CITY OF TUSCOLA
Tuscola, Illinois

ANNUAL FINANCIAL REPORT

April 30, 2020

Larsson Woodyard & Henson, LLP
Certified Public Accountants

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Larsson Woodyard & Henson, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Tuscola
Tuscola, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tuscola, Illinois, as of and for the year ended April 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tuscola, Illinois, as of April 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Larsson Woodyard + Henson, LLP

Tuscola, Illinois
December 9, 2020

City of Tuscola

Management's Discussion and Analysis

April 30, 2020

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, 2020.

Financial Highlights

- The assets of the City of Tuscola exceeded its liabilities at the close of the most recent fiscal year by $41,167,112 (*net position*).

- The City's total net position increased by $940,632 during the year compared to last fiscal year's net position.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $7,612,359. Of this amount, $3,202,897 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 $2,942,915.

- City of Tuscola's total debt decreased by $172,325 during the current fiscal year.

Overview of the Financial Statements

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

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

- The *statement of net position* presents information on all of the City of Tuscola's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Tuscola is improving or deteriorating.

- The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Tuscola include general government, public safety, public recreation, development, public library, tourism and roadways. The 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 14-16 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 17-20 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 21-23 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Tuscola's own programs. The City of Tuscola maintains two fiduciary funds. The Garbage Fund is for the purpose of billing and collecting revenue for Advanced Disposal, the contracted garbage hauler in the City. The Section 125 Fund is used to hold employee deposits and reimburse employees for approved medical and daycare expenses. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 24 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 25-55 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 56-69 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Tuscola, assets exceeded liabilities by $41,167,112 at the close of the most recent fiscal year.

The largest portion of the City of Tuscola's net position (76 *percent*) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Tuscola uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Tuscola's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following table reflects the condensed Statement of Net position.

Summary of City of Tuscola's Net Position

	Governmental Activities 2020	Governmental Activities 2019	Business-Type Activities 2020	Business-Type Activities 2019	Total 2020	Total 2019
Current and Other Assets	$ 9,846,430	$ 8,411,800	$ 2,534,010	$ 1,828,761	$ 12,380,440	$ 10,240,561
Net Pension Asset	$ 120,984	$ -			$ 120,984	
Capital Assets	23,685,773	24,327,571	8,937,350	9,437,646	32,623,123	33,765,217
Total Assets	$ 33,653,187	$ 32,739,371	$ 11,471,360	$ 11,266,407	$ 45,124,547	$ 44,005,778
Deferred Outflow of Resources	$ 681,372	$ 1,013,099			$ 681,372	$ 1,013,099
Defer'd Outflows of Resources	$ 681,372	$ 1,013,099	$ -	$ -	$ 681,372	$ 1,013,099
Long-term Liabilities	$ 146,029	$ 911,206	$ 924,161	$ 994,296	$ 1,070,190	$ 1,905,502
Other Liabilities	223,250	237,719	197,423	165,225	420,673	402,944
Total Liabilities	$ 369,279	$ 1,148,925	$ 1,121,584	$ 1,159,521	$ 1,490,863	$ 2,308,446
Deferred Inflows of Resources						
Def Inflows rel to Pensions	$ 1,002,189	$ 515,523			$ 1,002,189	$ 515,523
Unavai. Rev. - Grant	$ 146,070				$ 146,070	$ -
Unavai. Rev. - Property Taxes	1,999,685	1,968,428	-	-	1,999,685	1,968,428
Total Defer'd Inflows of Res.	$ 3,147,944	$ 2,483,951	$ -	$ -	$ 3,147,944	$ 2,483,951
Net Position:						
Net Invest. in Capital Assets	$ 23,477,773	$ 24,013,571	$ 7,953,216	$ 8,386,638	$ 31,430,989	$ 32,400,209
Restricted	775,865	560,707	243,549	80,500	1,019,414	641,207
Unrestricted	6,563,698	5,545,316	2,153,011	1,639,748	8,716,709	7,185,064
Total Net Position	$ 30,817,336	$ 30,119,594	$ 10,349,776	$ 10,106,886	$ 41,167,112	$ 40,226,480

An additional portion of the City of Tuscola's net position ($775,865) represents resources that are subject to external restrictions on how they may be used. The remaining balance of Net position, *unrestricted net position* ($6,563,698) may be used to meet the government's ongoing obligations to citizens and creditors.

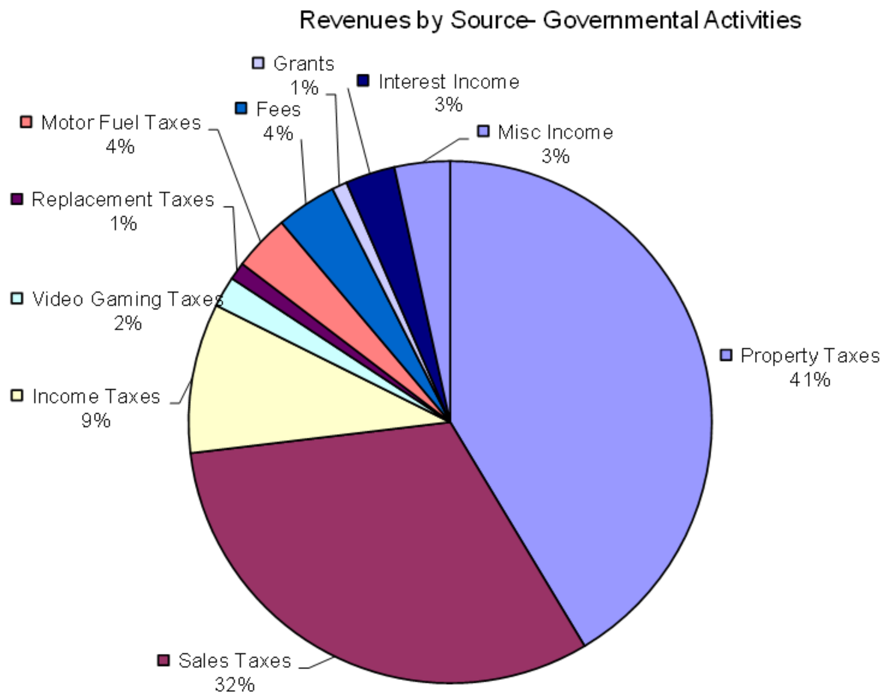
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

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

City of Tuscola's Revenues, Expenses and Net Position

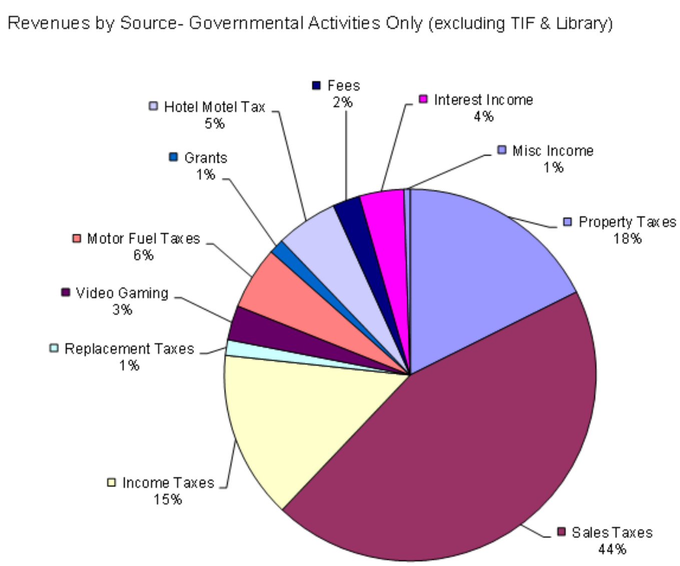
General Revenues:						
Property Taxes	1,967,096	1,984,725	-	-	1,967,096	1,984,725
Sales Taxes	1,505,329	1,776,065	-	-	1,505,329	1,776,065
Income Taxes	440,765	463,479	-	-	440,765	463,479
Replacement Taxes	51,634	46,558	-	-	51,634	46,558
Motor Fuel Taxes	165,319	113,723	-	-	165,319	113,723
Video Gaming Taxes	90,577	95,003	-	-	90,577	95,003
Investment Earnings	145,358	145,067	33,279	26,960	178,637	172,027
Investment Impairment	2,661	(120)	-	-	2,661	(120)
Miscellaneous	87,297	30,193	7,824	9,975	95,121	40,168
Total Revenues	$ 4,750,307	$ 4,851,315	$ 1,745,585	$ 1,766,289	$ 6,495,892	$ 6,617,604
Expenses:						
General Government	698,391	537,091	-	-	698,391	537,091
Public Safety	1,078,028	1,062,997	-	-	1,078,028	1,062,997
Public Works	1,120,393	1,206,254	-	-	1,120,393	1,206,254
Culture and Recreation	614,539	626,146	-	-	614,539	626,146
Development	530,944	672,541	-	-	530,944	672,541
Interest on L-T Debt	10,270	13,302	-	-	10,270	13,302
Water Department	-	-	915,994	957,230	915,994	957,230
Sew er Department	-	-	586,701	593,999	586,701	593,999
Total Expenses	4,052,565	4,118,331	1,502,695	1,551,229	5,555,260	5,669,560
Change in Net Position	697,742	732,984	242,890	215,060	940,632	948,044
Net Position, Beginning	30,119,594	29,386,610	10,106,886	9,891,825	40,226,480	39,278,435
Net Position, Ending	$ 30,817,336	$ 30,119,594	$ 10,349,776	$ 10,106,885	$ 41,167,112	$40,226,479

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. The Illinois state legislature has considered several bills in the past few years that would impact the city's ability to generate large increases in property tax revenues. The City has maintained its property tax rate such that large increases in any one year should not be necessary. 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.

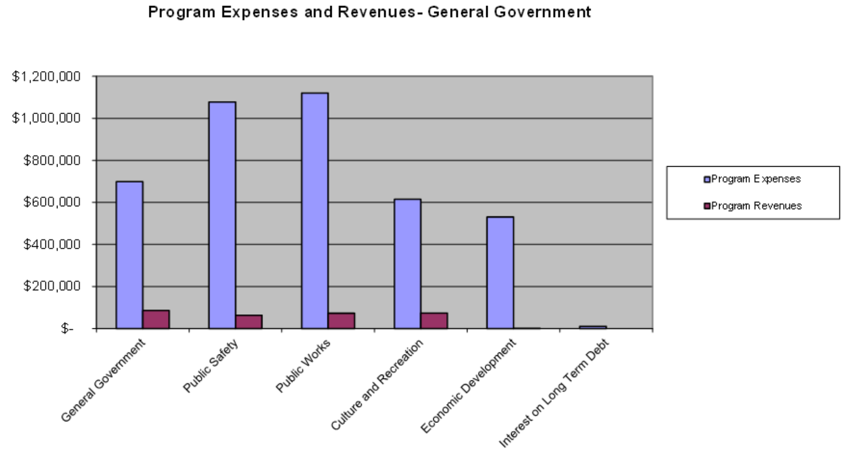


The City of Tuscola is unique in that it has a very successful Tax Increment Financing (TIF) District that provides revenues from property tax increment to fund most of the City's economic development plans. While property tax revenues are a main source of overall revenue for the City's combined funds, the amounts of these types of revenues that are attributable to the TIF District are significant (65%).

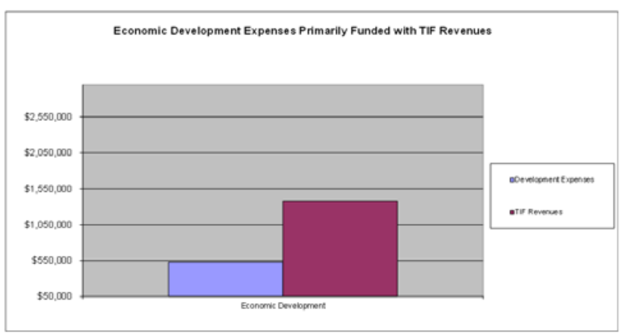
When the general government funds are analyzed independently of the Tax Increment Financing Fund, one gets a clearer picture of the priorities of the City's government. As shown in the following chart, the City government has made a priority of keeping property tax levies low to keep the burden off local residents. This is possible due to the high percentage (44%) of sales taxes, paid in large part by out of town shoppers.



The largest program expenses for the City for the fiscal year ending April 30, 2020 were Public Works, at $1,120,393 and Public Safety at $1,078,028. Public Works and Public Safety are high priorities for the City as it shows in the spending for those programs. Economic Development expenses were $530,944 for this year. As explained later, the city's focus on economic development would not be possible without the City's Tax Increment Financing District Revenue. Culture and recreation programs were $614,539 for the fiscal year, while general government expenses, were at $698,391 for the year. General government expenses account for only 17% 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 2020.



Financial Analysis of the Government's Funds

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

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

The general fund is the chief operating fund of the City of Tuscola. At the end of the current fiscal year, total fund balance of the general fund was $6,442,075, of that $339,827 is nonspendable or restricted while $3,159,333 is committed by the city council to specific future purposes. For the near term, the city council has allowed a portion of those committed funds to be used as a loan to the TIF fund. The TIF fund is using the money to fund projects that will be repaid from property tax increment over the next few years until the expiration of the TIF districts. This intra-government loan will ultimately save taxpayers tens of thousands of dollars over issuing bonds for these final TIF projects.

The City's TIF funds are primarily used to assist local businesses in funding projects for economic growth within the TIF districts. Those projects in FY 2020 included the Cast Iron Pub development. The TIF fund also has on-going receipts of principal and interest income from low interest loans on past TIF funded projects. A complete accounting of TIF funded activities is available in the annual TIF report compiled by the City and submitted to the Office of the Comptroller- State of Illinois.

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

The City's Tourism Funds are derived from a tax on local hotel operators. In FY 2008, the City Council voted to raise the tax percentage from 5% to 6%. Funds derived from the tax are dedicated to tourism and marketing efforts within the City.

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

Total net position of the proprietary funds at the end of the year amounted to $10,349,776.

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 Illinois EPA revolving loan funds. Those loan funds were used to complete a major pipeline upgrade and maintenance to the city's water tower.

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. Illinois EPA revolving loan funds were used to upgrade the city's sewer treatment facility. Those funds are also being repaid from the sewer fund revenues.

General Fund Budgetary Highlights

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

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

During the fiscal year 2020 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, 2020, amounts to $32,623,123 (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 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Land	$ 3,192,171	$ 3,117,171	$ 637,198	$ 637,198	$ 3,829,369	$ 3,754,369
Land Improvements	825,016	825,377	-	-	825,016	825,377
Buildings	3,159,520	3,312,480	-	-	3,159,520	3,312,480
Plant, Machinery & Equipment	234,531	260,232	4,817,505	5,103,264	5,052,036	5,363,496
Vehicles	1,144,619	1,280,464	133,892	154,493	1,278,511	1,434,957
Distribution System	-	-	3,348,755	3,542,691	3,348,755	3,542,691
Infrastructure	15,129,916	15,531,847	-	-	15,129,916	15,531,847
Work in Progress	-	-	-	-	-	-
	$ 23,685,773	$ 24,327,571	$ 8,937,350	$ 9,437,646	$ 32,623,123	$ 33,765,217

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

Long-term debt. At the end of the current fiscal year, the City of Tuscola had outstanding two (2) IEPA loans totaling $984,134 and the City also incurs long-term debt in the form of accrued compensated absences and pension liabilities. Following is a comparative statement of outstanding debt:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds-Alternate Revenue Bonds	$ 208,000	$ 314,000	$ -	$ -	$ 208,000	$ 314,000
IEPA Loan Payable	-	-	984,134	1,051,008	984,134	1,051,008
Less deferred charge on refunding	-	-	-	-	-	-
Net Pension liability	-	-	-	-	-	-
Compensated Absences	70,075	68,456	13,744	14,815	83,819	83,271
Total	$ 278,075	$ 382,456	$ 997,878	$ 1,065,823	$ 1,275,953	$ 1,448,279

The City of Tuscola's total debt decreased by $172,325 during the current fiscal year. Additional information on the City's long-term debt can be found in Note 3 in the Notes to Financial Statements of this report.

Economic Factors and Next Year's Budgets and Rates

In this year 2020, all aspects of life, business and government were dominated by the Coronavirus Pandemic. Worldwide, this novel virus wreaked havoc to people's lives, and Tuscola has certainly not been excluded from that. While early in the pandemic, rural areas such as Tuscola had relatively limited actual outbreaks of the illness, small governments were nonetheless affected by the economic and social consequences of the virus and associated mandated shut-downs. The City of Tuscola incurred additional costs due to virus mitigation efforts, most of which are expected to be covered by grant income from the state and federal government. However, decreased revenues due to mandated shut-downs of businesses and a general slowing of the economy will continue to affect the City's budgets and cash flows for potentially several years past the pandemic. It is fortunate for the City of Tuscola that sufficient reserve funds were set up after the 9/11 crisis and have been built and maintained over the years. Those reserve funds should allow the City to continue operations at near normal levels through the pandemic and post-pandemic era.

The Outlets of Tuscola Shopping Center lies within the limits of the City of Tuscola and is a major contributor to the area's economy, as the Center is a large employer and a large generator of local Sales and Property taxes. 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. Recent trends in brick and mortar retail have taken a toll on the center with declining revenues and closing of a number of stores. Additionally, property tax reduction appeals have successfully reduced local property tax income from the property. The City is participating in on-going efforts to revitalize and market the property.

A new area of interstate-adjacent, commercial properties is being developed within the City at the intersection of I-57 and Route 36. This 36-acre development will be home to a Love's Travel Center and other interstate-centric businesses. With the development of this area, the City of Tuscola agreed to fund the access road. That road is a direct connection from the southbound exit of I-57 straight north into the property across Route 36. This type of road access is key to interstate retail development and should serve the area well in attracting additional business.

The City has enjoyed a very successful Tax Increment Financing District, which includes the Tuscola Outlet Mall property, downtown business district and the Route 36 corridor, since 1986. That TIF district has generated significant revenues that the City has reinvested in those retail areas of the city. That TIF district, along with the Amishland TIF district, are due to expire in 2021. The expiration of those TIF districts will cause a shift in property tax revenues from economic development functions.

The City will necessarily work to revise economic development spending priorities and sources. Additionally, that shift will result in an increase in EAV for general government taxing authority and additional general government revenues.

The rate setting (not including TIF EAV of $16,504,227) equalized assessed value (EAV) of taxable property in the City for 2019 levy year was $60,366,592, which represents one-third market value. Residential properties make up 85% of the EAV for the 2019 levy year. Commercial developments constitute 14% 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. However, when the TIF districts sunset in 2021, the rate setting EAV will increase by the amount of the TIF EAV such that the City will likely increase the tax levy to capture the success of the TIF district investments.

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. Since issuing bonds to pay down their backlog of unpaid bills, the State is currently caught up in payments to local governments. Due to these financial problems, some state legislators have proposed changes to state law that could negatively impact the City's revenues of sales, replacement taxes and/or income tax. At this point, none of these changes have been enacted into law, but the State's financial issues, and how the state will address them, remain a potential future dilemma for the City's state tax revenues.

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

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

CITY OF TUSCOLA

STATEMENT OF NET POSITION
APRIL 30, 2020

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and cash equivalents	$ 6,863,867	$ 1,902,548	$ 8,766,415
Investments	165,276	0	165,276
Allowance for impairment loss on investment	(2,587)	0	(2,587)
Due from Douglas County	2,001,526	0	2,001,526
Due from State of Illinois	220,873	0	220,873
Receivables, net	15,650	161,113	176,763
Loans receivable	258,066	0	258,066
Prepaid items	114,199	14,132	128,331
Investment in joint venture	0	212,668	212,668
Restricted cash	209,560	243,549	453,109
Total current assets	9,846,430	2,534,010	12,380,440
Noncurrent Assets			
Capital Assets (not being depreciated):			
Land	3,192,171	637,198	3,829,369
Capital Assets (net of accumulated depreciation):			
Land improvements	825,016	0	825,016
Buildings	3,159,520	0	3,159,520
Plant, machinery and equipment	234,531	4,817,505	5,052,036
Vehicles	1,144,619	133,892	1,278,511
Infrastructure	15,129,916	3,348,755	18,478,671
Total capital assets	23,685,773	8,937,350	32,623,123
Net pension asset	120,984	0	120,984
Total noncurrent assets	23,806,757	8,937,350	32,744,107
Total Assets	33,653,187	11,471,360	45,124,547
Deferred Outflows of Resources			
Deferred outflows related to pensions	681,372	0	681,372
Total Deferred Outflows of Resources	681,372	0	681,372

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

CITY OF TUSCOLA

STATEMENT OF NET POSITION (CONTINUED)
APRIL 30, 2020

LIABILITIES	Governmental Activities	Business-Type Activities	Total
Current Liabilities			
Accounts payable	24,355	73,590	97,945
Accrued payroll	63,961	10,658	74,619
Accrued interest	2,888	1,608	4,496
Customer deposits	0	37,850	37,850
Accrued compensated absences - current	24,046	6,005	30,051
Debt - due within one year	108,000	67,712	175,712
Total current liabilities	223,250	197,423	420,673
Noncurrent Liabilities:			
Accrued compensated absences	46,029	7,739	53,768
Debt - due after more than one year	100,000	916,422	1,016,422
Total noncurrent liabilities	146,029	924,161	1,070,190
Total Liabilities	369,279	1,121,584	1,490,863
Deferred Inflows of Resources			
Deferred inflows related to pensions	1,002,189	0	1,002,189
Unavailable revenue - property taxes	1,999,685	0	1,999,685
Unavailable revenue - grants	146,070	0	146,070
Total Deferred Inflows of Resources	3,147,944	0	3,147,944
NET POSITION			
Net investment in capital assets, net of related debt	23,477,773	7,953,216	31,430,989
Restricted for:			
General services	55,680	0	55,680
Public safety	26,578	0	26,578
Park improvements	146,070	0	146,070
Debt service	127,302	80,500	207,802
Transportation projects	149,961	0	149,961
Development	270,274	0	270,274
Required bond reserve	0	163,049	163,049
Unrestricted	6,563,698	2,153,011	8,716,709
Total Net Position	$ 30,817,336	$ 10,349,776	$ 41,167,112

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

CITY OF TUSCOLA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2020

		Program Revenues		
	Expenses	*Charges for Services*	*Operating Grants and Contributions*	*Capital Grants and Contributions*
Functions/Programs				
Governmental activities:				
General government	$ 698,391	$ 40,661	$ 44,925	$ 0
Public safety	1,078,028	62,702	0	0
Public works	1,120,393	0	0	72,849
Culture and recreation	614,539	73,064	0	0
Development	530,944	0	70	0
Interest on long-term debt	10,270	0	0	0
Total governmental activities	4,052,565	176,427	44,995	72,849
Business-type activities:				
Water	915,994	1,058,400	0	0
Sewer	586,701	646,082	0	0
Total business-type activities	1,502,695	1,704,482	0	0
Total primary government	$ 5,555,260	$ 1,880,909	$ 44,995	$ 72,849

General Revenues
- Property taxes
- Sales taxes
- Income taxes
- Replacement taxes
- Motor fuel taxes
- Video gaming taxes
- Interest income
- Memorial income
- Impairment loss on investment
- Miscellaneous income
- Total general revenues

Change in Net Position

Net Position - beginning of year

Net Position - ending

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

Net (Expenses) Revenue and Changes in Net Position

Governmental Activities	*Business-Type Activities*	*Total*
$ (612,805)	$ 0	$ (612,805)
(1,015,326)	0	(1,015,326)
(1,047,544)	0	(1,047,544)
(541,475)	0	(541,475)
(530,874)	0	(530,874)
(10,270)	0	(10,270)
(3,758,294)	0	(3,758,294)
0	142,406	142,406
0	59,381	59,381
0	201,787	201,787
(3,758,294)	201,787	(3,556,507)
1,967,096	0	1,967,096
1,505,329	0	1,505,329
440,765	0	440,765
51,634	0	51,634
165,319	0	165,319
90,577	0	90,577
145,358	33,279	178,637
1,785	0	1,785
2,661	0	2,661
85,512	7,824	93,336
4,456,036	41,103	4,497,139
697,742	242,890	940,632
30,119,594	10,106,886	40,226,480
$ 30,817,336	$ 10,349,776	$ 41,167,112

CITY OF TUSCOLA

BALANCE SHEET - GOVERNMENTAL FUNDS
APRIL 30, 2020

	General	Tax Increment Financing
Assets		
Cash and cash equivalents	$ 6,087,032	$ 277,330
Investments	165,276	0
Allowance for Impairment Loss on Investment	(2,587)	0
Due from Douglas County	547,555	1,298,587
Due from State of Illinois	206,261	0
Accounts receivable	0	0
Loans receivable	0	258,066
Prepaid items	111,499	0
Restricted cash	82,258	0
Total Assets	$ 7,197,294	$ 1,833,983
Liabilities		
Accounts payable	$ 10,464	$ 12,414
Accrued salaries	52,971	4,934
Total Liabilities	63,435	17,348
Deferred Inflows of Resources		
Unavailable revenue - property taxes	545,714	1,298,587
Unavailable revenue - grants	146,070	0
Total Deferred Inflows of Resources	691,784	1,298,587
Fund Balances		
Nonspendable		
Prepaid items	111,499	0
Long term receivables	0	258,066
Restricted		
General services	55,680	0
Public safety	26,578	0
Park improvements	146,070	0
Development	0	0
Debt service	0	0
Restrictions by state statutes	0	0
Assigned		
Reserve funds	2,980,116	0
Capital replacement funds	179,217	0
Development	0	0
Culture and recreation	0	
Unassigned	2,942,915	259,982
Total Fund Balances	6,442,075	518,048
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 7,197,294	$ 1,833,983

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

Motor Fuel Tax	Tourism	Library	Total Governmental Funds
$ 136,674	$ 270,274	$ 92,557	$ 6,863,867
0	0	0	165,276
0	0	0	(2,587)
0	0	155,384	2,001,526
13,287	0	1,325	220,873
0	15,650	0	15,650
0	0	0	258,066
0	934	1,766	114,199
127,302	0	0	209,560
$ 277,263	$ 286,858	$ 251,032	$ 9,846,430
$ 0	$ 753	$ 724	$ 24,355
0	1,931	4,125	63,961
0	2,684	4,849	88,316
0	0	155,384	1,999,685
0	0	0	146,070
0	0	155,384	2,145,755
0	934	1,766	114,199
0	0	0	258,066
0	0	0	55,680
0	0	0	26,578
0	0	0	146,070
0	270,274	0	270,274
127,302	0	0	127,302
149,961	0	0	149,961
0	0	0	2,980,116
0	0	0	179,217
0	12,966	0	12,966
	0	89,033	89,033
0	0	0	3,202,897
277,263	284,174	90,799	7,612,359
$ 277,263	$ 286,858	$ 251,032	$ 9,846,430

CITY OF TUSCOLA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
APRIL 30, 2020

Total Fund Balance - Governmental Funds	$ 7,612,359
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.	23,685,773
Net pension assets are not current financial resources and, therefore, are not reported in the funds.	120,984
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore are not reported in the governmental funds as follows:	
Deferred outflows of resources	681,372
Deferred inflows of resources	(1,002,189)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities are as follows:	
Accrued compensated absences	(70,075)
Accrued interest	(2,888)
Bonds payable	(208,000)
Net Position of Governmental Activities	$ 30,817,336

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

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CITY OF TUSCOLA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED APRIL 30, 2020

	General	Tax Increment Financing	Motor Fuel Tax
Revenues			
Property taxes	$ 532,184	$ 1,283,634	$ 0
Sales taxes	1,342,559	0	0
State income taxes	440,765	0	0
Replacement taxes	41,121	0	0
Motor fuel taxes	0	0	165,319
Sales taxes - city	0	0	0
Video gaming taxes	90,577	0	0
Fines and fees	35,968	0	0
Grant income	39,325	0	0
Licenses and permits	27,416	0	0
Rent	9,670	0	0
Franchise fees	13,245	0	0
Interest income	112,078	26,142	245
Fire insurance	10,178	0	0
Pool income	63,394	0	0
Memorial funds	0	0	0
Miscellaneous	14,503	67,188	0
Total revenues	2,772,983	1,376,964	165,564
Expenditures			
Current			
General government	600,448	0	0
Public safety	985,990	0	0
Public works	494,983	0	0
Culture and recreation	284,301	0	0
Development	18,288	354,277	0
Debt Service			
Principal	0	0	106,000
Interest	0	0	10,270
Capital outlay	188,354	33,251	0
Total expenditures	2,572,364	387,528	116,270
Excess of revenues over (under) expenditures	200,619	989,436	49,294
Other Financing Sources (Uses)			
Impairment loss on investment	2,661	0	0
Total other financing sources (uses)	2,661	0	0
Net Change in Fund Balance	203,280	989,436	49,294
Fund Balances - beginning	6,238,795	(471,388)	227,969
Fund Balances - ending	$ 6,442,075	$ 518,048	$ 277,263

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

Tourism	Library	Total Governmental
$ 0	$ 151,278	$ 1,967,096
0	0	1,342,559
0	0	440,765
0	10,513	51,634
0	0	165,319
162,770	0	162,770
0	0	90,577
10,291	6,265	52,524
70	5,600	44,995
0	0	27,416
0	0	9,670
0	0	13,245
4,800	2,093	145,358
0	0	10,178
0	0	63,394
0	1,785	1,785
1,935	1,886	85,512
179,866	179,420	4,674,797
0	0	600,448
0	0	985,990
0	0	494,983
0	153,500	437,801
158,379	0	530,944
0	0	106,000
0	0	10,270
0	15,495	237,100
158,379	168,995	3,403,536
21,487	10,425	1,271,261
0	0	2,661
0	0	2,661
21,487	10,425	1,273,922
262,687	80,374	6,338,437
$ 284,174	$ 90,799	$ 7,612,359

CITY OF TUSCOLA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED APRIL 30, 2020

Net change in fund balances - total governmental funds	$ 1,273,922
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	237,100
Depreciation expense	(951,748)
Fair value of donated asset	72,849
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
Cost of benefits earned, net	(40,135)
New debt is another financing source in governmental funds, while repayment of bond and loan principal is an expenditure in the governmental funds, but the new debt increases long-term liabilities and the repayment reduces long-term liabilities in the statement of Net Position.	
Debt repayment	106,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds as follows:	
Accrued compensated absences	(1,619)
Accrued Interest	1,373
Change in Net Position of Governmental Activities	$ 697,742

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

CITY OF TUSCOLA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
APRIL 30, 2020

	Water Fund	Sewer Fund	Total
Assets			
Current assets			
Cash and cash equivalents	$ 881,273	$ 1,021,275	$ 1,902,548
Accounts receivable, net	97,524	63,589	161,113
Prepaid items	7,669	6,463	14,132
Cash and cash equivalents-restricted	211,403	32,146	243,549
Investment in joint venture	212,668	0	212,668
Total Current Assets	1,410,537	1,123,473	2,534,010
Noncurrent assets			
Capital assets:			
Property, plant and equipment	7,747,948	11,852,833	19,600,781
Accumulated Depreciation	(3,979,253)	(6,684,178)	(10,663,431)
Total Noncurrent Assets	3,768,695	5,168,655	8,937,350
Total Assets	5,179,232	6,292,128	11,471,360
Liabilities			
Current Liabilities			
Accounts payable	62,707	10,883	73,590
Customer deposits	37,850	0	37,850
Accrued payroll	4,921	5,737	10,658
Accrued interest	1,315	293	1,608
Accrued compensated absences - current	2,683	3,322	6,005
IEPA loans - current	58,889	8,823	67,712
Total Current Liabilities	168,365	29,058	197,423
Noncurrent Liabilities			
Accrued compensated absences	3,167	4,572	7,739
IEPA loans	801,510	114,912	916,422
Total Noncurrent Liabilities	804,677	119,484	924,161
Total Liabilities	973,042	148,542	1,121,584
Net Position			
Net investment in capital assets	2,908,296	5,044,920	7,953,216
Restricted:			
Restricted for debt service	70,000	10,500	80,500
Required bond reserves	141,403	21,646	163,049
Unrestricted	1,086,491	1,066,520	2,153,011
Total Net Position	$ 4,206,190	$ 6,143,586	$ 10,349,776

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

CITY OF TUSCOLA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2020

	Water	Sewer	Total
Operating Revenues			
Charges for services	$ 1,058,400	$ 646,082	$ 1,704,482
Miscellaneous	7,013	811	7,824
Total operating revenues	1,065,413	646,893	1,712,306
Operating Expenses			
Personnel services	165,005	150,657	315,662
Supplies and materials	53,364	50,676	104,040
Contractual services	456,605	94,175	550,780
Depreciation and amortization	229,808	292,924	522,732
Total operating expenses	904,782	588,432	1,493,214
Operating Income (Loss)	160,631	58,461	219,092
Non-operating Revenues (Expenses)			
Interest income	17,161	16,118	33,279
Sprayfield farm income (loss), net	0	3,339	3,339
Interest expense	(11,212)	(1,608)	(12,820)
Total non-operating revenues (expenses)	5,949	17,849	23,798
Change in net position	166,580	76,310	242,890
Net Position - beginning	4,039,610	6,067,276	10,106,886
Net Position - ending	$ 4,206,190	$ 6,143,586	$ 10,349,776

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

CITY OF TUSCOLA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2020

Cash Flows from Operating Activities:	**Water**	**Sewer**	**Totals**
Receipts from users	$ 1,056,773	$ 645,139	$ 1,701,912
Payments to suppliers	(516,735)	(150,848)	(667,583)
Payments to employees	(168,012)	(147,224)	(315,236)
Other receipts (payments)	7,013	811	7,824
Net cash provided (used) by operating activities	379,039	347,878	726,917
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(3,343)	(19,093)	(22,436)
Interest paid on capital debt	(11,301)	(1,629)	(12,930)
Principal paid on capital debt	(58,160)	(8,714)	(66,874)
Net cash provided (used) by capital and related financing activities	(72,804)	(29,436)	(102,240)
Cash Flows from Investing Activities:			
Interest on cash and investments	17,161	16,118	33,279
Sprayfield farm income (loss)	0	9,698	9,698
Net cash provided (used) by investing activities	17,161	25,816	42,977
Net increase (decrease) in cash and cash equivalents	323,396	344,258	667,654
Cash and cash equivalents, beginning of the year	769,280	709,163	1,478,443
Cash and cash equivalents, end of the year	$ 1,092,676	$ 1,053,421	$ 2,146,097
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities			
Operating income (loss)	$ 160,631	$ 58,461	$ 219,092
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	229,808	292,924	522,732
Change in assets and liabilities:			
(Increase) decrease-accounts receivable	(3,477)	(943)	(4,420)
(Increase) decrease-prepaid insurance	70	76	146
(Increase) decrease-joint venture equity	(33,321)	0	(33,321)
Increase (decrease)-accounts payable	26,485	(6,073)	20,412
Increase (decrease)-accrued payroll	(19)	1,516	1,497
Increase (decrease)-customer deposits	1,850	0	1,850
Increase (decrease)-accrued compensated absences	(2,988)	1,917	(1,071)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 379,039	$ 347,878	$ 726,917

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

CITY OF TUSCOLA

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
APRIL 30, 2020

	Agency Funds
ASSETS	
Current assets	
Cash	$ 868
Accounts receivable	28,567
Total assets	$ 29,435
LIABILITIES	
Current liabilities	
Accounts payable	$ 29,435
Total liabilities	$ 29,435

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

Note 1 - Summary of Significant Accounting Policies

General Statement

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

Financial Reporting Entity

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

Basis of Presentation

Government-wide Financial Statements

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

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditure or expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and

b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Concluded)

The funds of the financial reporting entity are described below:

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

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

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

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

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

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

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

The City has presented the following major proprietary funds:

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

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

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

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

Section 125 Plan Fund – To account for amounts withheld from employees' wages and reimbursed for qualified medical and daycare expenses in accordance with IRS Section 125 plans.

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

Measurement Focus

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus (Concluded)

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

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

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. (The City's deferred outflows of resources and deferred inflows of resources are noncurrent.) Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

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

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

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

Revenues – Exchange and Non-Exchange Transactions

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Concluded)

Revenues – Exchange and Non-Exchange Transactions (Concluded)

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

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

Unearned revenue

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

Cash and Cash Equivalents

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

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

Receivables

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 3 for details of interfund transactions, including receivables and payables, at year end.

Capital Assets

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statement

In the government-wide financial statements, property, plant and equipment are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to May 1, 2004.

Assets capitalized have an original cost of $5,000. Prior to May 1, 2004, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

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

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

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Prepaid Items

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

Government-wide Statement

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

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

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

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

Fund Financial Statements

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

Restricted Assets

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

Certain resources in the governmental funds are set aside and classified as restricted because their use has been limited by legal or contractual provisions. Additional cash disclosures are presented in Note 3.

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

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

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

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

Equity Classifications

Government-wide Statements

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

a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position – All other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

F*und Statements*

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

a. Nonspendable fund balance includes amounts that are not in a spendable form or are required to be maintained intact indefinitely.

b. Restricted fund balance includes amounts that can be spent only for the specific purpose stipulated by creditors, grantors, contributors, or laws or regulations of other governments.

c. Committed fund balance includes amounts that can be used only for the specific purposes determined by the City Council through the approval of City ordinances. Commitments may be changed or lifted only by the City Council making the same formal action that imposed the constraint originally.

d. Assigned fund balance comprises the amounts intended to be used for a specific purpose. Intent can be expressed by the City Council. No formal action is required.

e. Unassigned fund balance is the residual balance not contained in nonspendable fund balance or restricted fund balance or committed fund balance or assigned fund balance.

Note 1 - Summary of Significant Accounting Policies (Continued)

Equity Classifications (Concluded)

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

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

Interfund Transactions

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

All other interfund transactions are reported as transfers.

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Operating and Non-Operating Revenues and Expenses – Proprietary Funds

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

Expenditures/Expenses

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

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

Governmental Funds – by function:	Current (further classified by character)
	Debt Service
	Capital Outlay

Proprietary Fund – by operating and nonoperating

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Interfund Transfers

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

Use of Estimates

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

Stewardship, Compliance, and Accountability

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

Fund Accounting Requirements

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

Revenue Restrictions

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

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

For the year ended April 30, 2020, the City complied in all material respects with these revenue restrictions.

Note 1 - Summary of Significant Accounting Policies (Concluded)

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 9, 2020, the date financial statements were available to be issued.

The 2019 novel coronavirus (or "COVID-19") has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity and may increasingly have the potential to negatively impact the City and its residents. The extent of the adverse impact of the COVID-19 outbreak on the City cannot be predicted at this time. On August 24, 2020, the City Council approved an ordinance pertaining to the Local CURE program in order to access funds allocated to the City under that funding program for COVID-19 relief for local governments. Under the program, the city is eligible to seek reimbursement for up to $184,814 for expenses due to the COVID-19 pandemic. The City expects to qualify for reimbursement for the entire allotment.

The City Council awarded several bids on July 13, 2020 to complete the Ervin Park Improvement project, funded in part with an OSLAD grant from the Illinois Department of Natural Resources. Contracts awarded were:

Barton Electric for lighting - $442,232
Barton Electric for electrical - $42,800
Main Street Fencing for fencing - $58,271
NECO Asphalt for asphalt resurfacing on courts - $149,305
All Weather Courts for court final surfacing - $44,970

The City Council also approved Main Street Fencing for dog park area fencing in the amount of $30,348; the annual chip and tar street maintenance program with contractor Earl Walker at an amount of $49,055; approve the purchase of the property at 120 W North Central from Craig Hastings in the amount of $59,500; approved the renewal of the City's work comp and liability insurance coverage with Illinois Municipal League, Risk Management Association in the amount of $139,924; and approved consulting services for the outlet mall property for environmental, platting and lease consulting services in the amount of $46,025.

The City was notified by the Illinois Department of Revenue in April 2019 that a local sales tax adjustment has been approved that will result in $212,000 being owed to the State. The State withheld $170,000 in fiscal year 2020 and will withhold $42,000 in fiscal year 2021 from the City's sales tax revenue.

Note 2 - Property Taxes

Property tax bills are prepared by the County and issued on or about May 1 of each year. City property tax revenues are recorded as a receivable when assessed because the City has an enforceable legal claim to the resources. At this time, the receivable is offset by a deferred inflow since this amount is normally not collected within a time period to be available and is intended to finance the operations of fiscal year ending April 30, 2020. Property taxes are recognized during the period for which they are levied.

The due dates and collection period for all property taxes for the fiscal year ended April 30, 2020, are as follows:

Description	Date
Assessment and enforceable lien	January 1, 2019
Levy	December 9, 2019
Face value amount payment dates	1st half by July 5, 2019
	2nd half by September 5, 2019

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

Note 3 - Detail Notes on Transaction Classes/Accounts

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

Deposits and Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's investment policy requires all investments be made in accordance with applicable legal requirements with consideration of investment safety. Accordingly, the City maintains collateral agreements with its financial institutions. Deposits are secured with collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). Every banking institution has FDIC insurance. At each banking institution, time deposit accounts are insured up to $250,000 by FDIC insurance, and demand accounts are insured up to $250,000 by FDIC insurance. The City’s investment in The Illinois Funds and Illinois Metropolitan Investment Fund are not subject to custodial credit risk.

All deposits of the City’s reporting entity are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution’s trust department or agent in the name of the City. During the year ended April 30, 2020, the City’s cash and cash equivalents consisted of demand deposits, deposits in The Illinois Funds (described below), deposits in Illinois Metropolitan Investment Fund (described below), restricted cash, and petty cash of $350. At year end, the carrying amount of the City’s demand deposits were $612,695. The bank balance was subject to deposit risk as follows:

Deposits covered by FDIC insurance	$ 512,763
Uninsured and collateral held by pledging bank’s trust Department in the City’s name	85,956
Uninsured and collateral held by pledging bank’s trust department not in the City’s name	13,976
Total	$ 612,695

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

Deposits and Investments (Concluded)

The City maintains deposits in The Illinois Funds. The activities of The Illinois Funds are governed by the Treasurer's published investment policies, which were developed in accordance with the State statute. Deposits in The Illinois Funds are valued at share price, the price for which the investment could be sold. As of April 30, 2020, $8,817,946 was deposited into accounts with The Illinois Funds.

Also, the City maintains deposits in the Illinois Metropolitan Investment Fund (IMET). This fund is a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and is managed by a Board of Trustees elected from the participating members. Deposits in the IMET are valued at share price, the price for which the investment could be sold. On September 29, 2014, certain repurchase agreements with IMET, which were part of IMET's Convenience Fund, that were backed by First Farmers Financial, LLC (FFF) securities, that were believed to be guaranteed by the United States Department of Agriculture (USDA), were in default. The loans were allegedly guaranteed by the USDA but since the loan documents were forged, by FFF, the USDA has decided at this time to not provide a financial guarantee for the loans. As a result, as of September 30, 2014, each member's proportionate share of the Convenience Fund was placed into a restricted account at IMET and not eligible for withdrawal. On October 24, 2014 the IMET Board of Trustees voted to remove the value of the repurchase agreements from the books and records of the Convenience Fund and transfer the member's proportionate share of the IMET restricted account; therefore setting up a Liquidating Trust with each member's proportionate share from which IMET will distribute future proceeds from recovery efforts that are currently on-going. As of April 30, 2020, the balance of the investment with the Illinois Metropolitan Investment Fund was $7,549 and $5,248 was the City's share of the value in the Liquidating Trust. An allowance for Impairment Loss on Investment has been recorded in the amount of $2,587, to reflect the net amount IMET has determined to be realizable as of April 30, 2020. IMET was the only investment the City had during the current fiscal year.

Credit rating risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the City's Treasurer. Investing is performed in accordance with investment policies adopted by the City Council, complying with State Statutes. The Illinois Funds investment pools were rated AAAm by Standard & Poor's as of September 27, 2019. The Illinois Metropolitan Investment Fund was rated Aaa-bf by Moody's.

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

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City policy states that investments are subject to concentration of credit risk when 5% or more of the total are in securities of a single issuer. As of April 30, 2020, the City's investment in The Illinois Funds represent more than 5% of the total cash investment portfolio.

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

Capital Assets

Capital asset activity for the year ended April 30, 2020, was as follows:

Governmental Activities:	Balance May 1, 2019	Increases	Decreases	Balance April 30, 2020
Capital assets, not being depreciated:				
Land	$ 1,749,976	$ 75,000	$ 0	$ 1,824,976
Land-Rights of way	1,367,195	0	0	1,367,195
Total capital assets, not being depreciated	3,117,171	75,000	0	3,192,171
Capital assets, being depreciated:				
Land improvements	1,729,877	76,021	0	1,805,898
Buildings	5,808,899	15,925	0	5,824,824
Infrastructure	24,334,288	95,305	53,841	24,375,752
Equipment & Vehicles	2,717,525	0	0	2,717,525
PME-Portable Machinery/Equip	1,167,396	32,204	20,000	1,179,600
Library Collection	418,307	15,495	19,899	413,903
Totals at historical cost	36,176,292	234,950	93,740	36,317,502
Less accumulated depreciation:				
Land improvements	904,509	76,382	0	980,891
Buildings	2,496,418	168,885	0	2,665,303
Infrastructure	8,802,440	497,236	53,841	9,245,835
Equipment & Vehicles	1,437,061	135,845	0	1,572,906
PME-Portable Machinery/Equip	998,595	48,725	20,000	1,027,320
Library Collection	326,869	24,675	19,899	331,645
Total accumulated depreciation	14,965,892	951,748	93,740	15,823,900
Total capital assets, being depreciated, net	21,210,400	(716,798)	0	20,493,602
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	$ 24,327,571	$ (641,798)	$ 0	$ 23,685,773

Depreciation expense was charged to governmental activities as follows:

General government	$ 57,562
Public safety	92,038
Public works	625,410
Culture and recreation	176,738
TOTAL DEPRECIATION EXPENSE GOVERNMENTAL ACTIVITIES	$ 951,748

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

Capital Assets (Concluded)

Business-type Activities:	Balance May 1, 2019	Increases	Decreases	Balance April 30, 2020
Capital assets, not being depreciated:				
Land	$ 637,198	$ 0	$ 0	$ 637,198
Total capital assets, not being depreciated	637,198	0	0	637,198
Capital assets, being depreciated:				
Infrastructure	7,068,324	0	0	7,068,324
Plant/Mechanical	11,513,803	11,930	0	11,525,733
Vehicles & Equipment	305,333	0	0	305,333
PME-Portable Machinery/Equip	53,686	10,506	0	64,192
Totals at historical cost	18,941,146	22,436	0	18,963,582
Less accumulated depreciation:				
Infrastructure	3,525,634	193,937	0	3,719,571
Plant/Mechanical	6,414,824	304,352	0	6,719,176
Vehicles & Equipment	150,840	20,601	0	171,441
PME-Portable Machinery/Equip	49,400	3,842	0	53,242
Total accumulated depreciation	10,140,698	522,732	0	10,663,430
Total capital assets, being depreciated, net	8,800,448	(500,296)	0	8,300,152
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	$ 9,437,646	$ (500,296)	$ 0	$ 8,937,350

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

Water	$ 229,808
Sewer	292,924
TOTAL DEPRECIATION EXPENSE – BUSINESS-TYPE ACTIVITIES	$ 522,732

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

Accounts Payable

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

Long-Term Liabilities

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

Governmental Activities

As of April 30, 2020, the governmental long-term liabilities consisted of the following:

General obligation bonds:	
Current portion	$ 108,000
Noncurrent portion	100,000
TOTAL GENERAL OBLIGATION BOND COSTS, NET OF PREMIUMS AND DISCOUNTS	$ 208,000
Accrued compensated absences:	
Current portion	$ 24,046
Noncurrent portion	46,029
TOTAL ACCRUED COMPENSATED ABSENCES	$ 70,075

Business-type Activities

As of April 30, 2020, the long-term liabilities payable from proprietary fund resources consisted of the following:

Loans payable:	
Current portion	$ 67,712
Noncurrent portion	916,422
TOTAL LOANS PAYABLE PAYMENTS	$ 984,134
Accrued compensated absences:	
Current portion	$ 6,005
Noncurrent portion	7,739
TOTAL ACCRUED COMPENSATED ABSENCES	$ 13,744

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

Long-Term Liabilities (Continued)

General Obligation Bonds

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

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

Loans Payable

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

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

Long-Term Liabilities (Continued)

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

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

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

Long-Term Liabilities (Continued)

Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended April 30, 2020:

Type of Liability:	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
General obligation bonds:					
Series 2010	$ 114,000	$ 0	$ (56,000)	$ 58,000	$ 58,000
Series 2012	200,000	0	(50,000)	150,000	50,000
Total bonds payable	314,000	0	(106,000)	208,000	108,000
Accrued compensated Absences	68,456	111,050	(109,433)	70,075	24,046
TOTAL GENERAL LONG-TERM LIABILITIES	$ 382,456	$ 111,050	$ (215,433)	$ 278,075	$ 132,046
Business-type activities:					
Loans payable:					
Project L17-3758	573,474	0	(36,311)	537,163	36,765
Project L17-4835	345,086	0	(21,850)	323,236	22,124
Project L17-3671	132,448	0	(8,713)	123,735	8,823
Total loans payable	1,051,008	0	(66,874)	984,134	67,712
Accrued compensated Absences	14,815	23,763	(24,834)	13,744	6,005
TOTAL BUSINESS LONG-TERM LIABILITIES	$ 1,065,823	$ 23,763	$ (91,708)	$ 997,878	$ 73,717

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

Net Capital Assets	$ 23,685,773
Less:	
100% of the outstanding 2010 general obligation bonds	(58,000)
100% of the outstanding 2012 general obligation bonds	(150,000)
Net position invested in capital assets, net of related debt	$ 23,477,773

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

Long-Term Liabilities (Continued)

Annual Debt Service Requirements

The annual debt service requirements to maturity for bonds and loans as of April 30, 2020, are as follows:

Year Ending April 30	Governmental Principal	Governmental Interest	Business-Type Principal	Business-Type Interest
2021	$ 108,000	$ 6,963	$ 67,712	$ 12,091
2022	50,000	3,375	68,560	11,242
2023	50,000	1,750	69,420	10,382
2024	0	0	70,291	9,512
2025	0	0	71,172	8,630
2026-2030	0	0	369,474	29,537
2031-2034	0	0	267,505	6,634
TOTALS	$ 208,000	$ 12,088	$ 984,134	$ 88,028

Legal Debt Margin

2018 Equalized Assessed Valuation	$ 60,650,359
	8.625%
Legal Debt Margin	5,231,093
Margin Used	1,192,134
Margin Remaining	$ 4,038,959

Accrued Compensated Absences

Compensated absence obligations arise from amounts due to City employees for vested amounts of vacation pay and sick pay which will be payable in the future. Typically, the compensated absence obligations have been paid by the General Fund, Tax Increment Financing Fund, Tourism Fund, Library Fund, Water Fund and Sewer Fund. Amounts accrued at April 30, 2020, are as follows:

Accrued Compensated Absences

	Governmental Activities	Business-type Activities
Accrued paid time off	$ 70,075	$ 13,744
Less current portion	24,046	6,005
LONG-TERM PORTION	$ 46,029	$ 7,739

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

Other Post Employment Benefits (OPEB)

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

The City has one retiree included in its healthcare premiums at April 30, 2020 or during the year ending April 30, 2020. The retiree pays the full amount of his contribution as billed from the insurance company with no explicit city contribution. As a result, the City's implicit liability is some minimal amount below what is considered material for purposes of this audit report for the year ending April 30, 2020.

Revenues Due From County and State Governments

The following is a breakdown of the amounts due from the County and State governments in the government-wide financial statements at April 30, 2020:

Douglas County	
Property taxes	$ 1,999,685
Police fines	1,841
Total	$ 2,001,526
State of Illinois	
Sales tax	$ 120,698
Home rule sales tax	30,376
Income tax	45,168
Corporate pers. repl. tax	6,508
Gaming tax	4,836
Motor fuel tax	13,287
Total	$ 220,873

Tax Increment Financing Loans Receivable

On July 9, 2012, the City Council approved a loan of $51,000 at 3% for 10 years to Jeremy and Lana Tengwall of Bailey James Enterprises, LLC for renovations at 123 W. Sale St. On July 22, 2013, the City Council approved additional amounts on this loan for a total of $300,000. Additionally, the interest rate will be at 1.5%. As of April 30, 2020, all amounts of this loan were disbursed and the loan had entered the repayment phase, with an outstanding balance of $92,356.

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

Tax Increment Financing Loans Receivable (Continued)

On March 23, 2011, the City Council approved a loan of $46,250 at 3% for 11 years to Edward Boutilier of Double B Properties for renovations at 134 W. Sale St. As of April 30, 2020, all amounts of this loan was disbursed and the loan had entered the repayment phase, with an outstanding balance of $36,643. An additional $2,978 is due for interest and late fees on past due balances.

On January 13, 2014, the City Council approved a loan of $80,000 to Richard and Donna Kidwell of Daylight Donuts for renovations to the building at 901 E. Southline Road for use as a donut shop. As of April 30, 2018, all amounts of this loan had been disbursed and the loan had entered the repayment phase, with an outstanding balance of $51,264. On June 25, 2018, the City Council approved a mortgage assumption agreement of this mortgage with Austin Apgar. Under the agreement, the principal amount was reduced to $40,000, if a restaurant is opened on the site within 6 months. Further, the City Council agreed to forgive the loan completely if Apgar developed a $1.5 million addition to Lambo's development at Prairie ST and Route 36. On August 12, 2019 the City Council agreed to suspend principal payments for 12 months as the property is in the process of being sold for the opening of a Burgers and Beers Restaurant. At April 30, 2020, no business had been opened on the site and the loan balance was $34,942.

On February 13, 2012, the City Council approved a loan of $59,500 at 3% for 10 years to Edward Boutilier of Red Barn Veterinary Services for renovations at 132 W. Sale St. On March 9, 2015, the City Council rescinded $17,765 of this loan. As of April 30, 2020, $41,735 of this loan was disbursed and the loan had entered the repayment phase, with an outstanding balance of $25,423. An additional $370 is due for interest and late fees on past due balances.

On April 27, 2015, the City Council approved a loan of $100,000 at 1.5% for 6.5 years to Flesor Family Confectionary, Inc. for the expansion and renovation of Flesor's Candy Kitchen at 101, 103, and 105 W. Sale St. As of April 30, 2020, the loan had an outstanding balance of $35,381.

On September 28, 2015, the City Council approved a loan, not to exceed $18,300, at 3% for 6 years to Dr. William Hemmer for parking lot improvements to his property at 902 S. Court St. As of April 30, 2020, the loan had an outstanding balance of $3,841.

On September 28, 2015, the City Council approved a loan, not to exceed $18,300, at 3% for 6 years to Dr. Jamison Boyd for parking lot improvements to his property at 902 S. Court St. As of April 30, 2020, the loan had an outstanding balance of $3,923.

On August 15, 2003, the City Council approved a loan of $184,664 at 3% for 18.5 years to Scott Kibler of Scott Kibler Agency, Inc. for renovations at 129 W. Sale St. As of April 30, 2020, the loan had an outstanding balance of $15,934.

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

Tax Increment Financing Loans Receivable (Concluded)

On June 10, 2013, the City Council approved a loan of $50,000 to John McDevitt of Yellow Dog Artworks for renovation to the HVAC system and roof at 100 N. Main St. The amount is to be added to the building purchase price upon completion of the project. On April 14, 2014, an additional amount of $80,425 was approved by City Council under the same terms. On February 13, 2017, the City Council was notified that McDevitt was terminating the purchase contract with the city on this property. Bend in the River, Inc. was approved to lease the building for one year at $100 per month, and is approved to assume the redevelopment agreement on the property with the City upon successful completion of that one-year lease. On February 26, 2018, the City Council approved a one-month lease extension and on March 26, 2018, the City Council approved a 12-month lease extension. On February 11, 2019, the City Council approved a one-year lease extension with the same terms except the lease goes to $150 per month.

On September 16, 2011, the City Council approved a loan of $43,834 at 3% for 10.5 years to Vintage Karma for renovations at 110 W. Sale St. As of April 30, 2020, all amounts of this loan were disbursed and the loan had entered the repayment phase, with an outstanding balance of $9,823.

Tax Increment Financing Loan Project

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

These tax increments collected under the Act and paid to the City will be deposited in a special fund designated as “The Special Tax Allocation Fund for the Tuscola Redevelopment Project Area”. For the year ending April 30, 2020 the Tax Increment Fund received $1,283,634 in property taxes.

Tax Increment Grants

On May 14, 2018, the City Council approved a grant of $195,000 to Kenny and Angela Hogue for renovations to the property at 125 W Sale St for purposes of operating a restaurant and bar. On May 13, 2019, the City Council approved an additional $96,000 for this project to assist with cost overruns on the restaurant portion of this project, including electrical and HVAC work. At April 30, 2020, $290,845 of this grant had been disbursed.

On December 9, 2019, the City Council approved a $5,000 grant to Burgers and Beers for the extension of parking areas on the property at 901 E Southline Road. At April 30, 2020, none of these funds had been disbursed.

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

Tax Increment Other Redevelopment Agreements and Commitments

On April 24, 2017, the City Council approved a three-year agreement with Tuscola Economic Development, Inc. (TEDI) for purposes of the City employing an economic development director position for TEDI as its annual funding commitment to the organization 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, 2020, $664,211 of this grant had been disbursed, of which $17,650 in sales tax rebates and $28,028 in property tax rebates was disbursed in the current year.

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. On October 10, 2011, the City Council entered into a redevelopment agreement with Owen Tucker for the development of the lots in the newly established Barker/Prairie TIF City #3. The agreement with Owen Tucker provided for a 60% tax rebate for properties developed between Barker, Newkirk, Prairie and Enterprise streets, up to 50% of the total project costs, or $399,346. At April 30, 2020, $110,815 had been rebated to Tucker for this portion of the agreement, leaving $288,531 owed to Tucker from future years' property taxes. During the year ended April 30, 2020, the City remitted $27,152 for the property tax abatement.

On March 11, 2019, the City Council ratified an agreement with 3-D Development, LLC, Love's Travel Stops & Country Stores, Inc and Roserock Holdings, LLC to develop the property at the northwest corner of the I-57 and Route 36 intersection as a retail corridor with a Love's Travel Center as the anchor. Under the agreement, the City of Tuscola will provide reimbursement to the developer of up to $1,800,000 for the construction of an access road north of the existing I-57 south exit ramp. At April 30, 2020, none of the funds had yet been disbursed.

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, 2020.

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

Tax Increment Other Redevelopment Agreements and Commitments (Continued)

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, 2020 the City of Tuscola's equity interest was 55.04%, or $212,668, 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. The responsibility for maintaining books and records for the joint venture is shared between the Cities.

Summary financial information for the Tuscola-Arcola Water Main as of and for the year ended April 30, 2020 is provided below.

Financial Position as of April 30, 2020	
Cash	$ 268,924
Accounts Receivable- customers	(12,915)
Accounts Receivable – City of Arcola	130,396
Total assets	$ 386,405
Total equity	$ 386,405

Results of Operations for Fiscal Year Ending April 30, 2020	
Total revenues	$ 462,541
Total expenditures	(391,218)
Net income (loss)	71,323
Beginning total equity	315,082
Ending total equity	$ 386,405

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

Tax Increment Other Redevelopment Agreements and Commitments (Concluded)

Economic Dependency

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

Note 4 - Deferred Compensation Plan

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

Note 5 - Risk Management

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

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

Note 6 - Commitments and Contingencies

Grant Contingencies

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

Note 7 - Pension Plan

IMRF Plan Description

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

Benefits Provided

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

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

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

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

Employees Covered by Benefit Terms

As of December 31, 2019, the following employees were covered by the benefit terms:

	IMRF
Retirees and Beneficiaries currently receiving benefits	21
Inactive Plan Members entitled to but not yet receiving benefits	12
Active Plan Members	26
Total	59

Note 7 - Pension Plan (Continued)

Contributions

As set by statute, the City's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate for calendar year 2019 was 6.77%. For the fiscal year ended April 30, 2020, the City contributed $107,219 to the plan. The accounting for pension plans is done on a calendar year basis. No adjustment had been reflected in the notes or the financial statements for any difference that may result from the City being on an April fiscal year end. Any difference in timing is considered to be immaterial. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2019:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.50%.
- **Salary Increases** were expected to be 3.35% to 14.25%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.25%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation according to an experience study from years 2014 to 2016.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Note 7 - Pension Plan (Continued)

Actuarial Assumptions (Concluded)

- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	37%	5.75%
International Equity	18%	6.50%
Fixed Income	28%	3.25%
Real Estate	9%	5.20%
Alternative Investments	7%	3.60-7.60%
Cash Equivalents	1%	1.85%
Total	100%	

Note 7 - Pension Plan (Continued)

Single Discount Rate

A Single Discount Rate of 7.25% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and

2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.25%, the municipal bond rate is 2.75%, and the resulting single discount rate is 7.25%.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2018	$7,770,860	$7,113,587	$657,273
Changes for the year:			
Service Cost	145,172	0	145,172
Interest on the Total Pension Liability	557,721	0	557,721
Changes of Benefit Terms	0	0	0
Differences Between Expected and Actual			
Experience of the Total Pension Liability	(69,467)	0	(69,467)
Changes of Assumptions	0	0	0
Contributions - Employer	0	99,796	(99,796)
Contributions - Employees	0	66,335	(66,335)
Net Investment Income	0	1,254,604	(1,254,604)
Benefit Payments, including Refunds			
of Employee Contributions	(301,487)	(301,487)	0
Other (Net Transfer)	0	(9,052)	9,052
Net Changes	331,939	1,110,196	(778,257)
Balances at December 31, 2019	$8,102,799	$8,223,783	($120,984)

Note 7 - Pension Plan (Continued)

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

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.25%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower	Current Discount	1% Higher
	(6.25%)	(7.25%)	(8.25%)
Net Pension Liability	$838,844	($120,984)	($872,426)

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

For the year ended April 30, 2020, the City recognized an increase in pension liability of $40,136. At April 30, 2020, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Deferred Amounts to be Recognized in Pension Expense in Future Periods			
Differences between expected and actual experience	$ 18,010	$ 60,658	($ 42,648)
Changes of assumptions	124,012	100,717	23,295
Net difference between projected and actual earnings on pension plan investments	539,350	840,814	(301,464)
Total Deferred Amounts to be recognized in pension expense in future periods	681,372	1,002,189	(320,817)

Note 7 - Pension Plan (Concluded)

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

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

Year Ending December 31	Deferred Outflows of Resources
2020	(90,739)
2021	(100,803)
2022	32,772
2023	(160,340)
2024	(1,707)
Thereafter	0
Total	($ 320,817)

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TUSCOLA
Tuscola, Illinois

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

Calendar Years Ending December 31,	2019	2018	2017
Total Pension Liability			
Service Cost	$ 145,172	$ 125,868	$ 136,805
Interest on the Total Pension Liability	557,721	532,034	520,082
Changes of Benefit Terms	0	0	0
Difference between Expected and Actual Experience of the Total Pension Liability	(69,467)	16,047	(9,126)
Changes of Assumption	0	204,785	(208,863)
Benefit Payments, Including Refunds of Employee Contributions	(301,487)	(277,452)	(270,697)
Net Change in Total Pension Liability	331,939	601,282	168,201
Total Pension Liability - Beginning	7,770,860	7,169,578	7,001,377
Total Pension Liability - Ending (A)	$ 8,102,799	$7,770,860	$7,169,578
Plan Fiduciary Net Position			
Contributions - Employer	$ 99,796	$ 126,735	$ 118,904
Contributions - Employees	66,335	60,671	60,253
Net Investment Income	1,254,604	(330,034)	1,095,323
Benefit Payments, Including Refunds of Employee Contributions	(301,487)	(277,452)	(270,697)
Other (Net Transfer)	(9,052)	93,880	(59,453)
Net Change in Plan Fiduciary Net Position	1,110,196	(326,200)	944,330
Plan Fiduciary Net Position - Beginning	7,113,587	7,439,787	6,495,457
Plan Fiduciary Net Position - Ending (B)	8,223,783	7,113,587	7,439,787
Net Pension Liability/(Asset) - Ending (A) - (B)	$ (120,984)	$ 657,273	$ (270,209)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	101.49%	91.54%	103.77%
Covered Valuation Payroll	$ 1,474,107	$ 1,348,242	$ 1,262,251
Net Pension Liability as a Percentage of Covered Valuation Payroll	-8.21%	48.75%	-21.41%

Notes to Schedule:
This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

2016	2015
$ 128,500	$ 135,003
490,430	464,222
0	0
34,719	(9,272)
(8,687)	8,307
(254,268)	(219,403)
390,694	378,857
6,610,683	6,231,826
$7,001,377	$ 6,610,683
$ 119,261	$ 127,492
65,588	56,574
423,784	30,553
(254,268)	(219,403)
51,594	(33,907)
405,959	(38,691)
6,089,498	6,128,189
6,495,457	6,089,498
$ 505,920	$ 521,185
92.77%	92.12%
$ 1,208,310	$ 1,257,207
41.87%	41.46%

CITY OF TUSCOLA
Tuscola, Illinois

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions

Calendar Year Ended December 31,		Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution As a Percentage of Covered Valuation Payroll
2015		122,452	127,492	(5,040)	1,257,207	10.14%
2016		119,260	119,261	(1)	1,208,310	9.87%
2017		118,904	118,904	-	1,262,251	9.42%
2018		126,735	126,735	-	1,348,242	9.40%
2019	*	99,797	99,796	1	1,474,107	6.77%

** Estimated based on contribution rate of 6.77% and covered valuation payroll of $1,474,107.*

Notes to Schedule:
This Schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine 2019 Contribution Rates:

Actuarial Cost Method:	Aggregate entry age normal
Amoritization Method:	Level percentage of payroll, closed
Remaining Amoritization Period:	Non-taxing bodies: 10-year rolling period.
	Taxing bodies (Regular, SLEP and ECO groups): 24-year closed period until remaining period reaches 15 years (then 15-year rolling period).
	Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.
	SLEP supplemental liabiltites attributable to Public Act 94-712 were financed over 19 years for most employers (three employers were financed over 28 years, four others were financed over 29 years).
Asset Valuation Method:	5-year smoothed market; 20% corridor
Wage Growth :	3.25%
Price Inflation:	2.50%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	3.35% to 14.25%, including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table of rate that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014 to 2016.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions (Concluded)

Methods and Assumptions Used to Determine 2019 Contribution Rates (Concluded):

Mortality:	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017(base year 2015). The IMRF specific rates were developed form the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017(base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes: There were no benefit changes during the year.

*Based on Valuation Assumptions used in the December 31, 2017 actuarial valuation.

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2020

	Original & Final Budget	Actual	Over (Under)
Revenues			
Property taxes	$ 535,196	$ 532,184	$ (3,012)
Sales taxes	1,473,000	1,342,559	(130,441)
State income taxes	451,360	440,765	(10,595)
Replacement taxes	35,000	41,121	6,121
Video gaming taxes	95,000	90,577	(4,423)
Fines and fees	35,000	35,968	968
Rent	10,000	9,670	(330)
Licenses and permits	32,500	27,416	(5,084)
Grant income	348,796	39,325	(309,471)
Franchise fees	15,000	13,245	(1,755)
Fire insurance	10,000	10,178	178
Pool income	66,200	63,394	(2,806)
Interest income	133,550	112,078	(21,472)
Miscellaneous	34,600	14,503	(20,097)
Total Revenues	3,275,202	2,772,983	(502,219)
Expenditures			
General Government			
Salaries - city officials and other	322,000	219,912	(102,088)
Payroll taxes	61,000	16,862	(44,138)
Employee benefits	160,000	54,871	(105,129)
Professional fees	275,000	82,991	(192,009)
Office and general expenses	190,000	20,642	(169,358)
Insurance	85,000	51,146	(33,854)
Publications	35,000	14,588	(20,412)
Maintenance	55,000	3,418	(51,582)
Utilities	50,000	15,852	(34,148)
Animal and bird control	182,500	9,488.00	(173,012)
Travel, training and education	35,000	7,682	(27,318)
Community activity subsidy	200,000	88,000	(112,000)
Substance abuse program	12,000	1,770	(10,230)
Miscellaneous	82,500	13,226	(69,274)
Total Expenditures - General Government	1,745,000	600,448	(1,144,552)

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

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED APRIL 30, 2020

	Original & Final Budget	Actual	Over (Under)
Expenditures (continued)			
Public Safety			
Fire Protection			
Salaries	300,000	138,922	(161,078)
Payroll taxes	32,500	10,780	(21,720)
Employee benefits	10,000	1,810	(8,190)
Subscriptions	5,000	1,617	(3,383)
Special bequests	50,000	5,221	(44,779)
Utilities	25,000	4,120	(20,880)
Travel, training and education	25,000	6,531	(18,469)
Office and general expenses	25,000	7,171	(17,829)
Uniforms	7,500	103	(7,397)
Repairs and maintenance	285,000	23,376	(261,624)
Supplies and parts	85,000	15,712	(69,288)
Fire prevention	5,000	1,521	(3,479)
Miscellaneous	5,000	575	(4,425)
Total Expenditures - Fire Protection	860,000	217,459	(642,541)

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

CITY OF TUSCOLA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED APRIL 30, 2020

	Original & Final Budget	Actual	Over (Under)
Expenditures (continued)			
Public Safety (continued)			
Police Protection			
Salaries	$ 825,000	$ 461,616	$ (363,384)
Payroll taxes	25,000	9,974	$ (15,026)
Employee benefits	275,000	117,954	$ (157,046)
Communications	25,000	11,876	$ (13,124)
Office and general expenses	20,000	6,665	$ (13,335)
Uniforms	10,000	4,838	$ (5,162)
Repairs and maintenance	210,000	48,823	$ (161,177)
Utilities	20,000	6,321	$ (13,679)
Subscriptions	7,500	248	$ (7,252)
Travel, training and education	15,000	2,501	$ (12,499)
Drug fund	20,000	376	$ (19,624)
K-9 unit	10,000	0	$ (10,000)
Miscellaneous	15,000	4,835	$ (10,165)
Total Expenditures - Police Protection	1,477,500	676,027	$ (801,473)
Building Inspection			
Salaries	85,000	53,753	(31,247)
Payroll taxes	11,000	3,590	(7,410)
Employee benefits	70,000	29,652	(40,348)
Insurance	500	50	(450)
Office and general expenses	22,500	3,671	(18,829)
Travel, training and education	7,500	425	(7,075)
Professional fees	120,000	0	(120,000)
Repairs and maintenance	40,000	1,355	(38,645)
Miscellaneous	1,500	8	(1,492)
Total Expenditures - Building Inspection	358,000	92,504	(265,496)
Total Expenditures - Public Safety	2,695,500	985,990	(1,709,510)

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

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED APRIL 30, 2020

	Original & Final Budget	Actual	Over (Under)
Expenditures (continued)			
Public Works			
Streets and Alleys			
Salaries	445,000	268,886	(176,114)
Payroll taxes	80,000	21,817	(58,183)
Employee benefits	225,000	101,342	(123,658)
Communications	5,000	417	(4,583)
Travel, training and education	5,000	110	(4,890)
Vehicle fuel	75,000	12,679	(62,321)
Vehicle maintenance	150,000	16,022	(133,978)
Utilities	100,000	41,321	(58,679)
Small equipment	102,500	1,803	(100,697)
Supplies and parts	20,000	1,847	(18,153)
Repairs and maintenance	300,000	1,911	(298,089)
Street, alley and curb maintenance	250,000	25,703	(224,297)
Sidewalks	25,000	910	(24,090)
Miscellaneous	5,000	215	(4,785)
Total Expenditures - Streets and Alleys	1,787,500	494,983	(1,292,517)
Total Expenditures - Public Works	1,787,500	494,983	(1,292,517)

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

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED APRIL 30, 2020

	Original & Final Budget	Actual	Over (Under)
Expenditures (continued)			
Culture and Recreation			
Park			
Salaries	170,000	109,799	(60,201)
Payroll taxes	16,000	7,387	(8,613)
Employee benefits	250,000	58,564	(191,436)
Repairs and maintenance	145,000	10,435	(134,565)
Communications	5,000	524	(4,476)
Travel, training and education	5,000	156	(4,844)
Utilities	50,000	12,643	(37,357)
Supplies and parts	41,500	2,741	(38,759)
Miscellaneous	25,000	290	(24,710)
Total Expenditures - Park	707,500	202,539	(504,961)
Pool			
Salaries	80,000	49,870	(30,130)
Payroll taxes	10,000	4,052	(5,948)
Supplies	70,000	11,806	(58,194)
Repairs and maintenance	95,000	3,871	(91,129)
Advertising	5,000	0	(5,000)
Communications	5,000	628	(4,372)
Training	5,000	1,785	(3,215)
Utilities	50,000	9,674	(40,326)
Miscellaneous	20,000	76	(19,924)
Total Expenditures - Pool	340,000	81,762	(258,238)
Total Expenditures - Culture and Recreation	1,047,500	284,301	(763,199)

CITY OF TUSCOLA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONCLUDED)
FOR THE YEAR ENDED APRIL 30, 2020

	Original & Final Budget	Actual	Over (Under)
Expenditures (concluded)			
Development			
Economic development	2,000,000	18,288	(1,981,712)
Total Expenditures - Development	2,000,000	18,288	(1,981,712)
Capital Outlay			
General government	500,000	0	(500,000)
Fire protection	1,000,000	32,204	(967,796)
Police protection	100,000	0	(100,000)
Building inspection	75,000	0	(75,000)
Streets and alleys	1,000,000	70,583	(929,417)
Municipal building	250,000	0	(250,000)
Park	1,000,000	70,045	(929,955)
Pool	500,000	0	(500,000)
Development	0	15,522	15,522
Total Expenditures - Capital Outlay	4,425,000	188,354	(4,236,646)
Total expenditures	13,700,500	2,572,364	(11,128,136)
Excess (deficiency) of revenues over (under) expenditures	(10,425,298)	200,619	10,625,917
Other Financing Sources (Uses)			
Impairment loss on investment	0	2,661	2,661
Total other financing sources (uses)	0	2,661	2,661
Net change in fund balances	$ (10,425,298)	203,280	$ 10,628,578
Fund balances - beginning		6,238,795	
Fund balances - ending		$ 6,442,075	

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

CITY OF TUSCOLA

BUDGETARY COMPARISON SCHEDULE - TAX INCREMENT FINANCING FUND
FOR THE YEAR ENDED APRIL 30, 2020

	Original & Final Budget	Actual	Over (Under)
Revenues			
Property taxes	$ 1,361,000	$ 1,283,634	$ (77,366)
Miscellaneous income	8,500	67,188	58,688
Interest income	20,250	26,142	5,892
Total revenues	1,389,750	1,376,964	(12,786)
Expenditures			
Current			
Development	14,367,000	354,277	(14,012,723)
Debt service			
Principal	500,000	0	(500,000)
Interest expense	150,000	0	(150,000)
Capital outlay	2,050,000	33,251	(2,016,749)
Total expenditures	17,067,000	387,528	(16,679,472)
Excess (deficiency) of revenues over (under) expenditures	(15,677,250)	989,436	16,666,686
Net change in fund balances	$ (15,677,250)	989,436	$ 16,666,686
Fund balances - beginning		(471,388)	
Fund balances - ending		$ 518,048	

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

CITY OF TUSCOLA

BUDGETARY COMPARISON SCHEDULE - MOTOR FUEL TAX FUND
FOR THE YEAR ENDED APRIL 30, 2020

	Original & Final Budget	Actual	Over (Under)
Revenues			
Motor fuel tax	$ 114,016	$ 165,319	$ 51,303
Interest income	300	245	(55)
Total revenues	114,316	165,564	51,248
Expenditures			
Current			
Public works	250,000	0	(250,000)
Debt Service			
Principal	200,000	106,000	(94,000)
Interest expense	150,000	10,270	(139,730)
Capital outlay	1,500,000	0	(1,500,000)
Total expenditures	2,100,000	116,270	(1,983,730)
Excess (deficiency) of revenues over (under) expenditures	$ (1,985,684)	49,294	$ 2,034,978
Fund balances - beginning		227,969	
Fund balances - ending		$ 277,263	

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

CITY OF TUSCOLA

BUDGETARY COMPARISON SCHEDULE - TOURISM FUND
FOR THE YEAR ENDED APRIL 30, 2020

	Original & Final Budget	Actual	Over (Under)
Revenues			
Sales taxes - city	$ 165,000	$ 162,770	$ (2,230)
Fines and fees	14,850	10,291	(4,559)
Interest income	5,000	4,800	(200)
Grant income	0	70	70
Miscellaneous	500	1,935	1,435
Total revenues	185,350	179,866	(5,484)
Expenditures			
Current			
Development	972,000	158,379	(813,621)
Capital outlay	150,000	0	(150,000)
Total expenditures	1,122,000	158,379	(963,621)
Excess (deficiency) of revenues over (under) expenditures	$ (936,650)	21,487	$ 958,137
Fund balances - beginning		262,687	
Fund balances - ending		$ 284,174	

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

CITY OF TUSCOLA

BUDGETARY COMPARISON SCHEDULE - LIBRARY FUND
FOR THE YEAR ENDED APRIL 30, 2020

	Original & Final Budget	Actual	Over (Under)
Revenues			
Property taxes	$ 151,522	$ 151,278	$ (244)
Replacement taxes	10,151	10,513	362
Fines and fees	7,500	6,265	(1,235)
Memorial funds	1,000	1,785	785
Interest income	1,784	2,093	309
Grant income	5,600	5,600	0
Miscellaneous	1,000	1,886	886
Total revenues	178,557	179,420	863
Expenditures			
Current			
Culture and recreation	692,500	153,500	(539,000)
Capital outlay	100,000	15,495	(84,505)
Total expenditures	792,500	168,995	(623,505)
Excess (deficiency) of revenues over (under) expenditures	(613,943)	10,425	624,368
Net change in fund balances	$ (613,943)	10,425	$ 624,368
Fund balances - beginning		80,374	
Fund balances - ending		$ 90,799	

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

Note 1 - Budgets and Budgetary Accounting

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

1. Prior to the end of the first quarter, the City Treasurer submits to the City Council a proposed operating budget for the fiscal year commencing on May 1. The operating budget includes proposed expenditures and the means of financing those. The operating budget is the goal that the city department supervisors and council use to manage day to day decisions for the city, but the budgeted items are flexible to be easily changed as operating needs change.

2. Prior to July 31, the appropriations budget is legally enacted through passage of an ordinance. The appropriations ordinance budget sets the absolute legal spending limit for each budgeted line item of the city. There are very few instances that allow a change of the appropriations ordinance budget, so it is imperative that all contingencies are considered prior to the passage of this ordinance. For this reason, the appropriation ordinance contains inflated amounts as the highest possible spending for all contingencies must be planned for in that document.

3. The appropriations ordinance must be available for public inspection for a minimum of 10 days prior to the adoption of the ordinance. Public hearings are conducted by the City to obtain taxpayer comments. At least one public hearing must be held no later than 10 days prior to final approval of the appropriations ordinance. The final proposed document was made available to the public, and its availability publicly announced at a meeting of the city council on June 24, 2019. The appropriation hearing was held on July 8, 2019. The appropriations ordinance for the fiscal year ending April 30, 2020 was adopted on July 8, 2019.

4. The City Treasurer is authorized to transfer appropriated amounts between departments and their line items; however, any revisions that alter the total expenditures must be approved by the City Council.

5. Formal budgetary integration is employed as a management control device during the year; and, the budget is legally adopted. Budget amendments are also legally adopted.

6. The budget is adopted on the modified accrued basis of accounting.

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. In accordance with generally accepted accounting principles (GAAP), encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. There are no encumbrances at April 30, 2020.

Note 2 - Appropriations Deficit

No funds that adopted budgets annually had excess expenditures over appropriations for the fiscal year ended April 30, 2020.

OTHER SUPPLEMENTARY INFORMATION

CITY OF TUSCOLA
Tuscola, Illinois

Equalized Assessed Valuations, Tax Rates, Taxes Extended and Collected
April 30, 2020

Tax Levy Year	2019	2018	2017	2016	2015
Equalized Assessed Valuation					
(not including TIF Districts)	$ 60,366,592	$ 60,650,359	$ 58,847,927	$ 58,200,770	$ 57,354,796
Tax Rates					
(Per $100 Equalized					
Assessed Valuation)					
General corporate	$ 0.1510	$ 0.1466	$ 0.1474	$ 0.1433	$ 0.1398
Audit	0.0113	0.0109	0.0109	0.0105	0.0102
ESDA	-	-	-	-	-
Liability insurance	0.0889	0.0863	0.0867	0.0842	0.0821
Social security	0.0742	0.0720	0.0723	0.0702	0.0684
Fire protection	0.1618	0.1571	0.1579	0.1535	0.1497
Parks	0.0736	0.0714	0.0717	0.0697	0.0680
Police protection	0.1493	0.1449	0.1456	0.1415	0.1380
IMRF	0.1122	0.1089	0.1094	0.1063	0.1037
Library	0.2574	0.2499	0.2512	0.2442	0.2382
Workmans compensation	0.0502	0.0487	0.0489	0.0475	0.0463
Total Tax Rate	$ 1.1299	$ 1.0967	$ 1.1020	$ 1.0709	$ 1.0444
Equalized Assessed Valuation -					
TIF Districts only	$ 16,504,227	$ 16,516,787	$ 19,572,240	$ 20,282,421	$ 18,703,691
TIF Districts	$ 7.8682	$ 7.7720	$ 8.0444	$ 8.0426	$ 8.0521
Tax Extensions					
General corporate	$ 91,154	$ 88,913	$ 86,742	$ 83,402	$ 80,182
Audit	6,821	6,611	6,414	6,111	5,850
ESDA	-	-	-	-	-
Liability insurance	53,666	52,341	51,003	49,005	47,088
Social security	44,792	43,668	42,547	40,857	39,231
Road and bridge	19,015	19,590	20,000	19,788	20,132
Fire protection	97,673	95,282	92,921	89,338	85,860
Parks	44,430	43,304	42,194	40,566	39,001
Police protection	90,127	87,882	85,683	82,354	79,150
IMRF	67,731	66,048	64,380	61,867	59,577
Library	155,384	151,565	147,826	142,126	136,619
Workmans compensation	30,304	29,537	28,777	27,645	26,555
TIF Districts	1,298,587	1,283,686	1,574,471	1,631,236	1,506,041
Taxes extended - in total	$ 1,999,684	$ 1,968,427	$ 2,242,958	$ 2,274,296	$ 2,125,286

CITY OF TUSCOLA
Tuscola, Illinois

Equalized Assessed Valuations, Tax Rates, Taxes Extended and Collected
April 30, 2020

Tax Levy Year	2019	2018	2017	2016	2015
Taxes Collected (continued)					
General corporate	$ -	$ 88,569	$ 86,926	$ 83,032	$ 79,760
Audit	-	6,585	6,428	6,084	5,819
Civil defense	-	-	-	-	-
Liability insurance	-	52,139	51,129	48,788	46,840
Social security	-	43,499	42,638	40,676	39,024
Road and bridge	-	19,533	19,706	19,696	20,042
Fire protection	-	94,913	93,118	88,943	85,407
Park	-	43,137	42,284	40,386	38,795
Police protection	-	87,542	85,865	81,989	78,732
IMRF	-	65,793	64,516	61,594	59,163
Library	-	150,978	148,132	141,493	135,900
Workmen's compensation	-	29,423	28,838	27,523	26,415
TIF Districts	-	1,281,094	1,645,083	1,610,499	1,502,729
Taxes collected	$ -	$ 1,963,204	$ 2,314,663	$ 2,250,703	$ 2,118,628
Percentage of Extensions Collected	0.00%	99.73%	103.20%	98.96%	99.69%

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