26,936
Loans receivable	-	822,782	-	-	-	822,782
Prepaid items	83,153	-	-	388	1,460	85,001
Restricted Assets:						
Cash and cash equivalents	13,201	49,338	28,087	-	-	90,626
Investments	1,643,179	809,069	-	-	-	2,452,248
<b>Total Assets</b>	<b>\$ 3,223,864</b>	<b>\$ 3,759,448</b>	<b>\$ 257,092</b>	<b>\$ 192,200</b>	<b>\$ 161,212</b>	<b>\$ 7,593,816</b>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities</b>						
Accounts payable	\$ 52,553	\$ 6,374	\$ -	\$ 2,858	\$ 2,934	\$ 64,719
Accrued salaries	44,260	4,427	-	-	3,231	51,918
Accrued compensated absences	36,802	1,933	-	-	1,255	39,990
Deferred revenue	451,608	1,375,802	-	-	122,549	1,949,959
<b>Total Liabilities</b>	<b>585,223</b>	<b>1,388,536</b>	<b>-</b>	<b>2,858</b>	<b>129,969</b>	<b>2,106,586</b>
<b>Fund Balance</b>						
Nonspendable	83,153	822,782	-	388	1,460	907,783
Restricted	88,931	858,408	257,092	168,956	35,952	1,409,339
Committed	1,567,449	-	-	-	-	1,567,449
Assigned	-	689,722	-	19,998	(6,169)	703,551
Unassigned	899,108	-	-	-	-	899,108
<b>Total Fund Balance</b>	<b>2,638,641</b>	<b>2,370,912</b>	<b>257,092</b>	<b>189,342</b>	<b>31,243</b>	<b>5,487,230</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 3,223,864</b>	<b>\$ 3,759,448</b>	<b>\$ 257,092</b>	<b>\$ 192,200</b>	<b>\$ 161,212</b>	

## Reconciliation to Statement of Net Assets

Amounts reported for governmental activities in the statement of net assets 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.	30,109,778 (10,145,134) <u>19,964,644</u>
Other assets are not available to pay for current-period expenditures and therefore are deferred or not recorded in the funds.	2,042,554
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(664,129)</u>
Net assets of governmental activities	<u>\$ 26,830,299</u>

**City of Tuscola**  
Tuscola, Illinois

**Statement of Revenues, Expenditures and Changes in Fund Balances-  
Governmental Funds**

For the Year Ended April 30, 2011

	General	Tax Increment Financing	Motor Fuel Tax	Tourism	Library	Total Governmental Funds
<b>Revenues:</b>						
Property taxes	\$ 443,820	\$ 1,264,600	\$ -	\$ -	\$ 120,424	\$ 1,828,844
State sales taxes	1,539,736	289,869	-	-	-	1,829,605
State income taxes	385,519	-	-	-	-	385,519
Replacement taxes	38,446	-	-	-	9,833	48,279
Motor fuel taxes	-	-	131,842	-	-	131,842
Sales taxes - city	-	199,255	-	157,125	-	356,380
Fines and fees	27,882	-	-	-	8,972	36,854
Grant revenues	8,789	-	-	1,995	4,542	15,336
Licenses and permits	22,309	-	-	-	-	22,309
Rent	10,525	-	-	-	-	10,525
Franchise fee	23,525	-	-	-	-	23,525
Memorial funds	-	-	-	-	564	564
Interest income	4,233	30,170	324	222	112	35,061
Fire insurance	7,526	-	-	-	-	7,526
Pool income	-	-	-	-	-	-
Miscellaneous	28,135	-	-	1,000	982	30,117
<b>Total Revenues</b>	<b>2,540,455</b>	<b>1,783,894</b>	<b>132,166</b>	<b>160,342</b>	<b>145,429</b>	<b>4,762,286</b>
<b>Expenditures:</b>						
Current						
General government	505,472	-	-	-	-	505,472
Public safety	798,742	-	-	-	-	798,742
Public works	402,281	-	22,324	-	-	424,605
Culture and recreation	132,741	-	-	-	138,767	271,508
Development	46,900	1,630,637	-	115,938	-	1,793,475
Debt Service:						
Principal retirement	-	40,000	32,500	-	-	72,500
Interest and fiscal charges	-	10,875	1,982	-	-	12,857
Capital outlay	359,628	7,825	500,000	3,493	-	870,944
<b>Total Expenditures</b>	<b>2,245,762</b>	<b>1,689,337</b>	<b>556,806</b>	<b>119,431</b>	<b>138,767</b>	<b>4,750,103</b>
Excess of revenues over (under) expenditures	294,693	94,557	(424,640)	40,911	6,662	12,183
<b>Other Financing Sources (Uses):</b>						
Debt Proceeds	-	-	500,000	-	-	500,000
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses):</b>	<b>-</b>	<b>-</b>	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>500,000</b>
<b>Net Change in Fund Balance</b>	<b>294,693</b>	<b>94,557</b>	<b>75,360</b>	<b>40,911</b>	<b>6,662</b>	<b>512,183</b>
<b>Fund Balances, beginning</b>	<b>2,343,948</b>	<b>2,276,355</b>	<b>181,732</b>	<b>148,431</b>	<b>24,581</b>	<b>4,975,047</b>
<b>Fund Balances, ending</b>	<b>\$ 2,638,641</b>	<b>\$ 2,370,912</b>	<b>\$ 257,092</b>	<b>\$ 189,342</b>	<b>\$ 31,243</b>	<b>\$ 5,467,230</b>
Reconciliation to the Statement of Activities:						
Net change in fund balances - total governmental funds						\$ 512,183
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						1,196,476
Gain (Loss) on Asset Disposal						(3,120)
Depreciation expense						(625,143)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.						193,176
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 assets.						(427,500)
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.						(13,796)
						320,093
						<b>\$ 832,276</b>
Change in Net Assets of Governmental Activities						

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

**CITY OF TUSCOLA**

Tuscola, Illinois

**Statement of Net Assets - Proprietary Funds**

April 30, 2011

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b><u>Assets</u></b>			
<b><u>Current assets</u></b>			
Cash and cash equivalents	\$ 60	\$ 40	\$ 100
Investments	364,478	62,160	426,638
Accounts receivable, net	52,629	42,141	94,770
Prepaid items	6,511	5,293	11,804
Total Current Assets	<u>423,678</u>	<u>109,634</u>	<u>533,312</u>
<b><u>Noncurrent assets</u></b>			
Cash-restricted	166,763	335,651	502,414
Investments-restricted	627,604	286,947	914,551
Deferred bond issue costs, net	105,612	128,929	234,541
Investment in joint venture	5,597	-	5,597
<b>Capital assets:</b>			
Property, plant and equipment	5,787,030	10,569,553	16,356,583
Accumulated Depreciation	<u>(2,263,664)</u>	<u>(4,327,117)</u>	<u>(6,590,781)</u>
Total Noncurrent Assets	<u>4,428,942</u>	<u>6,993,963</u>	<u>11,422,905</u>
Total Assets	<u>4,852,620</u>	<u>7,103,597</u>	<u>11,956,217</u>
<b><u>Liabilities</u></b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	34,120	35,312	69,432
Customer deposits	28,250	-	28,250
Accrued payroll	6,784	4,457	11,241
Accrued interest	10,279	13,692	23,971
Deferred income	-	150,074	150,074
Deferred loss on bond refunding, net	(112,706)	-	(112,706)
Accrued compensated absences	6,652	4,292	10,944
General obligation bonds - current	225,000	245,000	470,000
Total Current Liabilities	<u>198,379</u>	<u>452,827</u>	<u>651,206</u>
<b><u>Noncurrent Liabilities</u></b>			
General obligation bonds	1,490,000	2,000,000	3,490,000
Total Noncurrent Liabilities	<u>1,490,000</u>	<u>2,000,000</u>	<u>3,490,000</u>
Total Liabilities	<u>1,688,379</u>	<u>2,452,827</u>	<u>4,141,206</u>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	1,808,366	3,997,436	5,805,802
<b>Restricted:</b>			
Restricted for capital projects and improvements	627,604	437,021	1,064,625
Restricted for debt service	166,763	185,577	352,340
Unrestricted	561,508	30,736	592,244
Total Net Assets	<u>\$ 3,164,241</u>	<u>\$ 4,650,770</u>	<u>\$ 7,815,011</u>

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

## City of Tuscola

Tuscola, Illinois

### Statement of Revenues, Expenses and Changes in Net Assets- Proprietary Funds

For the Year Ended April 30, 2011

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b><u>Operating Revenues:</u></b>			
Charges for services	\$ 943,529	\$ 708,459	\$ 1,651,988
Miscellaneous	9,423	29,117	38,540
<b>Total Operating Revenues</b>	<b>952,952</b>	<b>737,576</b>	<b>1,690,528</b>
<b><u>Operating Expenses:</u></b>			
Personnel services	185,603	121,655	307,258
Supplies and materials	38,563	68,148	106,711
Contractual services	408,973	111,856	520,829
Depreciation	147,166	245,894	393,060
<b>Total Operating Expenses</b>	<b>780,305</b>	<b>547,553</b>	<b>1,327,858</b>
Operating Income (Loss)	172,647	190,023	362,670
<b><u>Non Operating Revenues (Expenses)</u></b>			
Interest income	2,557	1,153	3,710
Sprayfield farm Income (loss), net	-	(13,148)	(13,148)
Interest expense	(98,014)	(102,509)	(200,523)
<b>Total Non Operating Revenues (Expenses)</b>	<b>(95,457)</b>	<b>(114,504)</b>	<b>(209,961)</b>
Net Income (loss)	77,190	75,519	152,709
<b>Net assets - beginning</b>	<b>3,087,051</b>	<b>4,575,251</b>	<b>7,662,302</b>
<b>Net assets - ending</b>	<b>\$ 3,164,241</b>	<b>\$ 4,650,770</b>	<b>\$ 7,815,011</b>

## CITY OF TUSCOLA

Tuscola, Illinois

Statement of Cash FlowsProprietary Funds

For the Year Ended April 30, 2011

<u>Cash Flows from Operating Activities:</u>	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Receipts from users	\$ 954,889	\$ 710,461	\$ 1,665,350
Payments to suppliers	(432,996)	(152,029)	(585,025)
Payments to employees	(185,315)	(121,295)	(306,610)
Other receipts (payments)	9,422	29,116	38,538
Net cash provided by (used in) operating activities	<u>346,000</u>	<u>466,253</u>	<u>812,253</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Sale (purchase) of capital assets	(279,945)	(218,402)	(498,347)
Interest paid on capital debt	(65,496)	(86,536)	(152,032)
Sprayfield farm income (loss)	-	(13,148)	(13,148)
Principal paid on capital debt	(215,000)	(245,000)	(460,000)
Net cash used for capital and related financing activities	<u>(560,441)</u>	<u>(563,086)</u>	<u>(1,123,527)</u>
<u>Cash Flows from Investing Activities:</u>			
Investment income	2,557	1,153	3,710
Sale of investments	217,445	244,489	461,934
Purchase of investments	-	-	-
Net cash provided (used) by investing activities	<u>220,002</u>	<u>245,642</u>	<u>465,644</u>
Net increase (decrease) in cash and cash equivalents	5,561	148,809	154,370
Cash and cash equivalents, beginning of the year	<u>161,262</u>	<u>186,882</u>	<u>348,144</u>
Cash and cash equivalents, end of the year	<u>\$ 166,823</u>	<u>\$ 335,691</u>	<u>\$ 502,514</u>
<u>Reconciliation of Operating Income (Loss)</u>			
<u>To Net Cash Provided (Used) By Operating Activities</u>			
Operating income (loss)	\$ 172,647	\$ 190,023	\$ 362,670
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	147,166	245,894	393,060
Change in assets and liabilities:			
(Increase) decrease-accounts receivable	12,010	2,002	14,012
(Increase) decrease-prepaid insurance	(660)	(1,173)	(1,833)
(Increase) decrease-joint venture equity	2,968	-	2,968
Increase (decrease)-accounts payable	12,233	29,147	41,380
Increase (decrease)-accrued payroll	(148)	(138)	(286)
Increase (decrease)-customer deposits	(650)	-	(650)
Increase (decrease)-deferred income	-	-	-
Increase (decrease)-accrued compensated absences	434	498	932
Total adjustments	<u>173,353</u>	<u>276,230</u>	<u>449,583</u>
Net cash provided (used) by operating activities	<u>\$ 346,000</u>	<u>\$ 466,253</u>	<u>\$ 812,253</u>

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

**CITY OF TUSCOLA**  
Tuscola, Illinois

**Statement of Fiduciary Net Assets - Fiduciary Funds**

April 30, 2011

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
<b><u>Current assets:</u></b>	
Accounts receivable	\$ 18,382
Total assets	<u>\$ 18,382</u>
<b><u>LIABILITIES</u></b>	
<b><u>Current liabilities:</u></b>	
Cash overdraft	\$ 784
Accounts payable	17,598
Total liabilities	<u>\$ 18,382</u>

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

CITY OF TUSCOLA  
Tuscola, Illinois

Notes to Basic Financial Statements  
April 30, 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 1.C., these financial statements conform to generally accepted accounting principles (GAAP) as applicable to governments. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. FASB statements and interpretations issued after November 30, 1989 have not been applied.

**1.A. FINANCIAL REPORTING ENTITY**

The City's financial reporting entity is composed of the following:

Primary Government: City of Tuscola

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

**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.

The City of Tuscola made the decision to implement this standard for this fiscal year ending April 30, 2011.

The Statement of Net Assets 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.

**CITY OF TUSCOLA**  
**Tuscola, Illinois**

**Notes to Basic Financial Statements – (continued)**  
April 30, 2011

**1.B. BASIS OF PRESENTATION (continued)**

**FUND FINANCIAL STATEMENTS (continued)**

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:

<i>Fund</i>	<i>Brief Description</i>
Tax Increment Financing	Accounts for the incremental property taxes realized within the Tax Increment Financing District. 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.

**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:

<i>Fund</i>	<i>Brief Description</i>
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.



CITY OF TUSCOLA  
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)  
April 30, 2011

**1.B. BASIS OF PRESENTATION (continued)**

FUND FINANCIAL STATEMENTS (continued)

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 Assets 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, 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.

**CITY OF TUSCOLA  
Tuscola, Illinois**

**Notes to Basic Financial Statements – (continued)**

April 30, 2011

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

MEASUREMENT FOCUS (continued)

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 Assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to May 1, 2004. Prior to May 1, 2004, governmental funds' infrastructure assets were not capitalized.

CITY OF TUSCOLA  
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2011

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

Government-Wide Statements (continued)

Governmental Activities (continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. 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.

**CITY OF TUSCOLA  
Tuscola, Illinois**

**Notes to Basic Financial Statements – (continued)**

April 30, 2011

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

**Fund Financial Statements**

**EQUITY CLASSIFICATION**

**Government-Wide Statements**

Equity is classified as net assets 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 assets-Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets-All other net assets 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 assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets 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.

**CITY OF TUSCOLA  
Tuscola, Illinois**

**Notes to Basic Financial Statements -- (continued)**

April 30, 2011

**1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES**

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

**FUND FINANCIAL STATEMENTS**

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

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

1. Internal balances-Amounts reported in the fund financial statements are interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, 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 2010 tax levy was adopted by the Council on December 13, 2010. 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 deferred 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 \$1,828,844 from the 2009 tax levy.

**CITY OF TUSCOLA**  
**Tuscola, Illinois**

**Notes to Basic Financial Statements – (continued)**

April 30, 2011

**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 \$39,989 as the current portion of compensated absences. The proprietary funds recorded \$10,943 as compensated absences all of which is due within one year.

**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, 2011 the carrying amount of the City's deposits totaled \$601,154 and the bank balances totaled \$628,224.

**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, 2011, the City's deposits were either covered by FDIC insurance or by pledged collateral held in the City's name.

**CITY OF TUSCOLA**  
**Tuscola, Illinois**

**Notes to Basic Financial Statements – (continued)**

April 30, 2011

**2.A. DEPOSITS AND INVESTMENTS (continued)**

**INVESTMENTS**

At April 30, 2011 the carrying amount of the City's investments totaled \$5,552,224 and the bank balances totaled \$5,635,158. 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 24, 2010.

**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.
- 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.

**CITY OF TUSCOLA**  
**Tuscola, Illinois**

**Notes to Basic Financial Statements – (continued)**

April 30, 2011

**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 Assets. 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 assets are available. The City's restricted assets are as follows:

**Governmental Funds**

The General Fund has restricted assets consisting of the following:

Cashford Funds	\$ 52,077
Capital Replacement Funds	993,742
Reserve Funds	573,408
Fire Special Bequest Funds	23,953
Police Drug Funds	<u>12,901</u>
Total restricted assets – General Fund	<u>\$1,656,081</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	\$536,169
Amishland Tax Fund	114,773
Pledged Tax Reserve	158,128
Pledged Tax Principal & Interest	<u>49,338</u>
Total restricted assets – Tax Increment Financing Fund	<u>\$858,408</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	\$ 28,087
Reserved by enabling legislation for highways and streets	<u>219,825</u>
Total restricted assets – Motor Fuel Tax Fund	<u>247,912</u>
Total restricted assets – Governmental Funds	<u>\$2,762,401</u>

**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:

Depreciation	\$100,000
Capital Replacement Funds	186,947
Illinois Capital Grant Funds	150,074
Bond and Interest	<u>185,577</u>
Total restricted assets – Sewer Fund	<u>622,598</u>



**CITY OF TUSCOLA  
Tuscola, Illinois**

**Notes to Basic Financial Statements – (continued)**

April 30, 2011

**2.B. RESTRICTED ASSETS (continued)**

**Proprietary Funds (continued)**

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

Customer Deposits	\$ 28,250
Capital Replacement Funds	406,158
Bond & Interest	166,763
Depreciation	<u>221,446</u>
Total restricted assets – Water Fund	<u>822,617</u>
Total restricted assets – Proprietary Funds	<u>\$1,445,215</u>

**2.C. CAPITAL ASSETS**

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

	<i>Balance at May 1, 2010</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance at April 30, 2011</i>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$1,177,320	0	0	\$ 1,177,320
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>2,544,515</u>	<u>0</u>	<u>0</u>	<u>2,544,515</u>
Other capital assets:				
Land improvements	818,502	358,865	0	1,177,367
Buildings	3,928,217	126,036	0	4,054,253
Plant, machinery and equipment	1,416,663	32,010	10,400	1,438,273
Vehicles	2,265,548	0	0	2,265,548
Infrastructure	<u>17,950,256</u>	<u>679,565</u>	<u>0</u>	<u>18,629,821</u>
Total other capital assets	<u>26,379,186</u>	<u>1,196,476</u>	<u>10,400</u>	<u>27,565,262</u>
Less accumulated depreciation for:				
Land improvements	475,486	27,540	0	503,026
Buildings	1,587,200	72,613	0	1,659,813
Plant, machinery and equipment	830,506	84,564	7,280	907,790
Vehicles	1,322,548	101,710	0	1,424,258
Infrastructure	<u>5,311,530</u>	<u>338,716</u>	<u>0</u>	<u>5,650,246</u>
Total accumulated depreciation	<u>9,527,270</u>	<u>625,143</u>	<u>7,280</u>	<u>10,145,133</u>
Other capital assets, net	<u>16,851,916</u>	<u>571,333</u>	<u>3,120</u>	<u>17,420,129</u>
Governmental activities capital assets, net	<u>\$19,396,431</u>	<u>\$ 571,333</u>	<u>\$ 3,120</u>	<u>\$19,964,644</u>

**CITY OF TUSCOLA**  
**Tuscola, Illinois**

**Notes to Basic Financial Statements – (continued)**

April 30, 2011

**2.C. CAPITAL ASSETS (continued)**

	<i>Balance at</i> <i>May 1, 2010</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance at</i> <i>April 30, 2011</i>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 637,198	\$ 0	\$ 0	\$ 637,198
Other capital assets:				
Plant, machinery and equipment	10,268,411	44,778	0	10,313,189
Furniture and fixtures	67,003	3,173	0	70,176
Vehicles	272,439	0	0	272,439
Work in progress	0	0	0	0
Infrastructure	<u>4,613,185</u>	<u>450,396</u>	<u>0</u>	<u>5,063,581</u>
Total other capital assets	<u>15,221,038</u>	<u>498,347</u>	<u>0</u>	<u>15,719,385</u>
Less accumulated depreciation for:				
Plant, machinery and equipment	3,857,400	265,891	0	4,123,291
Furniture and fixtures	51,112	3,919	0	55,031
Vehicles	243,727	4,610	0	248,337
Infrastructure	<u>2,045,484</u>	<u>118,639</u>	<u>0</u>	<u>2,164,123</u>
Total accumulated depreciation	<u>6,197,723</u>	<u>393,059</u>	<u>0</u>	<u>6,590,782</u>
Other capital assets, net	<u>9,023,315</u>	<u>105,288</u>	<u>0</u>	<u>9,128,603</u>
Business-type activities capital assets, net	<u>\$ 9,660,513</u>	<u>\$105,288</u>	<u>\$ 0</u>	<u>\$ 9,765,801</u>

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

Governmental Activities:		
General government		\$ 27,974
Public safety		111,892
Public works		407,985
Culture and recreation		<u>77,291</u>
Total depreciation expense for governmental activities		<u>\$625,143</u>
Business-Type Activities:		
Water		\$147,166
Sewer		<u>245,894</u>
Total depreciation expense for business-type activities		<u>\$393,060</u>

**NOTE 3. OTHER NOTES**

**3.A. DEFERRED COMPENSATION PLAN**

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

## CITY OF TUSCOLA

Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2011

**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/](http://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 2010 was 10.50% 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 fiscal year ending December 31, 2010, the City's annual pension cost of \$114,534 for the regular plan was equal to the City's required and actual contributions.

**THREE-YEAR TREND INFORMATION for the REGULAR PLAN**

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
12/31/10	\$ 114,534	100%	\$0
12/31/09	99,955	100%	0
12/31/08	123,504	100%	0

The required contribution for 2010 was determined as part of the December 31, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008, included (a) 7.5% investment rate of return (net of administrative 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 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, 2010, the most recent actuarial valuation date, the regular plan was 85.76 percent funded. The actuarial accrued liability for benefits was \$3,311,660 and the actuarial value of assets was \$2,840,183, resulting in an underfunded actuarial accrued liability (UAAL) of \$471,477. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$1,090,803 and the ratio of the UAAL to the covered payroll was 43 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.

**CITY OF TUSCOLA**  
**Tuscola, Illinois**

**Notes to Basic Financial Statements – (continued)**  
April 30, 2011

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 accrued liability for benefits.

**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 eight 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, 2011:

<u>Douglas County:</u>	
Property taxes	\$1,949,960
Police fines	<u>1,970</u>
	<u>\$1,951,930</u>
 <u>State of Illinois:</u>	
Sales tax	\$199,467
Home rule sales tax	72,588
Income tax	130,341
Sales tax – TIF	72,369
Corporate pers. repl. tax	6,142
Motor Fuel Tax	<u>9,180</u>
 Total	 <u>\$490,087</u>

**CITY OF TUSCOLA**  
**Tuscola, Illinois**

**Notes to Basic Financial Statements – (continued)**

April 30, 2011

**3.F. EXPENDITURES OVER APPROPRIATIONS**

For the fiscal year ended April 30, 2011, the City did not have any expenditure over the legal appropriation limits.

**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, 2011:

	<u>Balance</u> <u>May 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2011</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, 2011					
General obligation bonds (alternate revenue bonds):					
General obligation bonds (Series 2000)	\$ 32,500	\$ 0	\$ 32,500	\$ 0	\$ 0
General obligation bonds (Series 2010)	0	500,000	0	500,000	43,000
Tax increment refunding revenue bonds:					
Tax increment refunding rev. bonds (Series 1996)	185,000	0	40,000	145,000	45,000
Other long-term obligations:					
Accrued compensated absences	<u>41,686</u>	<u>76,735</u>	<u>78,432</u>	<u>39,989</u>	<u>39,989</u>
Total governmental activities long-term liabilities	<u>\$259,186</u>	<u>\$576,735</u>	<u>\$150,932</u>	<u>\$684,989</u>	<u>\$127,989</u>
<i>Business-type activities</i>					
General obligation refunding bonds:					
General obligation refunding bonds (2003A)	\$1,930,000	\$ 0	\$215,000	\$1,715,000	\$225,000
General obligation refunding bonds (2003B)	2,490,000	0	245,000	2,245,000	245,000
Less deferred charge on refunding:	(130,045)	0	(17,339)	(112,706)	(17,339)
Other long-term obligations:					
Accrued compensated absences	<u>10,009</u>	<u>19,401</u>	<u>18,467</u>	<u>10,943</u>	<u>10,943</u>
Total business-type activities Long-term liabilities	<u>\$4,299,964</u>	<u>\$19,401</u>	<u>\$461,128</u>	<u>\$3,858,237</u>	<u>\$463,604</u>

**CITY OF TUSCOLA**  
**Tuscola, Illinois**

**Notes to Basic Financial Statements – (continued)**

April 30, 2011

**3.G. LONG-TERM DEBT (continued)**

*Arbitrage Compliance*

Proceeds from tax-exempt bonds issued after September 1, 1986, are subject to the 1986 Tax Reform Act. The City invests records and reports these proceeds in the manner set forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the bonds. Arbitrage liabilities are reported as enterprise fund liabilities. At April 30, 2011, arbitrage liabilities were \$0.

Debt outstanding as of April 30, 2011, 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>
2011	\$43,000	2.25%
2012	45,000	2.40%
2013	46,000	2.55%
2014	47,000	2.70%
2015	49,000	2.85%
2016	50,000	3.00%
2017	52,000	3.15%
2018	54,000	3.30%
2019	56,000	3.45%
2020	<u>58,000</u>	3.60%
 Total	 <u>\$500,000</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.

**CITY OF TUSCOLA**  
**Tuscola, Illinois**

**Notes to Basic Financial Statements – (continued)**

April 30, 2011

**3.G. LONG-TERM DEBT (continued)**

**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</u> <u>Principal</u>	<u>Interest</u> <u>Rate</u>
2012	\$45,000	5.90%
2013	50,000	5.90%
2014	<u>50,000</u>	5.90%
Total	<u>\$145,000</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 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</u> <u>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

**CITY OF TUSCOLA**  
**Tuscola, Illinois**

**Notes to Basic Financial Statements – (continued)**

April 30, 2011

**3.G. LONG-TERM DEBT (continued)**

**Annual Debt Service Requirements for Governmental Funds Bonds**

<u>Year</u>	<u>2010 Series</u> G. O. Bonds MFT Alt. Rev.		<u>1996 Series</u> Tax Increment Refunding Rev.		<u>Total</u> Debt Service Requirement
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$43,000	\$18,780	\$45,000	\$8,555	\$115,335
2013	45,000	13,859	50,000	5,900	114,759
2014	46,000	12,779	<u>50,000</u>	<u>2,950</u>	111,729
2015	47,000	11,606			58,606
2016	49,000	10,337			59,337
2017	50,000	8,940			58,940
2018	52,000	7,440			59,440
2019	54,000	5,802			59,802
2020	56,000	4,020			60,020
2021	<u>58,000</u>	<u>2,088</u>			<u>60,088</u>
	<u>\$500,000</u>	<u>\$95,651</u>	<u>\$145,000</u>	<u>\$17,405</u>	<u>\$758,056</u>

**Proprietary Funds:**

**Enterprise Funds (Water and Sewer Funds):**

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

The City issued \$3,930,000 of double-barreled Sewerage bonds to refund the Sewerage Refunding Revenue Bonds, Series 1993 and General Obligation Sewerage Bonds, Series 2000. The bonds, dated March 1, 2003, are of \$5,000 denominations and mature on September 1 of each year. The principal and interest is intended to be paid from the revenues of the Sewer Fund. In addition, the City's sales tax has been pledged as additional means for repayment of these bonds. However, should there be insufficient funds available from the Sewer Fund and sales taxes, the City will increase its property tax levy to generate the needed revenue for the bond payments.

<u>Fiscal Year</u> <u>Ending April 30,</u>	<u>Bond</u> <u>Principal</u>	<u>Interest</u> <u>Rate</u>
2012	\$245,000	3.20%
2013	255,000	3.35%
2014	270,000	3.50%
2015	280,000	3.60%
2016	280,000	3.70%
2017	290,000	3.85%
2018	300,000	4.00%
2019	<u>325,000</u>	4.05%
Total	<u>\$2,245,000</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.



**CITY OF TUSCOLA**  
**Tuscola, Illinois**

Notes to Basic Financial Statements – (continued)

April 30, 2011

**3.G. LONG-TERM DEBT (continued)**

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 \$3,145,000 of double-barreled Waterworks bonds to refund the Waterworks Refunding Revenue Bonds, Series 1997. The bonds, dated March 1, 2003, 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>
2012	\$225,000	3.20%
2013	230,000	3.35%
2014	235,000	3.50%
2015	245,000	3.60%
2016	250,000	3.70%
2017	260,000	3.85%
2018	<u>270,000</u>	4.00%
Total	<u>\$1,715,000</u>	

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

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

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

**CITY OF TUSCOLA  
Tuscola, Illinois**

**Notes to Basic Financial Statements – (continued)**

April 30, 2011

**3.G. LONG-TERM DEBT (continued)**

**Annual Debt Service Requirements for Enterprise Fund Bonds**

<u>Year</u>	2003A Series		2003B Series		Total Debt Service Requirement
	G.O. Refunding Bonds		G.O. Refunding Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$ 225,000	\$ 58,410	\$ 245,000	\$ 78,680	\$ 607,090
2013	230,000	50,958	255,000	70,489	606,447
2014	235,000	42,993	270,000	61,493	609,486
2015	245,000	34,470	280,000	51,728	611,198
2016	250,000	25,435	280,000	41,508	596,943
2017	260,000	15,805	290,000	30,745	596,550
2018	270,000	5,400	300,000	19,163	594,563
2019	0	0	325,000	6,581	331,581
	<u>\$1,715,000</u>	<u>\$233,471</u>	<u>\$2,245,000</u>	<u>\$360,387</u>	<u>\$4,553,858</u>

**3.H. DEBT SERVICE COMPLIANCE – BOND ORDINANCE 2003-0-06:**

Per Water and Sewer Ordinance 2003-0-06, the Water and Sewer Funds, individually, are to maintain revenues during the fiscal year not less than 125% of the Debt Service requirement for each fund. Included in the defined revenues of both the Water and Sewer Funds are pledged revenues consisting of all property taxes and sales taxes of the City. For the fiscal year ending April 30, 2011, revenues in the Water and Sewer Funds met the 125% Debt Service requirement in each fund, respectively.

**3.I. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

As of April 30, 2011, interfund receivables and payables resulting from various interfund transactions were as follows:

<b>Due from</b>	<b>Due to</b>
<b>Other</b>	<b>Other</b>
<b>Funds</b>	<b>Funds</b>

*There were no interfund receivables and payables as of April 30, 2011.*

**CITY OF TUSCOLA**  
**Tuscola, Illinois**

**Notes to Basic Financial Statements -- (continued)**

April 30, 2011

**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, 2011 the Tax Increment Fund received \$1,264,600 in property taxes and \$489,124 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, 2011, \$950.86 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, 2011, 2,115.43 had been paid on this subsidy.

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, 2011, 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, 2011, 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. As of April 30, 2011, none of the amount of this loan was disbursed.

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. As of April 30, 2011, none of the amounts of this loan were disbursed.

On February 14, 2011, the City Council approved an extension of the loan amortization for Bob's Super Service to the full 15 years, vs 10 years with balloon payment, as was originally planned.

On March 14, 2011, the City Council approved a loan of \$46,250 at 3% for 10 years to Eddie Boutillier for renovations at 134 W. Sale St. At April 30, 2011, \$7,798.56 of this loan was disbursed.

On May 24, 2011, the City Council approved a loan of \$2,846 at 3% for 10 years to Lighthouse Insurance Agency, Inc for renovations at 606 S. Main St. At April 30, 2011, all amounts of this loan were disbursed.

**CITY OF TUSCOLA**  
**Tuscola, Illinois**

**Notes to Basic Financial Statements – (continued)**

April 30, 2011

**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, 2011, \$6,290.00 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 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, 2011, none of the amounts of this grant were disbursed

On August 24, 2009, the City Council approved a 50% grant up to \$16,932 to Lighthouse Insurance Agency for exterior renovations at 606 S Main St. On May 24, 2010, the City Council approved an additional \$3,557 grant for the same work. At April 30, 2011, \$20,162.00 of this grant was disbursed.

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, 2011, \$3,134.40 of the grant amount was disbursed.

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. At April 30, 2011, \$1953.35 of the grant amount was disbursed.

On February 8, 2010, the City Council approved a 50% grant up to \$6,312 for Illini Community Insurance for renovations at 802 S Main St. At April 30, 2011, all amounts had been paid on this grant.

On July 12, 2010, the City Council approved a redevelopment agreement with David Falk for a grant of \$75,000 for exterior improvements, ADA restrooms and parking lot at 104 E Southline Road to renovate the former Do-It Best space for Sav-Mor Pharmacy. At April 30, 2011 all of the amounts of this grant had been 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 building to the north side of this property so that the property would be completely clear and ready for development. At April 30, 2011 \$38,585.00 of the amounts of this grant had been disbursed.

On July 12, 2011, the City Council approved a \$25,000 grant for Greg Bates Automotive for renovations at 1100 S. Washington. At April 30, 2011, nothing had been paid on this grant.

On July 12, 2010, the City Council approved a redevelopment agreement with ATL, LLC for a grant of \$3,900 for an architectural study for the possibility of using the space at 100-104 W Sale St as a theatre. On February 14, 2011, the City Council approved an additional grant of \$2,500 to complete the study. At April 30, 2011 \$3,900 of the amounts of this grant had been disbursed.

On August 9, 2010, the City Council approved a grant to the Douglas County Museum in the amount of \$88,950 for purposes of replacing the roof on their building at 700 S Main St. At April 30, 2011, all amounts of this grant were disbursed.

**CITY OF TUSCOLA**  
**Tuscola, Illinois**

**Notes to Basic Financial Statements – (continued)**

April 30, 2011

**3.M. TAX INCREMENT GRANTS- (continued)**

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, 2011, \$2,171.80 of this grant had been disbursed.

On February 14, 2011, the City Council approved a grant to the Tuscola American Legion Post in the amount of \$1,350 for purposes of roof repairs to their building at 209 N Parke Street. At April 30, 2011, no amounts of this grant had been disbursed.

On February 14, 2011, the City Council approved a grant to Lighthouse Insurance Agency in the amount of \$8,000 for ADA compliant restrooms at their new location at 104 E Southline Road, Suite C. At April 30, 2011, all amounts of this grant had been disbursed.

On February 14, 2011, the City Council approved a grant of \$1,050 to Tara Reed and Danielle Vollmer for purposes of renovations to the property at 125 W Sale St. At April 30, 2011, all amounts of this grant had been disbursed.

On March 14, 2011, the City Council approved a grant of \$46,250 to Eddie Boutilier for purposes of renovating the building at 134 W. Sale St. for a future computer network store. At April 30, 2011, \$7,482.56 of the grant amount had been disbursed.

On March 28, 2011, the City Council approved a grant in the amount of \$5,500 to Pamida for purposes of repairs to their access road. At April 30, 2011, no amounts of this grant had been disbursed.

**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 District # 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 district 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, 2011, \$300,000 or two 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, 2011, the City had reimbursed COROC/Tuscola, L.L.C. \$969,123.47 of the amounts contemplated under this agreement. Those amounts assisted in the recruitment of top retailers such as Coldwater Creek, Old Navy, Nike, The Children's Place and Stride Rite to the Center.

**CITY OF TUSCOLA**  
**Tuscola, Illinois**

**Notes to Basic Financial Statements – (continued)**  
April 30, 2011

**3.N. TAX INCREMENT OTHER REDEVELOPMENT AGREEMENTS AND COMMITMENTS-  
(continued)**

An additional term of the redevelopment agreement is to extend the annual \$400,000 subsidy approved in the prior redevelopment agreement for an additional 12 years to the current end of the TIF district 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, 2011. On April 14, 2008, the City Council approved an extension to that agreement which would increase the annual funding commitment to \$75,000 per year for an additional three year term. On March 23, 2009, the City Council approved a \$5,000 grant to TEDI for purposes of providing assistance to clean up commercial properties within the TIF district. 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, 2011, \$250,000 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 district 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.

**CITY OF TUSCOLA  
Tuscola, Illinois**

**Notes to Basic Financial Statements – (continued)**

April 30, 2011

**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, 2011.

**3.P. SEWER PLANT INFORMATION**

The City sewer system received 316,190,799 total gallons at the wastewater plant for calendar year end December 31, 2010. In addition, there were 2,596 users connected to the system and 1,6128,900 cubic feet were 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 water main were funded 55% by the City of Tuscola and 45% by the City of Arcola, with Cabot Corporation reimbursing 12.5% of the total cost of construction up to a maximum of \$450,000.

Each member agency (the Cities of Arcola and Tuscola) holds an equity interest in the water main capital assets according to each Cities share of water usage for the prior year and the proportion of funding provided by each City during a year. At April 30, 2011 the City of Tuscola’s equity interest was 49.57%, or \$5,597, 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, 2011 is provided below.

**Financial Position as of April 30, 2011**

Total assets	<u>\$20,005</u>
Total liabilities	\$ 0
Total equity	<u>20,005</u>
Total liabilities and equity	<u>\$20,005</u>

**CITY OF TUSCOLA**  
**Tuscola, Illinois**

**Notes to Basic Financial Statements – (continued)**

April 30, 2011

**3.Q. JOINT VENTURE (continued)**

**Results of Operations for Fiscal Year Ending April 30, 2011**

Total revenues	\$165,829
Total expenditures	<u>163,102</u>
Net income (loss)	2,727
Beginning total equity	<u>17,278</u>
Ending total equity	<u>\$20,005</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	\$ 2,000,000
Future Debt Service	18,336

**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	144,069

**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 two retirees included in its healthcare premiums at April 30, 2011 or during the year ending April 30, 2011. 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, 2011.



**Required Supplementary Information**

**CITY OF TUSCOLA**

Tuscola, Illinois

**REQUIRED SUPPLEMENTARY INFORMATION**Illinois Municipal Retirement Fund Analysis of Funding Progress

April 30, 2011

<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>
12/31/10	\$2,840,183	\$3,311,660	\$471,477	85.76%	\$1,090,803	43.22%
12/31/09	2,936,360	3,464,866	528,506	84.75%	1,118,065	47.27%
12/31/08	2,897,654	3,343,749	446,095	86.66%	1,125,836	39.62%

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$2,996,584. On a market basis, the funded ratio would be 90.49%.

## CITY OF TUSCOLA

Tuscola, Illinois

**Budgetary Comparison Schedule (Budgetary Basis)- General Fund**

For the Year Ended April 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues:</u></b>				
Property taxes	\$ 444,800	\$ 444,800	\$ 443,820	\$ (980)
Sales taxes	1,375,000	1,375,000	1,554,584	179,584
State income taxes	342,496	342,496	380,612	38,116
Replacement taxes	29,580	29,580	38,057	8,477
Fines and fees	30,000	30,000	27,633	(2,367)
Rent	9,000	9,000	10,525	1,525
Licenses and permits	24,500	24,500	22,309	(2,191)
Grant income	41,500	41,500	20,145	(21,355)
Franchise fees	28,000	28,000	23,525	(4,475)
Fire insurance	6,500	6,500	7,526	1,026
Pool income	50,400	50,400	-	(50,400)
Interest income	13,600	13,600	4,235	(9,365)
Miscellaneous	5,850	5,850	16,247	10,397
Total revenues	<u>2,401,226</u>	<u>2,401,226</u>	<u>2,549,218</u>	<u>147,992</u>
<b><u>Expenditures:</u></b>				
<b>General government</b>				
Salaries - city officials and other	260,000	260,000	149,918	110,082
Professional fees	150,000	150,000	11,763	138,237
Office and general expenses	135,000	135,000	28,128	106,872
Insurance	105,000	105,000	49,024	55,976
Publications	15,000	15,000	4,719	10,281
Maintenance	50,000	50,000	3,599	46,401
Utilities	40,000	40,000	13,897	26,103
Animal and bird control	20,000	20,000	-	20,000
Payroll taxes	55,000	55,000	12,098	42,902
Travel, training and education	10,000	10,000	571	9,429
Employee benefits	100,000	100,000	35,854	64,146
Community activity subsidy	180,000	180,000	108,326	71,674
Substance abuse program	10,000	10,000	792	9,208
Miscellaneous	25,000	25,000	8,106	16,894
Total expenditures - general government	<u>1,155,000</u>	<u>1,155,000</u>	<u>426,795</u>	<u>728,205</u>
<b><u>Public Safety</u></b>				
<b><u>Fire protection</u></b>				
Salaries	300,000	300,000	111,135	188,865
Payroll taxes	65,000	65,000	10,039	44,961
Employee benefits	5,000	5,000	2,003	2,997
Subscriptions	10,000	10,000	1,014	8,986
Special bequests	150,000	150,000	34,803	115,197
Utilities	25,000	25,000	5,023	19,977
Travel, training and education	10,000	10,000	3,403	6,597
Office and general expenses	25,000	25,000	1,892	23,108
Uniforms	10,000	10,000	431	9,569
Repairs and maintenance	285,000	285,000	11,695	273,305
Supplies and parts	100,000	100,000	15,020	84,980
Fire prevention	5,000	5,000	1,069	3,931
Miscellaneous	5,000	5,000	279	4,721
Total expenditures - fire protection	<u>985,000</u>	<u>985,000</u>	<u>197,805</u>	<u>787,195</u>

(continued)

## CITY OF TUSCOLA

Tuscola, Illinois

**Budgetary Comparison Schedule (Budgetary Basis)- General Fund**

For the Year Ended April 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Expenditures: (continued)</u></b>				
<b><u>Public Safety (continued)</u></b>				
<b><u>Police protection</u></b>				
Salaries	\$ 550,000	\$ 550,000	\$ 344,458	\$ 205,542
Payroll taxes	15,000	15,000	7,953	7,047
Employee benefits	225,000	225,000	108,226	116,774
Communications	20,000	20,000	9,732	10,268
Office and general expenses	25,000	25,000	3,251	21,749
Uniforms	20,000	20,000	2,205	17,795
Repairs and maintenance	235,000	235,000	39,786	195,214
Utilities	20,000	20,000	5,935	14,065
Subscriptions	15,000	15,000	91	14,909
Travel, training and education	15,000	15,000	1,814	13,186
Drug fund	100,000	100,000	-	100,000
K-9 unit	20,000	20,000	-	20,000
Miscellaneous	10,000	10,000	4,232	5,768
Total expenditures - police protection	<u>1,270,000</u>	<u>1,270,000</u>	<u>527,684</u>	<u>742,316</u>
<b><u>Building Inspection</u></b>				
Salaries	85,000	85,000	47,377	37,623
Payroll taxes	11,000	11,000	3,735	7,265
Employee benefits	30,000	30,000	15,077	14,923
Insurance	500	500	50	450
Office and general expenses	20,000	20,000	2,773	17,227
Travel, training and education	10,000	10,000	200	9,800
Professional fees	45,000	45,000	125	44,875
Repairs and maintenance	30,000	30,000	2,529	27,471
Miscellaneous	5,000	5,000	-	5,000
Total expenditures - building inspection	<u>236,500</u>	<u>236,500</u>	<u>71,865</u>	<u>164,635</u>
<b><u>ESDA</u></b>				
Communications	5,000	5,000	611	4,389
Travel, training and education	5,000	5,000	-	5,000
Supplies and parts	15,000	15,000	-	15,000
Repairs and maintenance	15,000	15,000	681	14,319
Miscellaneous	15,000	15,000	-	15,000
Total expenditures - ESDA	<u>55,000</u>	<u>55,000</u>	<u>1,292</u>	<u>53,708</u>
Total expenditures - public safety	<u>2,546,500</u>	<u>2,546,500</u>	<u>798,645</u>	<u>1,747,855</u>
<b><u>Public Works</u></b>				
<b><u>Streets and Alleys</u></b>				
Salaries	400,000	400,000	183,680	216,320
Payroll taxes	105,000	105,000	16,494	88,506
Employee benefits	200,000	200,000	71,982	128,018
Communications	5,000	5,000	710	4,290
Travel, training and education	5,000	5,000	115	4,885
Vehicle fuel	50,000	50,000	17,629	32,371
Vehicle maintenance	150,000	150,000	19,450	130,550
Utilities	150,000	150,000	47,313	102,687
Small equipment	22,500	22,500	5,455	17,045

(continued)

## CITY OF TUSCOLA

Tuscola, Illinois

**Budgetary Comparison Schedule (Budgetary Basis)- General Fund**

For the Year Ended April 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures: (continued)</b>				
<b>Public Works (continued)</b>				
<b>Streets and Alleys (continued)</b>				
Supplies and parts	\$ 20,000	\$ 20,000	\$ 3,185	\$ 16,815
Repairs and maintenance	100,000	100,000	6,057	93,943
Street, alley and curb maintenance	75,000	75,000	31,640	43,360
Sidewalks	25,000	25,000	-	25,000
Miscellaneous	5,000	5,000	219	4,781
Total expenditures - streets and alleys	1,312,500	1,312,500	403,927	908,573
<b>Public Works (continued)</b>				
<b>Municipal Building</b>				
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	47,382	52,618
Communications	5,000	5,000	-	5,000
Leases	10,000	10,000	3,536	6,464
Utilities	35,000	35,000	16,972	18,028
Real estate taxes - drainage	10,000	10,000	477	9,523
Vending	5,000	5,000	858	4,142
Supplies and parts	40,000	40,000	1,731	38,269
Repairs and maintenance	190,000	190,000	13,922	176,078
Miscellaneous	5,000	5,000	-	5,000
Total expenditures - municipal building	428,000	428,000	84,879	343,121
Total expenditures - public works	1,740,500	1,740,500	488,805	1,251,695
<b>Culture and Recreation</b>				
<b>Park</b>				
Salaries	135,000	135,000	54,885	80,115
Payroll taxes	11,000	11,000	4,537	6,463
Employee benefits	35,000	35,000	17,119	17,881
Repairs and maintenance	120,000	120,000	17,164	102,836
Communications	5,000	5,000	375	4,625
Travel, training and education	5,000	5,000	30	4,970
Utilities	50,000	50,000	11,545	38,455
Supplies and parts	41,500	41,500	5,302	36,198
Advertising	-	-	-	-
Miscellaneous	40,000	40,000	90	39,910
Total expenditures - park	442,500	442,500	111,048	331,452
<b>Pool</b>				
Salaries	85,000	85,000	-	85,000
Payroll taxes	15,000	15,000	-	15,000
Supplies	90,000	90,000	-	90,000
Repairs and maintenance	95,000	95,000	6,778	88,222
Advertising	10,000	10,000	90	9,910
Communications	5,000	5,000	375	4,625
Training	5,000	5,000	-	5,000

(continued)

**CITY OF TUSCOLA**  
Tuscola, Illinois

**Budgetary Comparison Schedule (Budgetary Basis)- General Fund**  
For the Year Ended April 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Expenditures: (continued)</u></b>				
<b><u>Culture and Recreation (continued)</u></b>				
<b><u>Pool (continued)</u></b>				
Utilities	\$ 50,000	\$ 50,000	\$ 2,036	\$ 47,964
Miscellaneous	20,000	20,000	46	19,954
Total expenditures - pool	375,000	375,000	9,324	365,676
Total expenditures - culture and recreatio	817,500	817,500	120,372	697,128
<b><u>Development</u></b>				
Economic development	5,000,000	5,000,000	44,633	4,955,367
Total expenditures - development	5,000,000	5,000,000	44,633	4,955,367
<b><u>Capital Outlay</u></b>				
General government	200,000	200,000	-	200,000
Fire protection	500,000	500,000	-	500,000
Police protection	100,000	100,000	-	100,000
Building Inspection	50,000	50,000	-	50,000
Streets and alleys	150,000	150,000	1,587	148,413
Municipal building	100,000	100,000	-	100,000
ESDA	100,000	100,000	-	100,000
Park	150,000	150,000	28,804	121,196
Pool	1,500,000	1,500,000	308,826	1,191,174
Total expenditures - capital outlay	2,850,000	2,850,000	339,217	2,510,783
Total expenditures	14,109,500	14,109,500	2,218,467	11,891,033
Excess (deficiency) of revenues over (under) expenditures	(11,708,274)	(11,708,274)	330,751	(11,743,040)
Fund balances - beginning	(17,991,388)	(17,991,388)	2,057,171	-
Fund balances - ending	\$ (29,699,662)	\$ (29,699,662)	\$ 2,387,922	\$ (11,743,040)
Fund balances, ending - budgetary basis			\$ 2,387,922	
<b><u>Accrual Adjustments</u></b>				
Revenues			(8,763)	
Expenditures			27,295	
Net			18,531	
Other financing sources (uses)			-	
Beginning fund balance adjustment to GAAP basis			232,188	
Fund balance, ending - GAAP basis			\$ 2,638,641	

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes	\$ 1,295,000	\$ 1,295,000	\$ 1,264,600	\$ (30,400)
Replacement taxes	-	-	-	-
Income taxes	-	-	-	-
Sales taxes	250,000	250,000	277,888	27,888
Sales taxes - city	200,000	200,000	199,255	(745)
Motor fuel tax	-	-	-	-
Fines and fees	-	-	-	-
Memorial funds	-	-	-	-
Interest income	52,000	52,000	30,170	(21,830)
Miscellaneous	500	500	-	(500)
Total revenues	<u>1,797,500</u>	<u>1,797,500</u>	<u>1,771,914</u>	<u>(25,586)</u>
<b>Expenditures:</b>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Development	12,397,000	12,447,000	1,624,320	10,822,680
Debt service				
Principal	650,000	650,000	40,000	610,000
Interest expense and fiscal charges	225,000	225,000	10,875	214,125
Capital outlay	3,500,000	3,450,000	7,825	3,442,175
Total expenditures	<u>16,772,000</u>	<u>16,772,000</u>	<u>1,683,020</u>	<u>15,088,980</u>
Excess (deficiency) of revenues over (under) expenditures	(14,974,500)	(14,974,500)	88,893	(15,114,566)
<b>Other financing sources (uses):</b>				
Bond proceeds	4,000,000	4,000,000	-	4,000,000
Net change in fund balances	(10,974,500)	(10,974,500)	88,893	(11,114,566)
Fund balances - beginning	(50,993,182)	(50,993,182)	2,222,409	-
Fund balances - ending	<u>\$ (61,967,682)</u>	<u>\$ (61,967,682)</u>	<u>\$ 2,311,302</u>	<u>\$ (11,114,566)</u>
Fund balances, ending - budgetary basis			<u>\$ 2,311,302</u>	
<b>Accrual Adjustments</b>				
Revenues			11,980	
Expenditures			(6,317)	
Net			5,664	
Other financing sources (uses)			-	
Beginning fund balance adjustment to GAAP basis			53,946	
Fund balance, ending - GAAP basis			<u>\$ 2,370,912</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues:</u></b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Replacement taxes	-	-	-	-
Income taxes	-	-	-	-
Sales taxes	-	-	-	-
Sales taxes - city	-	-	-	-
Motor fuel tax	120,000	120,000	132,311	12,311
Fines and fees	-	-	-	-
Memorial funds	-	-	-	-
Interest income	1,500	1,500	324	(1,176)
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>121,500</b>	<b>121,500</b>	<b>132,634</b>	<b>11,134</b>
<b><u>Expenditures:</u></b>				
<b>Current</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	100,000	100,000	22,324	77,676
Culture and recreation	-	-	-	-
Development	-	-	-	-
<b>Debt service</b>				
Principal	200,000	200,000	32,500	167,500
Interest expense and fiscal charges	150,000	150,000	1,983	148,018
Capital outlay	1,500,000	1,500,000	500,000	1,000,000
<b>Total expenditures</b>	<b>1,950,000</b>	<b>1,950,000</b>	<b>556,806</b>	<b>1,393,194</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,828,500)</b>	<b>(1,828,500)</b>	<b>(424,172)</b>	<b>(1,382,060)</b>
<b><u>Other financing sources (uses):</u></b>				
Bond proceeds	600,000	600,000	500,000	100,000
<b>Net change in fund balances</b>	<b>(1,228,500)</b>	<b>(1,228,500)</b>	<b>75,828</b>	<b>(1,282,060)</b>
<b>Fund balances - beginning</b>	<b>(3,257,359)</b>	<b>(3,257,359)</b>	<b>172,084</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ (5,085,859)</b>	<b>\$ (5,085,859)</b>	<b>\$ (252,088)</b>	<b>\$ (1,382,060)</b>
<b>Fund balances, ending - budgetary basis</b>			<b>\$ (252,088)</b>	
<b><u>Accrual Adjustments</u></b>				
Revenues			(468)	
Expenditures			-	
Net			(468)	
Other financing sources (uses)			500,000	
Beginning fund balance adjustment to GAAP basis			9,648	
<b>Fund balance, ending - GAAP basis</b>			<b>\$ 257,092</b>	

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Replacement taxes	-	-	-	-
Income taxes	-	-	-	-
Sales taxes	-	-	-	-
Sales taxes - city	150,000	150,000	154,645	4,645
Motor fuel tax	-	-	-	-
Fines and fees	-	-	-	-
Memorial funds	-	-	-	-
Interest income	500	500	221	(279)
Grant income	1,500	1,500	1,995	495
Miscellaneous	500	500	1,000	500
<b>Total revenues</b>	<b>152,500</b>	<b>152,500</b>	<b>157,861</b>	<b>5,361</b>
<b>Expenditures:</b>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Development	637,000	637,000	116,237	520,763
Debt service				
Principal	-	-	-	-
Interest expense and fiscal charges	-	-	-	-
Capital outlay	150,000	150,000	3,493	146,507
<b>Total expenditures</b>	<b>787,000</b>	<b>787,000</b>	<b>119,730</b>	<b>667,270</b>
Excess (deficiency) of revenues over (under) expenditures	(634,500)	(634,500)	38,131	(661,908)
<b>Fund balances - beginning</b>	<b>(1,082,066)</b>	<b>(1,082,066)</b>	<b>130,825</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ (1,716,566)</b>	<b>\$ (1,716,566)</b>	<b>\$ 168,956</b>	<b>\$ (661,908)</b>
Fund balances, ending - budgetary basis			\$ 168,956	
<b>Accrual Adjustments</b>				
Revenues			2,481	
Expenditures			299	
Net			2,780	
Other financing sources (uses)			-	
Beginning fund balance adjustment to GAAP basis			17,606	
Fund balance, ending - GAAP basis			\$ 189,342	

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues:</u></b>				
Property taxes	\$ 120,693	\$ 120,693	\$ 120,424	\$ (269)
Replacement taxes	9,500	9,500	9,733	233
Income taxes	-	-	-	-
Sales taxes	-	-	-	-
Sales taxes - city	-	-	-	-
Motor fuel tax	-	-	-	-
Fines and fees	8,500	8,500	8,972	472
Memorial funds	500	500	564	64
Interest income	100	100	113	13
Grant income	4,500	4,500	4,542	42
Miscellaneous	100	100	982	882
<b>Total revenues</b>	<b>143,893</b>	<b>143,893</b>	<b>145,329</b>	<b>1,436</b>
<b><u>Expenditures:</u></b>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	508,000	508,000	141,664	366,336
Development	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest expense and fiscal charges	-	-	-	-
Capital outlay	100,000	100,000	-	100,000
<b>Total expenditures</b>	<b>608,000</b>	<b>608,000</b>	<b>141,664</b>	<b>466,336</b>
Excess (deficiency) of revenues over (under) expenditures	(464,107)	(464,107)	3,666	(464,900)
<b>Fund balances - beginning</b>	<b>98,604</b>	<b>98,604</b>	<b>32,366</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ (365,503)</b>	<b>\$ (365,503)</b>	<b>\$ 36,032</b>	<b>\$ (464,900)</b>
Fund balances, ending - budgetary basis			\$ 36,032	
<b><u>Accrual Adjustments</u></b>				
Revenues			100	
Expenditures			2,897	
Net			2,996	
Other financing sources (uses)			-	
Beginning fund balance adjustment to GAAP basis			(7,785)	
Fund balance, ending - GAAP basis			\$ 31,243	

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, 2011

**Budget:**

The City board 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 12, 2010.
- 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, 2011

Tax Levy Year	2010	2009	2008	2007	2006
Equalized Assessed Valuation (not including TIF Districts)	\$ 59,002,898	\$ 56,112,673	\$ 54,325,162	\$ 52,645,934	\$ 47,920,648
<b><u>Tax Rates</u></b>					
(Per \$100 Equalized Assessed Valuation)					
General corporate	\$ 0.1265	\$ 0.1310	\$ 0.1289	\$ 0.1288	\$ 0.1350
Audit	0.0091	0.0094	0.0093	0.0095	0.0107
ESDA	0.0056	0.0057	0.0056	0.0057	0.0063
Liability insurance	0.0741	0.0767	0.0755	0.0779	0.0832
Social security	0.0560	0.0580	0.0571	0.0589	0.0653
Fire protection	0.1355	0.1403	0.1381	0.1321	0.1381
Parks	0.0614	0.0636	0.0626	0.0646	0.0681
Police protection	0.1247	0.1291	0.1271	0.1311	0.1373
IMRF	0.0937	0.0970	0.0955	0.0855	0.0915
Library	0.2077	0.2151	0.2117	0.1995	0.1983
Workmans compensation	0.0417	0.0431	0.0424	0.0437	0.0471
Total Tax Rate	\$ 0.9360	\$ 0.9690	\$ 0.9538	\$ 0.9373	\$ 0.9809
Equalized Assessed Valuation - TIF Districts only	\$ 18,166,472	\$ 17,288,303	\$ 16,577,169	\$ 16,145,752	\$ 16,106,831
TIF Districts	\$ 7,5733	\$ 7,4256	\$ 7,3091	\$ 7,1442	\$ 7,3872
<b><u>Tax Extensions</u></b>					
General corporate	\$ 74,639	\$ 73,508	\$ 70,025	\$ 67,808	\$ 64,693
Audit	5,369	5,275	5,052	5,001	5,128
ESDA	3,304	3,198	3,042	3,001	3,019
Liability insurance	43,721	43,038	41,016	41,011	39,870
Social security	33,042	32,545	31,020	31,008	31,292
Road and bridge	21,890	21,884	21,132	21,322	20,989
Fire protection	79,949	78,726	75,023	69,545	66,178
Parks	36,228	35,688	34,008	34,009	32,634
Police protection	73,577	72,441	69,047	69,019	65,795
IMRF	55,286	54,429	51,881	45,012	43,847
Library	122,549	120,698	115,006	105,029	95,027
Workmans compensation	24,604	24,185	23,034	23,006	22,571
TIF Districts	1,410,898	1,283,762	1,211,643	1,153,486	1,189,845
Taxes extended - in total	\$ 1,985,055	\$ 1,849,377	\$ 1,750,929	\$ 1,668,257	\$ 1,680,888
<b><u>Taxes Collected</u></b>					
General corporate	\$ -	\$ 73,328	\$ 69,958	\$ 67,853	\$ 64,806
Audit	-	5,261	5,047	5,005	5,142

(continued)

**CITY OF TUSCOLA**  
Tuscola, Illinois

**Assessed Valuations, Tax Rates, Taxes Extended and Collected**  
April 30, 2011

Tax Levy Year	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b><u>Taxes Collected (continued)</u></b>					
Civil defense	\$ -	\$ 3,191	\$ 3,039	\$ 3,003	\$ 3,028
Liability insurance	-	42,933	40,976	41,038	39,987
Social security	-	30,990	30,990	31,029	31,384
Road and bridge	-	21,823	21,102	21,299	21,009
Fire protection	-	78,533	74,951	69,592	65,772
Park	-	35,600	33,975	34,032	32,730
Police protection	-	72,264	68,981	69,065	65,388
IMRF	-	42,848	51,831	45,042	43,976
Library	-	120,424	114,895	105,274	94,982
Workmen's compensation	-	24,125	23,012	23,022	22,637
TIF Districts	-	<u>1,264,600</u>	<u>1,212,494</u>	<u>1,155,437</u>	<u>1,189,845</u>
Taxes collected	\$ -	\$ <u>1,737,332</u>	\$ <u>1,751,249</u>	\$ <u>1,670,691</u>	\$ <u>1,680,686</u>
<b>Percentage of Extensions</b>					
Collected	<u>0.00%</u>	<u>93.94%</u>	<u>100.02%</u>	<u>100.15%</u>	<u>99.99%</u>

**BRAY, DRAKE, LILES & RICHARDSON LLP**  
**Certified Public Accountants**

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

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

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

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JAMES P. BRAY, CPA (Retired)

August 1, 2011

Honorable Mayor and City Council  
City of Tuscola  
Tuscola, Illinois

We have audited the financial statements of City of Tuscola for the year ended April 30, 2011, and have issued our report thereon dated August 1, 2011. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated April 18, 2011, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

**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 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. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

***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 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, professional standards define a disagreement with management as 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 August 1, 2011.

***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 auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the board of trustees 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**





**CLIENT'S COPY**

Toll-Free Local Government Assistance Hotline (877) 304-3899  
Tuscola City (021/040/30)  
Fiscal Year 2011

## **Confirmation of 2011 AFR Submission**

Tuscola City (021/040/30) has successfully submitted their 2011 Annual Financial Report to the Office of the State Comptroller on 08/19/2011 .

### **Instructions of Printing a Hard Copy of Your Report**

To print a hard copy of your report, click [here](#). After the report is displayed in the browser's window, click on the "Printer" icon in the applet's window (not the printer icon on your browser). When the Print Dialog Box is displayed, click on the "Properties" button, select Landscape, and click on the "OK" button. Finally, click on the "OK" button again. **DO NOT** close the browser until the report is completely printed or your report will not get printed.

**BRAY, DRAKE, LILES & RICHARDSON LLP**  
**Certified Public Accountants**

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

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Urbana, Illinois 61802-7446

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

-----  
JAMES P. BRAY, CPA (Retired)

August 1, 2011

Mayor and City Council,  
City of Tuscola and  
Judy Baar Topinka, Comptroller  
State of Illinois

**Independent Auditor's Report on State  
of Illinois Annual Financial Report**

We have audited the financial statements of the City of Tuscola, Tuscola, Illinois for the fiscal year ended April 30, 2011, which is included under separate cover, with this supplemental report. In our report dated August 1, 2011, we expressed an unqualified opinion on the financial statements.

The accompanying supplemental annual financial report, filed electronically, has been derived from the financial statements that we audited. In our opinion, the information set forth in the accompanying financial report presents fairly, in all material respects, the information from which it has been derived.

This supplemental annual financial report is intended solely for filing with the State of Illinois Comptroller's Office, and is not intended for any other purpose.

The statements in this report are in the format prescribed by the State of Illinois Comptroller's Office, and consequently, are not intended to and do not present financial position or results of operations in accordance with accounting principles generally accepted in the United States of America.

  
BRAY, DRAKE, LILES & RICHARDSON LLP

# FY 2011 Annual Financial Report

## Multi-Purpose Long Form

CC Copy - 8/19/2011 9:53:55AM

DO NOT SEND THIS PAPER COPY - THIS IS YOUR COPY.

MAKE SURE YOU HAVE CLICKED THE SUBMIT BUTTON IN THE COMPTROLLER CONNECT PROGRAM. THIS WILL PROVIDE THE COMPTROLLER'S OFFICE WITH A COPY OF YOUR ANNUAL FINANCIAL REPORT.

Unit Name: Tuscola City

County: DOUGLAS

Unit Code: 021/040/30

I attest that, to the best of my knowledge, this report represents a complete and accurate statement of the financial position of Tuscola City as of the end of this fiscal year

Written signature of government official  
Beth Leamon, Clerk  
Please Sign

Date

PLEASE CROSS OUT ALL INCORRECT INFORMATION AND PROVIDE CORRECTIONS

### STEP 1: ENTER CONTACT INFORMATION

Is the following information correct and complete?

Yes  No

A. Contact Person (elected or appointed official responsible for filling out this form):		B. Chief Executive Officer (elected or appointed official responsible for the executive administration, i.e. mayor, supervisor, or chairman):		C. Chief Financial Officer (elected or appointed official responsible for maintaining the government's financial records):	
Beth	Leamon	Daniel	Kleiss	Alta	Long
Clerk		Mayor		Treasurer	
214 N. Main Street		214 N. Main Street		214 N. Main	
Tuscola		Tuscola		Tuscola	
IL		IL		IL	
61953		61953		61953	
Phone: 2172532112		Phone: 2172532112		Phone: 2172532112	
Fax: 2172535026		Fax: 2172535026		Fax: 2172535026	
E-mail: info@tuscola.org		E-mail: info@tuscola.org		E-mail: along@tuscola.org	

If the Chief Executive Officer and the Chief Financial Officer are the same person as the Contact Person, please check this box and skip to Step 2. If not, please do not leave columns B and C blank.

Unit Name: Tuscola City

Unit Code Number: 021/040/30

▶ **STEP 2: VERIFY FISCAL YEAR END**

FY END DATE: 04/30/2011

If the fiscal year end date, listed above, is incorrect, cross out the incorrect date and provide the correct date. Official documentation of this change must be sent to the Chicago office before the fiscal year end date is officially changed.

▶ **STEP 3: GASB34, ACCOUNTING SYSTEM, DEBT, UTILITY, HOME RULE AND TIF**

A. Has your government implemented GASB34 in FY 2011 reporting or in previous reporting years?  X  Yes   No

- If Yes:
- o Governments who have implemented GASB34 and are using "other basis of accounting" (OCBOA) such as "Cash Basis" and "Modified Cash Basis" as their accounting system will now be able to select these types as their accounting system.
  - o Please fill out the Alternative Assets & Liabilities page, located on page F1(b)

B. Which type of accounting system does Tuscola City use

Cash - with no assets (Cash Basis)  X  Modified Accrual/Accrual  
  Cash - with assets (Modified Cash Basis)   Combination (explain)

C. Does the government have bonded debt this reporting fiscal year?  X  Yes   No

If "Yes", indicate the type(s) of debt and complete the Statement of Indebtedness page, located on page F7.

G.O. Bonds  X  Revenue Bonds  X  Alternate Revenue Bonds

D. Does the government have debt, other than bonded this reporting fiscal year?  X  Yes   No

If "Yes", indicate the type(s) of debt and complete the Statement of Indebtedness page, located on page F7.

Contractual Commitments  X  Other (Explan)  compensated absences

E. Does Tuscola City own or operate a public utility company?  X  Yes   No

X  water/sewer   electric/gas/transit   911 telephone/telecommunications   Other

F. Is Tuscola City a home rule unit?  X  Yes   No

G. Does Tuscola City have a Tax Increment Finance (TIF) district?  X  Yes   No

Unit Name: Tuscola City

Unit Code Number: 021/040/30

▶ **STEP 4: POPULATION, EAV AND EMPLOYEES**

^What is the total <b>population</b> of Tuscola City?	4,480
What is the total <b>EAV</b> of Tuscola City?	\$ 59,002,898
*How many <b>full time employees</b> are paid?	24
*How many <b>part time employees</b> are paid?	47
What is the <b>total salary</b> paid to all employees?	\$ 1,258,671

^Or provide estimated population

\*Do not include contractual employees

▶ **STEPS 5 AND 6: COMPONENT UNITS AND APPROPRIATIONS**

Provide the appropriation for the primary government listed in the first row of the table below

In the remaining rows, provide the names of all component units along with their appropriations. Indicate if the component units are blended or discretely presented, its fiscal year end date and if the component unit was funded with governmental fund types or enterprise fund types. If the component units are already indicated, that data is based on forms submitted last year. If you have more component units than the rows provided below, please indicate them on an attachment.

If you need assistance with the terms indicated below, refer to the *Chart of Accounts and Definitions* and the *How to Fill Out An AFR* documents.

Name of Unit/Component	Appropriation	Type of Component Unit	FISCAL YEAR END	Enterprise Fund Type or Governmental Fund Type
<b>FUNDS SHOULD NOT BE LISTED HERE</b>				
Tuscola City	\$34,226,500		04/30	
<b>Total Appropriations</b>	\$34,226,500			

\*Do not enter funds such as Joint Bridge, Permanent Road, Town Fund, Equipment, Water & Sewer, General Assistance, etc. These funds should be included in Step 9.

^If the Primary Government or Component Unit does NOT budget or levy taxes, please enter the unit's TOTAL EXPENDITURES

Unit Name: Tuscola City

Unit Code Number: 021/040/30

▶ **STEP 7: OTHER GOVERNMENTS**

Indicate any payments Tuscola City made to other governments for services or program(include programs performed on a reimbursement, costsharing basis or federal payroll taxes).

Intergovernmental agreements - indicate how much was paid	0
Federal government payroll taxes	73,012
All other intergovernmental payments	0

Unit Name: Tuscola City

Unit Code Number: 021/040/30

▶ **STEP 8: FUND LISTING & ACCOUNT GROUPS**

A. List all funds and how much was spent in FY2011 for each fund. Also, indicate the Fund Type (Fund Types are at the top of each column beginning on page B). If any fund names appear below, the data is based on forms submitted last year. Please make all necessary corrections. If you have more fund names than the rows provided below, please indicate them on an attachment.

Fund Name	Expenditure	Fund Type	FY End
Agency Fund Fund	237,454	Fiduciary Fund	04/30
General Fund Fund	2,245,762	General Fund	04/30
Library Fund	138,767	Special Revenue Fund	04/30
Motor Fuel Tax Fund	556,806	Special Revenue Fund	04/30
Sewer Fund	547,554	Enterprise Fund	04/30
TIF Fund	1,689,337	Special Revenue Fund	04/30
Tourism Fund	119,431	Special Revenue Fund	04/30
Water Fund Fund	780,305	Enterprise Fund	04/30
<b>Total Expenditures</b>	<b>6,315,416</b>		

B. Does Tuscola City have assets or liabilities that should be recorded as a part of Account Groups? See *Chart of Accounts and Definitions* and the *How to Fill Out An AFR* documents for more information about Account Groups

Yes       No

Unit Name: Tuscola City

Unit Code Number: 021/040/30

▶ **STEP 9: GOVERNMENTAL ENTITIES**

List of governmental entities that are part of or related to the primary government Exclude component units detailed in Steps 5 & 6. Most small governments do not have governmental entities

Entity Name	Relationship

▶ **STEP 10-: REPORTING**

Check any state or local entity where financial reports are filed.

<b>STATE AGENCIES</b>	
<input type="checkbox"/> - Board of Education	<input type="checkbox"/> - Board of Higher Education
<input type="checkbox"/> - DCCA	<input type="checkbox"/> - Department of Insurance
<b>OTHER STATE OR LOCAL OFFICES</b>	
<input checked="" type="checkbox"/> - Illinois Comptroller	<input type="checkbox"/> - Secretary of State
<input type="checkbox"/> - General Assembly- House	<input type="checkbox"/> - General Assembly- Senate
<input checked="" type="checkbox"/> - County Clerk	<input type="checkbox"/> - Circuit Clerk
<input type="checkbox"/> - Governor's Office	<input type="checkbox"/> - Other - _____



## Assets

Code	Enter all Amounts in Whole Numbers	Governmental Activity	Business-Like Activity	Fiduciary	Discretely Presented Component Units
<b>Current Assets</b>		Report In Whole Numbers			
101t	Cash and Cash Equivalent	98,640	502,514	0	0
102t	Investments	4,211,035	1,341,189	0	0
115t	Receivables	3,376,735	106,574	18,382	0
109t	Inventories	0	0	0	0
112t	Other Assets (Explain)	0	240,138	0	0
<b>Non-Current Assets</b>		Report In Whole Numbers			
116t	Capital Assets/Net of Accumulated Depreciation	17,420,130	9,128,604	0	0
117t	Other Capital Assets	2,544,515	637,198	0	0
120t	<b>TOTAL ASSETS</b>	27,651,055	11,956,217	18,382	0

## Liabilities

Code	Enter all Amounts in Whole Numbers	Governmental Activity	Business-Like Activity	Fiduciary	Discretely Presented Component Units
<b>Current Liabilities</b>		Report In Whole Numbers			
122t	All Payables	135,767	132,895	18,382	0
132t	Deferred Revenues	0	150,074	0	0
128t	Other Liabilities (Explain)	0	0	0	0
<b>Non-Current/Long-Term Liabilities</b>		Report In Whole Numbers			
129t	Due Within One Year	127,989	368,237	0	0
130t	Due Beyond One Year	557,000	3,490,000	0	0
131t	Other Non-Current/Long Term Liabilities	0	0	0	0
135t	<b>TOTAL LIABILITIES</b>	820,756	4,141,206	18,382	0

## Net Assets

Code	Enter all Amounts in Whole Numbers	Governmental Activity	Business-Like Activity	Fiduciary	Discretely Presented Component Units
143t	Investments in Capital Assets/Net of Related Debt	19,319,644	5,805,802	0	0
148t	Net Assets - Restricted	2,120,638	1,416,965	0	0
149t	Net Assets - Unrestricted	5,390,017	592,244	0	0
146t	<b>TOTAL NET ASSETS</b>	26,830,299	7,815,011	0	0
147t	<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	27,651,055	11,956,217	18,382	0

F1b

**Revenues and Receipts**

Code	Enter all Amounts in Whole Numbers	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Service	Fiduciary	Discretely Presented Component Units
<b>Local Taxes</b>		<b>Report In Whole Numbers</b>							
201t	Property Tax	443,820	1,385,024	0	0	0	0	0	0
202t	Local Sales Tax	0	0	0	0	0	0	0	0
203t	Utilities Tax	0	0	0	0	0	0	0	0
203a	Electric Utilities	0	0	0	0	0	0	0	0
203b	Water Utilities	0	0	0	0	0	0	0	0
203c	Communications Utilities	0	0	0	0	0	0	0	0
203d	Other Utilities Tax (Explain)	0	0	0	0	0	0	0	0
204t	Other Taxes (Explain)	0	0	0	0	0	0	0	0
<b>Intergovernmental Receipts &amp; State or Federal Grants</b>									
211t	State Income Tax	385,519	0	0	0	0	0	0	0
212t	State Sales Tax	1,539,736	646,249	0	0	0	0	0	0
213t	State Motor Fuel Tax	0	131,842	0	0	0	0	0	0
214t	State Replacement Tax	38,446	9,833	0	0	0	0	0	0
205t	State Gaming Tax(es)	0	0	0	0	0	0	0	0
215t	Other State Sources (Explain)	0	0	0	0	0	0	0	0
215a	General Support	0	0	0	0	0	0	0	0
215b	Public Welfare	0	0	0	0	0	0	0	0
215c	Health and/or Hospitals	0	0	0	0	0	0	0	0
215d	Streets and Highways	0	0	0	0	0	0	0	0
215e	Culture and Recreation	0	0	0	0	0	0	0	0
215f	Housing and Community Dev	0	0	0	0	0	0	0	0
215g	Water Supply System	0	0	0	0	0	0	0	0
215h	Electric/Gas Power System	0	0	0	0	0	0	0	0
215i	Mass Transit	0	0	0	0	0	0	0	0
215j	Other (Explain)	0	0	0	0	0	0	0	0
225t	Federal Sources	0	0	0	0	0	0	0	0
225a	General Support	0	0	0	0	0	0	0	0
225b	Public Welfare	0	0	0	0	0	0	0	0
225c	Health and/or Hospitals	0	0	0	0	0	0	0	0
225d	Streets and Highways	0	0	0	0	0	0	0	0
225e	Culture and Recreation	0	0	0	0	0	0	0	0
225f	Housing and Community Dev	0	0	0	0	0	0	0	0
225g	Water Supply System	0	0	0	0	0	0	0	0

**Revenues and Receipts**

Code	Enter all Amounts in Whole Numbers	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Service	Fiduciary	Discretely Presented Component Units
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**Intergovernmental Receipts & State or Federal Grants**

225h	Electric/Gas Power System	0	0	0	0	0	0	0	0
225i	Mass Transit	0	0	0	0	0	0	0	0
225j	Other (Explain)	0	0	0	0	0	0	0	0
226t	Other Intergovernmental (Explain)	0	0	0	0	0	0	0	0

**Other Sources**

231t	Licenses and Permits	56,359	0	0	0	0	0	0	0
233t	Fines and Forfeitures	27,882	8,972	0	0	0	0	0	0
234t	Charges for Services	0	0	0	0	1,690,528	0	231,022	0
234a	Water Utilities	0	0	0	0	952,952	0	0	0
234b	Gas Utilities	0	0	0	0	0	0	0	0
234c	Electric Utilities	0	0	0	0	0	0	0	0
234d	Transit Utilities	0	0	0	0	0	0	0	0
234e	Sewer Utilities	0	0	0	0	737,576	0	0	0
234f	Refuse and Disposal Charges	0	0	0	0	0	0	231,022	0
234g	Parking	0	0	0	0	0	0	0	0
234h	Housing	0	0	0	0	0	0	0	0
234i	Highway or Bridge Tolls	0	0	0	0	0	0	0	0
234j	Culture and Recreation	0	0	0	0	0	0	0	0
234k	Other (Explain)	0	0	0	0	0	0	0	0
235t	Interest	4,233	30,828	0	0	3,710	0	0	0
236t	Miscellaneous (Explain)	44,460	9,083	0	0	0	0	0	0
240t	<b>Total Receipts and Revenue</b>	<b>2,540,455</b>	<b>2,221,831</b>	<b>0</b>	<b>0</b>	<b>1,694,238</b>	<b>0</b>	<b>231,022</b>	<b>0</b>

Disbursements, Expenditures and Expenses

Code	Enter all Amounts in Whole Numbers	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Service	Fiduciary	Discretely Presented Component Units
Report in Whole Numbers									
251t	<b>General Government</b>	552,372	1,746,575	0	0	0	0	0	0
251a	Financial Administration	552,372	1,746,575	0	0	0	0	0	0
251b	General Administrative Buildings	0	0	0	0	0	0	0	0
251c	Central Administration	0	0	0	0	0	0	0	0
251d	Other (Explain)	0	0	0	0	0	0	0	0
252t	<b>Public Safety</b>	798,742	0	0	0	0	0	0	0
252a	Police	527,684	0	0	0	0	0	0	0
252b	Fire	197,805	0	0	0	0	0	0	0
252c	Regulation - Building Inspection	71,865	0	0	0	0	0	0	0
252d	Other (Explain)	1,388	0	0	0	0	0	0	0
253t	<b>Corrections</b>	0	0	0	0	0	0	0	0
254t	<b>Judiciary and Legal</b>	0	0	0	0	0	0	0	0
255t	<b>Transportation and Public Works</b>	402,281	22,324	0	0	0	0	0	0
255a	Streets and Highways	402,281	22,324	0	0	0	0	0	0
255b	Airports	0	0	0	0	0	0	0	0
255c	Parking Meters	0	0	0	0	0	0	0	0
255d	Parking Facilities	0	0	0	0	0	0	0	0
255e	Other (Explain)	0	0	0	0	0	0	0	0
256t	<b>Social Services</b>	0	0	0	0	0	0	0	0
256a	Welfare	0	0	0	0	0	0	0	0
256b	Health (Other than hospitals)	0	0	0	0	0	0	0	0
256c	Hospital Operations	0	0	0	0	0	0	0	0
256d	Cemeteries	0	0	0	0	0	0	0	0
256e	Other (Explain)	0	0	0	0	0	0	0	0
257t	<b>Culture and Recreation</b>	132,741	138,767	0	0	0	0	0	0
257a	Library	0	138,767	0	0	0	0	0	0
257b	Parks	132,741	0	0	0	0	0	0	0
257c	Other (Explain)	0	0	0	0	0	0	0	0
258t	<b>Housing</b>	0	0	0	0	0	0	0	0
275t	<b>Environment</b>	0	0	0	0	314,807	0	231,022	0
275a	Sewage	0	0	0	0	314,807	0	0	0

**Disbursements, Expenditures and Expenses**

Code	Enter all Amounts in Whole Numbers	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Service	Fiduciary	Discretely Presented Component Units
Report in Whole Numbers									
275b	Solid Waste Management	0	0	0	0	0	0	231,022	0
275c	Other (Explain)	0	0	0	0	0	0	0	0
259t	<b>Debt</b>	0	85,357	0	0	200,523	0	0	0
259a	Interest	0	12,857	0	0	200,523	0	0	0
259b	Principal	0	72,500	0	0	0	0	0	0
271t	<b>Public Utility Company</b>	0	0	0	0	633,139	0	0	0
271a	Water	0	0	0	0	633,139	0	0	0
271b	Electric	0	0	0	0	0	0	0	0
271c	Transit	0	0	0	0	0	0	0	0
271d	Other (Explain)	0	0	0	0	0	0	0	0
272t	<b>Depreciation</b>	0	0	0	0	393,060	0	0	0
280t	<b>Capital Outlay</b>	359,626	511,318	0	0	0	0	0	0
260t	<b>Other Expenditures (Explain)</b>	0	0	0	0	0	0	0	0
270t	<b>Total Expenditures/Expense</b>	2,245,762	2,504,341	0	0	1,541,529	0	231,022	0

**Fund Balances and Other Financing Sources (Uses)**

Code	Enter all Amounts in Whole Numbers	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Service	Fiduciary	Discretely Presented Component Units
Report in Whole Numbers									
301t	Excess of receipts/revenues over (under) expenditures/expenses (240t-270t)	294,693	-282,510	0	0	152,709	0	0	0
302t	Operating transfers in	0	0	0	0	0	0	0	0
303t	Operating transfers out	0	0	0	0	0	0	0	0
304t	Bond proceeds	0	500,000	0	0	0	0	0	0
305t	Other (Explain)	0	0	0	0	0	0	0	0
306t	Net increase(decrease) in fund balance (301t + 302t - 303t + 304t + 305t)	294,693	217,490	0	0	152,709	0	0	0
307t	Previous year fund balance	2,343,948	2,631,099	0	0	7,662,303	0	0	0
308t	Other (Explain)	0	0	0	0	0	0	0	0
310t	Current Year Ending Fund Balance (306t + 307t + 308t)	2,638,641	2,848,589	0	0	7,815,012	0	0	0

**Statement of Indebtedness**

Debt Instruments for All Funds	Code	Outstanding Beginning of Year	Code	Issued Current Fiscal Year	Code	Retired Current Fiscal Year	Code	Outstanding End of Year
Report in Whole Numbers								
<b>General Obligation Bonds</b>	<b>400</b>	<b>0</b>	<b>406</b>	<b>0</b>	<b>412</b>	<b>0</b>	<b>418</b>	<b>0</b>
Water	400a	0	406a	0	412a	0	418a	0
Electric	400b	0	406b	0	412b	0	418b	0
Transportation	400c	0	406c	0	412c	0	418c	0
Housing	400d	0	406d	0	412d	0	418d	0
Other (Explain)	400e	0	406e	0	412e	0	418e	0
<b>Revenue Bonds</b>	<b>401</b>	<b>185,000</b>	<b>407</b>	<b>0</b>	<b>413</b>	<b>40,000</b>	<b>419</b>	<b>145,000</b>
Water	401a	0	407a	0	413a	0	419a	0
Electric	401b	0	407b	0	413b	0	419b	0
Transportation	401c	0	407c	0	413c	0	419c	0
Housing	401d	0	407d	0	413d	0	419d	0
Other (Explain)	401e	185,000	407e	0	413e	40,000	419e	145,000
<b>Alternate Revenue Bonds</b>	<b>402</b>	<b>4,452,500</b>	<b>408</b>	<b>500,000</b>	<b>414</b>	<b>492,500</b>	<b>420</b>	<b>4,460,000</b>
<b>Contractual Commitments</b>	<b>403</b>	<b>0</b>	<b>409</b>	<b>0</b>	<b>415</b>	<b>0</b>	<b>421</b>	<b>0</b>
<b>Other (Explain)</b>	<b>404</b>	<b>51,695</b>	<b>410</b>	<b>96,136</b>	<b>416</b>	<b>96,899</b>	<b>422</b>	<b>50,932</b>
<b>Total Debt</b>	<b>405</b>	<b>4,689,195</b>	<b>411</b>	<b>596,136</b>	<b>417</b>	<b>629,399</b>	<b>423</b>	<b>4,655,932</b>

Explanation or Comments

112t Special Revenue Funds Investment in Joint Venture=\$5,597; Deferred issue costs=\$234,541.

236t General Fund Miscellaneous grants=\$8,799; Fire Insurance=\$7,526; and other income=\$28,135.

Special Revenue Funds Miscellaneous grants=\$6,537; Memorial Funds=\$564 and other income=\$1,982.

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\* Tuscola City Capital Outlay

Code	Function	These are not funds	
		Construction	Land, Structures, and Equipment
601t	General Government	120,332	0
602t	Law Enforcement	0	0
603t	Corrections	0	0
604t	Fire	0	0
605t	Sewerage	218,403	0
606t	Sanitation and Wastewater	0	0
607t	Parks and Recreation	396,579	0
608t	Housing and Community Development	0	0
609t	Highways, Roads and Bridges	679,565	0
610t	Parking Facilities	0	0
611t	Welfare	0	0
612t	Hospital	0	0
613t	Water	279,945	0
614t	Nursing Homes	0	0
615t	Conservation and Natural Resources	0	0
616t	Libraries	0	0
617t	Other	0	0

\*This page should only be filled out if you have spent funds for capital projects or development.

\*The Capital outlay page is requested by the U.S. Census Bureau and is considered optional by the State Comptroller.

\*If you complete this page you WILL NOT have to complete the Survey of Government Finances from the U.S. Census Bureau.

\*If you do NOT complete this page the U.S. Census Bureau will contact you for further information.



CPA INFORMATION

According to the Governmental Account Audit Act [50 ILCS 310], an Annual Audit submitted to the IL Office of the Comptroller shall be performed by a licensed public accountant, with a valid certificate as a public accountant under the Illinois Public Accounting Act [225 ILCS450]. Please access the website of the Illinois General Assembly (www.ilga.gov/legislation/ilcs/ilcs.asp) to view these Acts.

If your government is required to submit an Annual Audit, please complete the following

Is the Licensed Certified Public Accountant performing your audit working as an individual licensed in Illinois, or are they working in association with a Public Accounting Firm or a Professional Service Corporation licensed in Illinois, or are they licensed in another state? Please use a checkmark to select one choice

- Individual Licensed Certified Public Accountant
- Public Accounting Firm (IL License)
- Professional Service Corporation (IL License)
- Out-of-State (Individual / Public Accounting Firm / Professional Service Corporation)

If you selected Public Accounting Firm (IL), please complete the licensee information below  
Please provide the following information for the Public Accounting Firm performing the Annual Audit for your government

Enter the active 9-digit License#: 066002934 License Status: ACTIVE

Business Name: BRAY DRAKE LILES & RICHARDSON LLP

Address: 1606 N Willow View Rd Ste 1E Address 2:

City: Urbana State: IL ZIP: 61802-7446

Phone: 217-337-0004 Ext. Fax: 217-337-5822 E-mail: curt@bdlrpa.com

Last Name: Liles First Name: Curtis Title: Partner

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