

CITY OF TUSCOLA
Tuscola, Illinois

ANNUAL FINANCIAL REPORT

April 30, 2021



PARIS, IL • TUSCOLA, IL • CASEY, IL

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Tuscola
Tuscola, Illinois

Report on the Financial Statements

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, 2021, 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tuscola, Illinois, as of April 30, 2021, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2021, on our consideration of the City of Tuscola, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Tuscola, Illinois' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tuscola, Illinois' internal control over financial reporting and compliance.



Tuscola, Illinois
October 1, 2021

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

Honorable Mayor and City Council
City of Tuscola
Tuscola, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tuscola, Illinois, as of and for the year ended April 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 1, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Larsson Woodyard + Henson, LLP

Tuscola, IL
October 1, 2021

CITY OF TUSCOLA

MANAGEMENT'S DISCUSSION AND ANALYSIS APRIL 30, 2021

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, 2021.

Financial Highlights

- The assets of the City of Tuscola exceeded its liabilities at the close of the most recent fiscal year by \$43,679,133 (*net position*).
- The City's total net position increased by \$2,512,021 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 \$8,768,474. Of this amount, \$4,074,876 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 \$2,894,952.
- City of Tuscola's total debt decreased by \$278,451 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).

CITY OF TUSCOLA

MANAGEMENT'S DISCUSSION AND ANALYSIS APRIL 30, 2021

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 15-17 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 18-23 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.

CITY OF TUSCOLA

MANAGEMENT'S DISCUSSION AND ANALYSIS APRIL 30, 2021

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Custodial funds. Custodial funds are used to account for resources held for the benefit of parties outside the government. Custodial 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 custodial 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 City terminated the Section 125 Fund during the fiscal year ending April 30, 2021 due to a lack of interest among eligible employees. The accounting used for custodial funds is much like that used for proprietary funds. The basic custodial fund financial statement can be found on page 27 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 28-56 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 57-70 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 \$43,679,133 at the close of the most recent fiscal year.

The largest portion of the City of Tuscola's net position (*79 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.

CITY OF TUSCOLA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2021**

Summary of City of Tuscola's Net Position

| | Governmental Activities | Governmental Activities | Business-Type Activities | Business-Type Activities | Total | Total |
|-------------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|----------------------|----------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Current and Other Assets | \$ 11,032,694 | \$ 9,846,430 | \$ 2,999,425 | \$ 2,534,010 | \$ 14,032,119 | \$ 12,380,440 |
| Net Pension Asset | 743,708 | 120,984 | - | - | 743,708 | 120,984 |
| Capital Assets | 26,087,455 | 23,685,773 | 8,663,573 | 8,937,350 | 34,751,028 | 32,623,123 |
| Total Assets | <u>\$ 37,863,857</u> | <u>\$ 33,653,187</u> | <u>\$ 11,662,998</u> | <u>\$ 11,471,360</u> | <u>\$ 49,526,855</u> | <u>\$ 45,124,547</u> |
| Deferred Outflow of Resources | \$ 518,236 | \$ 681,372 | \$ - | \$ - | \$ 518,236 | \$ 681,372 |
| Defer'd Outflows of Resources | <u>\$ 518,236</u> | <u>\$ 681,372</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 518,236</u> | <u>\$ 681,372</u> |
| Long-term Liabilities | \$ 46,372 | \$ 146,029 | \$ 858,409 | \$ 924,161 | \$ 904,781 | \$ 1,070,190 |
| Other Liabilities | 2,027,719 | 223,250 | 241,187 | 197,423 | 2,268,906 | 420,673 |
| Total Liabilities | <u>\$ 2,074,091</u> | <u>\$ 369,279</u> | <u>\$ 1,099,596</u> | <u>\$ 1,121,584</u> | <u>\$ 3,173,687</u> | <u>\$ 1,490,863</u> |
| Deferred Inflows of Resources | | | | | | |
| Def Inflows rel to Pensions | \$ 1,143,943 | \$ 1,002,189 | \$ - | \$ - | \$ 1,143,943 | \$ 1,002,189 |
| Unavai. Rev. - Grant | - | 146,070 | - | - | - | 146,070 |
| Unavai. Rev. - Property Taxes | 2,048,328 | 1,999,685 | - | - | 2,048,328 | 1,999,685 |
| Total Defer'd Inflows of Res. | <u>\$ 3,192,271</u> | <u>\$ 3,147,944</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,192,271</u> | <u>\$ 3,147,944</u> |
| Net Position: | | | | | | |
| Net Invest. in Capital Assets | \$ 26,087,455 | \$ 23,477,773 | \$ 7,747,151 | \$ 7,953,216 | \$ 33,834,606 | \$ 31,430,989 |
| Restricted | 692,373 | 775,865 | 255,537 | 243,549 | 947,910 | 1,019,414 |
| Unrestricted | 6,335,903 | 6,563,698 | 2,560,714 | 2,153,011 | 8,896,617 | 8,716,709 |
| Total Net Position | <u>\$ 33,115,731</u> | <u>\$ 30,817,336</u> | <u>\$ 10,563,402</u> | <u>\$ 10,349,776</u> | <u>\$ 43,679,133</u> | <u>\$ 41,167,112</u> |

An additional portion of the City of Tuscola's net position (\$692,373) represents resources that are subject to external restrictions on how they may be used. The remaining balance of Net position, *unrestricted net position* (\$6,335,903) 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.

CITY OF TUSCOLA

**MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2021**

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

City of Tuscola’s Revenues, Expenses and Net Position

| | Governmental Activities | Governmental Activities | Business-Type Activities | Business-Type Activities | Total | Total |
|--------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|---------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 112,902 | \$ 176,427 | \$ 1,716,365 | \$ 1,704,482 | \$ 1,829,267 | \$ 1,880,909 |
| Grants & Contributions | 1,416,468 | 117,844 | 154,804 | - | 1,571,272 | 117,844 |
| General Revenues: | | | | | | |
| Property Taxes | 2,000,227 | 1,967,096 | - | - | 2,000,227 | 1,967,096 |
| Sales Taxes | 1,545,281 | 1,505,329 | - | - | 1,545,281 | 1,505,329 |
| Income Taxes | 543,793 | 440,765 | - | - | 543,793 | 440,765 |
| Replacement Taxes | 64,203 | 51,634 | - | - | 64,203 | 51,634 |
| Motor Fuel Taxes | 160,402 | 165,319 | - | - | 160,402 | 165,319 |
| Video Gaming Taxes | 91,252 | 90,577 | - | - | 91,252 | 90,577 |
| Investment Earnings | 19,913 | 145,358 | 4,330 | 33,279 | 24,243 | 178,637 |
| Investment Impairment | 80 | 2,661 | - | - | 80 | 2,661 |
| Miscellaneous | 91,630 | 87,297 | 13,888 | 7,824 | 105,518 | 95,121 |
| Total Revenues | <u>6,046,151</u> | <u>4,750,307</u> | <u>1,889,387</u> | <u>1,745,585</u> | <u>7,935,538</u> | <u>6,495,892</u> |
| Expenses: | | | | | | |
| General Government | 474,361 | 698,391 | - | - | 474,361 | 698,391 |
| Public Safety | 1,050,568 | 1,078,028 | - | - | 1,050,568 | 1,078,028 |
| Public Works | 1,127,767 | 1,120,393 | - | - | 1,127,767 | 1,120,393 |
| Culture and Recreation | 539,656 | 614,539 | - | - | 539,656 | 614,539 |
| Development | 549,485 | 530,944 | - | - | 549,485 | 530,944 |
| Interest on L-T Debt | 5,919 | 10,270 | - | - | 5,919 | 10,270 |
| Water Department | - | - | 1,066,002 | 915,994 | 1,066,002 | 915,994 |
| Sewer Department | - | - | 609,759 | 586,701 | 609,759 | 586,701 |
| Total Expenses | <u>3,747,756</u> | <u>4,052,565</u> | <u>1,675,761</u> | <u>1,502,695</u> | <u>5,423,517</u> | <u>5,555,260</u> |
| Change in Net Position | 2,298,395 | 697,742 | 213,626 | 242,890 | 2,512,021 | 940,632 |
| Net Position, Beginning | <u>30,817,336</u> | <u>30,119,594</u> | <u>10,349,776</u> | <u>10,106,886</u> | <u>41,167,112</u> | <u>40,226,480</u> |
| Net Position, Ending | <u>\$ 33,115,731</u> | <u>\$ 30,817,336</u> | <u>\$ 10,563,402</u> | <u>\$ 10,349,776</u> | <u>\$43,679,133</u> | <u>\$41,167,112</u> |

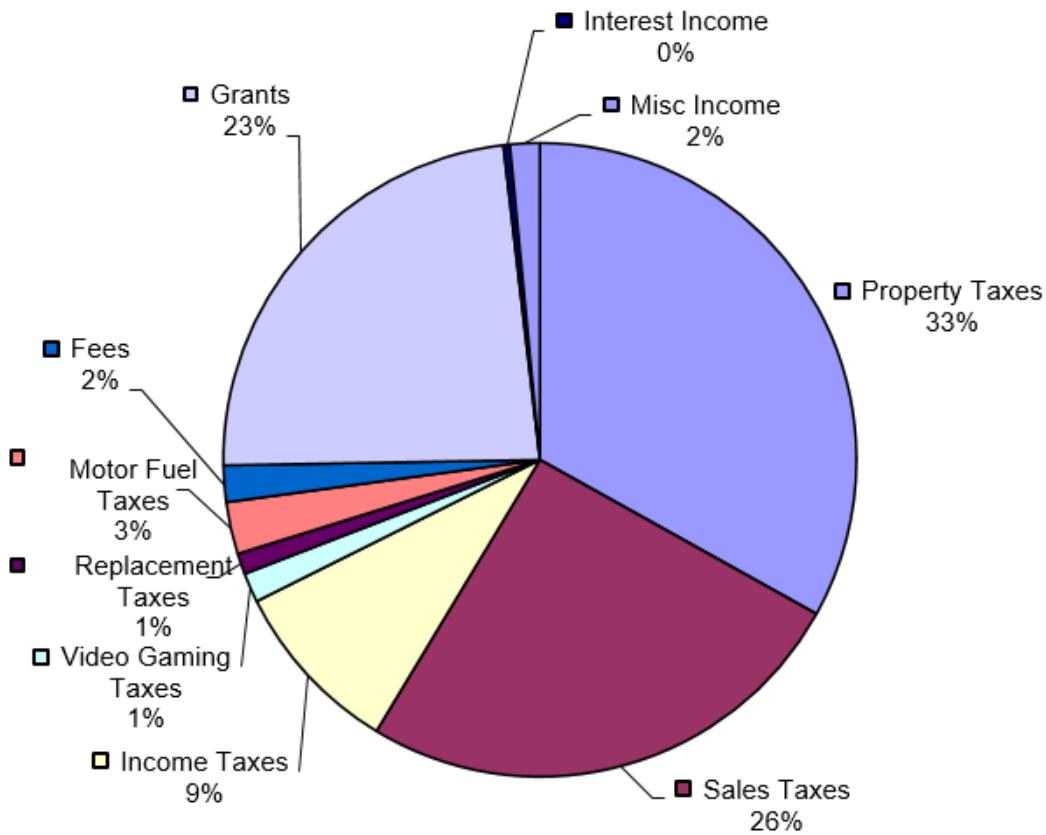
Revenues for the City are generated from a number of different sources and are dependent on different financial factors. The majority of revenue is derived from sales taxes and property taxes, as illustrated in the chart below. Property taxes are a stable source of revenues, not dependent on economic trends and fluctuations. The 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.

CITY OF TUSCOLA

MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2021

During the fiscal year 2021, the City obtained significant funding through grants and contributions. Those grants included Local Coronavirus Relief Fund Economic Support (Local CURE ES) for assistance with Coronavirus related costs; Illinois Department of Transportation’s Local Bond Funds for a future bondable road project; Illinois Department of Natural Resources OSLAD grant for Ervin Park improvements and the granting of right of way connected with the Moore Avenue development project.

Revenues by Source- Governmental Activities



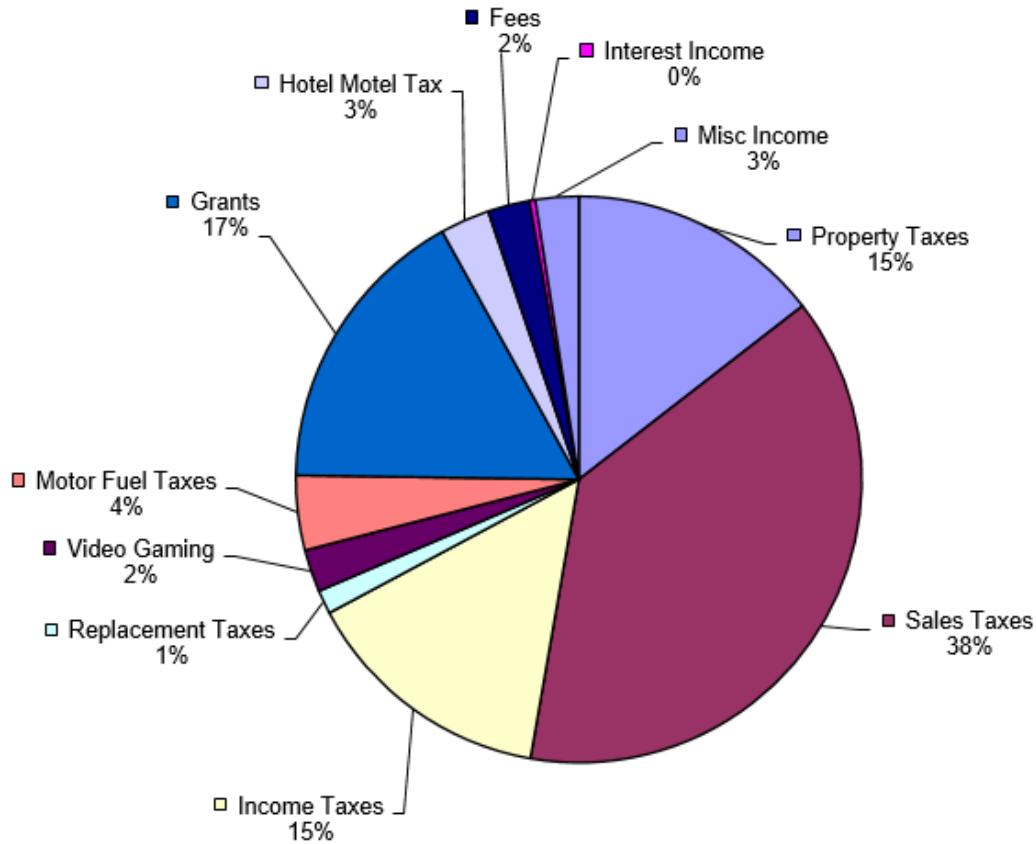
The City of Tuscola is unique in that it has a very successful Tax Increment Financing (TIF) District that provides revenues from property tax increment to fund most of the City’s economic development plans. While property tax revenues are a main source of overall revenue for the City’s combined funds, the amounts of these types of revenues that are attributable to the TIF District are significant (65%). Two of the City’s TIF districts, TIF 1 and Amishland TIF, are scheduled to expire within the next fiscal year, thus final projects and activities are currently being completed in those districts.

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 (38%) of sales taxes, paid in large part by out of town shoppers.

CITY OF TUSCOLA

MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2021

Revenues by Source- Governmental Activities Only (excluding TIF & Library)

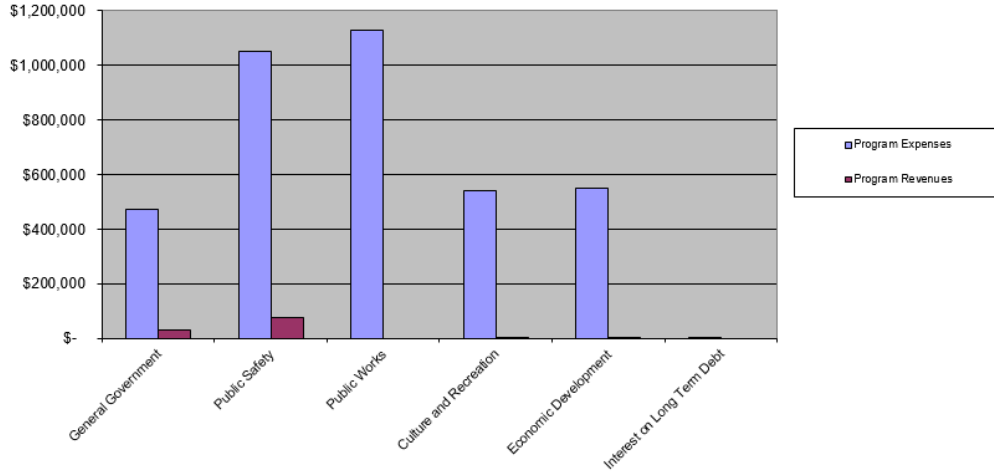


The largest program expenses for the City for the fiscal year ending April 30, 2021 were Public Works, at \$1,127,767 and Public Safety at \$1,050,568. Public Works and Public Safety are high priorities for the City as it shows in the spending for those programs. Economic Development expenses were \$549,485 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 \$539,656 for the fiscal year, while general government expenses were at \$474,361 for the year. General government expenses account for only 13% of the total program expenses. A breakdown by program of expenses and program revenues follows.

CITY OF TUSCOLA

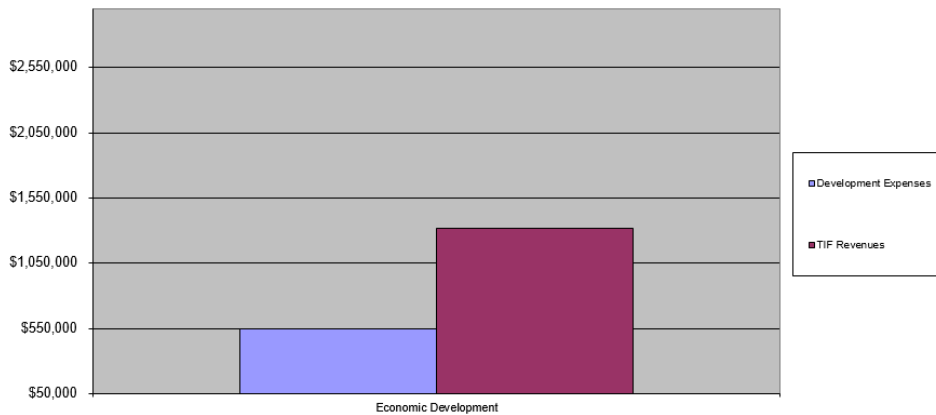
MANAGEMENT'S DISCUSSION AND ANALYSIS APRIL 30, 2021

Program Expenses and Revenues- General Government



The City of Tuscola funds a vast majority of the economic development programs with Tax Increment Financing revenues, not with General Fund revenues. The following chart shows the current year TIF revenues were the primary means to fund all other expenditures for economic development projects for FY 2021.

Economic Development Expenses Primarily Funded with TIF Revenues



CITY OF TUSCOLA

MANAGEMENT'S DISCUSSION AND ANALYSIS APRIL 30, 2021

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 \$6,712,111, of that \$223,809 is non-spendable or restricted while \$3,593,350 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 2021 included the Love's property 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 for local street maintenance, as approved by the Illinois Department of Transportation. The payment of 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 was completed during FY 2021. Additionally, the funds were used for the annual chip & tar maintenance program during FY 2021.

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 \$10,563,402.

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.

CITY OF TUSCOLA

**MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2021**

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

During the fiscal year 2021 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, 2021, amounts to \$34,751,028 (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 2021 | FY 2020 | FY 2021 | FY 2020 | FY 2021 | FY 2020 |
| Land | \$ 3,276,202 | \$ 3,192,171 | \$ 637,198 | \$ 637,198 | \$ 3,913,400 | \$ 3,829,369 |
| Land Improvements | 1,400,508 | 825,016 | - | - | 1,400,508 | 825,016 |
| Buildings | 2,922,836 | 3,159,520 | - | - | 2,922,836 | 3,159,520 |
| Plant, Machinery & Equipment | 202,518 | 234,531 | 4,589,233 | 4,817,505 | 4,791,751 | 5,052,036 |
| Vehicles | 1,057,549 | 1,144,619 | 119,974 | 133,892 | 1,177,523 | 1,278,511 |
| Distribution System | - | - | 3,317,168 | 3,348,755 | 3,317,168 | 3,348,755 |
| Infrastructure | 17,227,842 | 15,129,916 | - | - | 17,227,842 | 15,129,916 |
| Work in Progress | - | - | - | - | - | - |
| | <u>\$ 26,087,455</u> | <u>\$ 23,685,773</u> | <u>\$ 8,663,573</u> | <u>\$ 8,937,350</u> | <u>\$ 34,751,028</u> | <u>\$ 32,623,123</u> |

CITY OF TUSCOLA

**MANAGEMENT’S DISCUSSION AND ANALYSIS
APRIL 30, 2021**

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 \$916,422 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 | |
|-----------------------------------|-------------------------|-------------------|--------------------------|-------------------|-------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| General Obligation Bonds- | | | | | | |
| Alternate Revenue Bonds | \$ - | \$ 208,000 | \$ - | \$ - | \$ - | \$ 208,000 |
| IEPA Loan Payable | - | - | 916,422 | 984,134 | 916,422 | 984,134 |
| Less deferred charge on refunding | - | - | - | - | - | - |
| Net Pension liability | - | - | - | - | - | - |
| Compensated Absences | <u>65,699</u> | <u>70,075</u> | <u>15,381</u> | <u>13,744</u> | <u>81,080</u> | <u>83,819</u> |
| Total | <u>\$ 65,699</u> | <u>\$ 278,075</u> | <u>\$ 931,803</u> | <u>\$ 997,878</u> | <u>\$ 997,502</u> | <u>\$ 1,275,953</u> |

The City of Tuscola’s total debt decreased by \$278,451 during the current fiscal year. Additional information on the City’s long-term debt can be found in Note 3 in the Notes to Financial Statements of this report.

Economic Factors and Next Year’s Budgets and Rates

Since the beginning of 2020, all aspects of life, business and government have been 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 have been 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 may 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, along with the devastating effects of the pandemic and shutdown, 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.

CITY OF TUSCOLA

MANAGEMENT'S DISCUSSION AND ANALYSIS APRIL 30, 2021

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 is now home to a Love's Travel Center, and may house other interstate-centric businesses in the future. 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 FY 2022. 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 (\$16,624,683) equalized assessed value (EAV) of taxable property in the City for 2020 levy year was \$60,574,189, which represents one-third market value. Residential properties make up 85% of the EAV for the 2020 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, 2021**

| <u>ASSETS</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|-------------------|
| Current Assets | | | |
| Cash and cash equivalents | \$ 7,891,825 | \$ 2,248,396 | \$ 10,140,221 |
| Investments | 9,823 | - | 9,823 |
| Allowance for impairment loss on investment | (2,507) | - | (2,507) |
| Due from Douglas County | 2,053,183 | - | 2,053,183 |
| Due from State of Illinois | 541,378 | - | 541,378 |
| Receivables, net | 18,384 | 173,601 | 191,985 |
| Loans receivable | 148,711 | - | 148,711 |
| Prepaid items | 136,778 | 17,082 | 153,860 |
| Investment in joint venture | - | 303,025 | 303,025 |
| Restricted cash | 235,119 | 257,321 | 492,440 |
| Total Current Assets | <u>11,032,694</u> | <u>2,999,425</u> | <u>14,032,119</u> |
| Noncurrent Assets | | | |
| Capital assets (not being depreciated): | | | |
| Land | 3,276,202 | 637,198 | 3,913,400 |
| Capital assets (net of accumulated depreciation): | | | |
| Land improvements | 1,400,508 | - | 1,400,508 |
| Buildings | 2,922,836 | - | 2,922,836 |
| Plant, machinery and equipment | 202,518 | 4,589,233 | 4,791,751 |
| Vehicles | 1,057,549 | 119,974 | 1,177,523 |
| Infrastructure | 17,227,842 | 3,317,168 | 20,545,010 |
| Total Capital Assets | <u>26,087,455</u> | <u>8,663,573</u> | <u>34,751,028</u> |
| Net pension asset | 743,708 | - | 743,708 |
| Total Noncurrent Assets | <u>26,831,163</u> | <u>8,663,573</u> | <u>35,494,736</u> |
| Total Assets | <u>37,863,857</u> | <u>11,662,998</u> | <u>49,526,855</u> |
| Deferred Outflows of Resources | | | |
| Deferred outflows related to pensions | 518,236 | - | 518,236 |
| Total Deferred Outflows of Resources | <u>518,236</u> | <u>-</u> | <u>518,236</u> |

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

CITY OF TUSCOLA

**STATEMENT OF NET POSITION (CONCLUDED)
APRIL 30, 2021**

| <u>LIABILITIES</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| Current Liabilities | | | |
| Accounts payable | 143,516 | 110,229 | 253,745 |
| Grant commitments | 1,792,500 | - | 1,792,500 |
| Accrued payroll | 72,376 | 15,567 | 87,943 |
| Accrued interest | - | 1,497 | 1,497 |
| Customer deposits | - | 40,500 | 40,500 |
| Accrued compensated absences - current | 19,327 | 4,834 | 24,161 |
| Debt - due within one year | - | 68,560 | 68,560 |
| Total Current Liabilities | <u>2,027,719</u> | <u>241,187</u> | <u>2,268,906</u> |
| Noncurrent Liabilities | | | |
| Accrued compensated absences | 46,372 | 10,547 | 56,919 |
| Debt - due after more than one year | - | 847,862 | 847,862 |
| Total Noncurrent Liabilities | <u>46,372</u> | <u>858,409</u> | <u>904,781</u> |
| Total Liabilities | <u>2,074,091</u> | <u>1,099,596</u> | <u>3,173,687</u> |
| Deferred Inflows of Resources | | | |
| Deferred inflows related to pensions | 1,143,943 | - | 1,143,943 |
| Unavailable revenue - property taxes | 2,048,328 | - | 2,048,328 |
| Unavailable revenue - grants | - | - | - |
| Total Deferred Inflows of Resources | <u>3,192,271</u> | <u>-</u> | <u>3,192,271</u> |
| | | | |
| | <u>NET POSITION</u> | | |
| Net investment in capital assets, net of related debt | 26,087,455 | 7,747,151 | 33,834,606 |
| Restricted for: | | | |
| General services | 56,761 | - | 56,761 |
| Public safety | 31,941 | - | 31,941 |
| Park improvements | 2,455 | - | 2,455 |
| Debt service | - | 80,500 | 80,500 |
| Transportation projects | 172,851 | - | 172,851 |
| Development | 428,365 | - | 428,365 |
| Required bond reserve | - | 175,037 | 175,037 |
| Unrestricted | 6,335,903 | 2,560,714 | 8,896,617 |
| Total Net Position | <u>\$ 33,115,731</u> | <u>\$ 10,563,402</u> | <u>\$ 43,679,133</u> |

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, 2021

| Functions/Programs | Program Revenues | | | | Net (Expenses) Revenue and Changes in Net Position | | |
|----------------------------------|---------------------|----------------------|--------------------------|--------------------------|--|--------------------------|----------------------|
| | Expenses | Charges for Services | Operating | Capital | Governmental Activities | Business-Type Activities | Total |
| | | | Grants and Contributions | Grants and Contributions | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 474,361 | \$ 32,956 | \$ 643,985 | \$ - | \$ 202,580 | \$ - | \$ 202,580 |
| Public safety | 1,050,568 | 75,276 | - | - | (975,292) | - | (975,292) |
| Public works | 1,127,767 | - | - | 772,483 | (355,284) | - | (355,284) |
| Culture and recreation | 539,656 | 4,670 | - | - | (534,986) | - | (534,986) |
| Development | 549,485 | - | - | - | (549,485) | - | (549,485) |
| Interest on long-term debt | 5,919 | - | - | - | (5,919) | - | (5,919) |
| Total Governmental Activities | <u>3,747,756</u> | <u>112,902</u> | <u>643,985</u> | <u>772,483</u> | <u>(2,218,386)</u> | <u>-</u> | <u>(2,218,386)</u> |
| Business-type activities: | | | | | | | |
| Water | 1,066,002 | 1,066,665 | 2,551 | 22,302 | - | 25,516 | 25,516 |
| Sewer | 609,759 | 649,700 | 2,551 | 127,400 | - | 169,892 | 169,892 |
| Total Business-Type Activities | <u>1,675,761</u> | <u>1,716,365</u> | <u>5,102</u> | <u>149,702</u> | <u>-</u> | <u>195,408</u> | <u>195,408</u> |
| Total Primary Government | <u>\$ 5,423,517</u> | <u>\$ 1,829,267</u> | <u>\$ 649,087</u> | <u>\$ 922,185</u> | <u>(2,218,386)</u> | <u>195,408</u> | <u>(2,022,978)</u> |
| General Revenues: | | | | | | | |
| Property taxes | | | | | 2,000,227 | - | 2,000,227 |
| Sales taxes | | | | | 1,545,281 | - | 1,545,281 |
| Income taxes | | | | | 543,793 | - | 543,793 |
| Replacement taxes | | | | | 64,203 | - | 64,203 |
| Motor fuel taxes | | | | | 160,402 | - | 160,402 |
| Video gaming taxes | | | | | 91,252 | - | 91,252 |
| Interest income | | | | | 19,913 | 4,330 | 24,243 |
| Memorial income | | | | | 575 | - | 575 |
| Impairment loss on investment | | | | | 80 | - | 80 |
| Miscellaneous income | | | | | 91,055 | 13,888 | 104,943 |
| Total General Revenues | | | | | <u>4,516,781</u> | <u>18,218</u> | <u>4,534,999</u> |
| Change in Net Position | | | | | <u>2,298,395</u> | <u>213,626</u> | <u>2,512,021</u> |
| Net Position - Beginning of Year | | | | | <u>30,817,336</u> | <u>10,349,776</u> | <u>41,167,112</u> |
| Net Position - Ending | | | | | <u>\$ 33,115,731</u> | <u>\$ 10,563,402</u> | <u>\$ 43,679,133</u> |

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

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CITY OF TUSCOLA

**BALANCE SHEET - GOVERNMENTAL FUNDS
APRIL 30, 2021**

| | <u>General</u> | <u>Tax Increment Financing</u> | <u>Motor Fuel Tax</u> | <u>Tourism</u> | <u>Library</u> | <u>Total Governmental Funds</u> |
|---|---------------------|------------------------------------|---------------------------|-------------------|------------------|---|
| Assets | | | | | | |
| Cash and cash equivalents | \$ 6,046,970 | \$ 1,297,104 | \$ 158,093 | \$ 280,740 | \$108,918 | \$ 7,891,825 |
| Investments | 9,823 | - | - | - | - | 9,823 |
| Allowance for impairment loss on investment | (2,507) | - | - | - | - | (2,507) |
| Due from Douglas County | 574,979 | 1,319,802 | - | - | 158,402 | 2,053,183 |
| Due from State of Illinois | 523,167 | - | 14,758 | - | 3,453 | 541,378 |
| Accounts receivable | - | - | - | 18,384 | - | 18,384 |
| Loans receivable | - | 148,711 | - | - | - | 148,711 |
| Prepaid items | 132,652 | 933 | - | 929 | 2,264 | 136,778 |
| Restricted cash | 87,494 | - | 147,625 | - | - | 235,119 |
| Total Assets | <u>\$ 7,372,578</u> | <u>\$ 2,766,550</u> | <u>\$ 320,476</u> | <u>\$ 300,053</u> | <u>\$273,037</u> | <u>\$ 11,032,694</u> |
| Liabilities | | | | | | |
| Accounts payable | \$ 30,222 | \$ 112,498 | \$ - | \$ 93 | \$ 703 | \$ 143,516 |
| Accrued salaries | 60,121 | 5,615 | - | 2,236 | 4,404 | 72,376 |
| Total Liabilities | <u>90,343</u> | <u>118,113</u> | <u>-</u> | <u>2,329</u> | <u>5,107</u> | <u>215,892</u> |
| Deferred Inflows of Resources | | | | | | |
| Unavailable revenue - property taxes | 570,124 | 1,319,802 | - | - | 158,402 | 2,048,328 |
| Unavailable revenue - grants | - | - | - | - | - | - |
| Total Deferred Inflows of Resources | <u>570,124</u> | <u>1,319,802</u> | <u>-</u> | <u>-</u> | <u>158,402</u> | <u>2,048,328</u> |

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

CITY OF TUSCOLA

**BALANCE SHEET - GOVERNMENTAL FUNDS (CONCLUDED)
APRIL 30, 2021**

| | <u>General</u> | <u>Tax Increment Financing</u> | <u>Motor Fuel Tax</u> | <u>Tourism</u> | <u>Library</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|------------------------------------|---------------------------|-----------------------|----------------------|---|
| Fund Balances | | | | | | |
| Non-spendable: | | | | | | |
| Prepaid items | 132,652 | - | - | 929 | 2,264 | 135,845 |
| Long term receivables | - | 148,711 | - | - | - | 148,711 |
| Restricted: | | | | | | |
| General services | 56,761 | - | - | - | - | 56,761 |
| Public safety | 31,941 | - | - | - | - | 31,941 |
| Park improvements | 2,455 | - | - | - | - | 2,455 |
| Development | - | - | 147,625 | 280,740 | - | 428,365 |
| Restrictions by state statutes | - | - | 172,851 | - | - | 172,851 |
| Assigned: | | | | | | |
| Reserve funds | 3,293,732 | - | - | - | - | 3,293,732 |
| Capital replacement funds | 299,618 | - | - | - | - | 299,618 |
| Development | - | - | - | 16,055 | - | 16,055 |
| Culture and recreation | - | - | - | - | 107,264 | 107,264 |
| Unassigned | 2,894,952 | 1,179,924 | - | - | - | 4,074,876 |
| Total Fund Balances | <u>6,712,111</u> | <u>1,328,635</u> | <u>320,476</u> | <u>297,724</u> | <u>109,528</u> | <u>8,768,474</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 7,372,578</u> | <u>\$ 2,766,550</u> | <u>\$ 320,476</u> | <u>\$ 300,053</u> | <u>\$273,037</u> | <u>\$ 11,032,694</u> |

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

CITY OF TUSCOLA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
APRIL 30, 2021**

| | |
|--|-----------------------------|
| Total Fund Balance - Governmental Funds | \$ 8,768,474 |
| <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i> | |
| Capital assets used in governmental activities, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds. | 26,087,455 |
| Net pension assets are not current financial resources and, therefore, are not reported in the funds. | 743,708 |
| 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 | 518,236 |
| Deferred inflows of resources | (1,143,943) |
| 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 | (65,699) |
| Grant commitments | (1,792,500) |
| Net Position of Governmental Activities | <u><u>\$ 33,115,731</u></u> |

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, 2021**

| | <u>General</u> | <u>Tax Increment Financing</u> | <u>Motor Fuel Tax</u> | <u>Tourism</u> | <u>Library</u> | <u>Total Governmental Funds</u> |
|------------------------|------------------|------------------------------------|---------------------------|----------------|----------------|---|
| Revenues | | | | | | |
| Property taxes | \$ 545,928 | \$ 1,298,851 | \$ - | \$ - | \$ 155,448 | \$ 2,000,227 |
| Sales taxes | 1,439,152 | - | - | - | - | 1,439,152 |
| State income taxes | 543,793 | - | - | - | - | 543,793 |
| Replacement taxes | 51,131 | - | - | - | 13,072 | 64,203 |
| Motor fuel taxes | - | - | 160,402 | - | - | 160,402 |
| Sales taxes - city | - | - | - | 106,129 | - | 106,129 |
| Video gaming taxes | 91,252 | - | - | - | - | 91,252 |
| Fines and fees | 58,179 | - | - | 570 | 4,529 | 63,278 |
| Grant income | 482,597 | - | 147,625 | - | 13,763 | 643,985 |
| Licenses and permits | 19,711 | - | - | - | - | 19,711 |
| Rent | 4,670 | - | - | - | - | 4,670 |
| Franchise fees | 13,245 | - | - | - | - | 13,245 |
| Interest income | 11,732 | 7,173 | 285 | 538 | 185 | 19,913 |
| Fire insurance | 11,998 | - | - | - | - | 11,998 |
| Memorial funds | - | - | - | - | 575 | 575 |
| Miscellaneous | 74,619 | 14,685 | - | 125 | 1,626 | 91,055 |
| Total Revenues | <u>3,348,007</u> | <u>1,320,709</u> | <u>308,312</u> | <u>107,362</u> | <u>189,198</u> | <u>5,273,588</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General government | 617,158 | - | - | - | - | 617,158 |
| Public safety | 958,771 | - | - | - | - | 958,771 |
| Public works | 512,551 | - | - | - | - | 512,551 |
| Culture and recreation | 208,507 | - | - | - | 154,064 | 362,571 |
| Development | 30,438 | 425,235 | - | 93,812 | - | 549,485 |

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

CITY OF TUSCOLA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONCLUDED)
FOR THE YEAR ENDED APRIL 30, 2021**

| | <u>General</u> | <u>Tax Increment Financing</u> | <u>Motor Fuel Tax</u> | <u>Tourism</u> | <u>Library</u> | <u>Total Governmental Funds</u> |
|---|---------------------|------------------------------------|---------------------------|-------------------|-------------------|---|
| Debt Service: | | | | | | |
| Principal | - | - | 208,000 | - | - | 208,000 |
| Interest | - | - | 5,919 | - | - | 5,919 |
| Capital Outlay | 750,626 | 84,887 | 51,180 | - | 16,405 | 903,098 |
| Total Expenditures | <u>3,078,051</u> | <u>510,122</u> | <u>265,099</u> | <u>93,812</u> | <u>170,469</u> | <u>4,117,553</u> |
| Excess of revenues over (under) expenditures | <u>269,956</u> | <u>810,587</u> | <u>43,213</u> | <u>13,550</u> | <u>18,729</u> | <u>1,156,035</u> |
| Other Financing Sources (Uses) | | | | | | |
| Impairment loss on investment | 80 | - | - | - | - | 80 |
| Total Other Financing Sources (Uses) | <u>80</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>80</u> |
| Net Change in Fund Balance | 270,036 | 810,587 | 43,213 | 13,550 | 18,729 | 1,156,115 |
| Fund Balances - Beginning | <u>6,442,075</u> | <u>518,048</u> | <u>277,263</u> | <u>284,174</u> | <u>90,799</u> | <u>7,612,359</u> |
| Fund Balances - Ending | <u>\$ 6,712,111</u> | <u>\$ 1,328,635</u> | <u>\$ 320,476</u> | <u>\$ 297,724</u> | <u>\$ 109,528</u> | <u>\$ 8,768,474</u> |

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

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, 2021**

Net change in fund balances - total governmental funds \$ 1,156,115

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 | 903,098 |
| Gain (Loss) on Asset Disposal | (134,870) |
| Depreciation expense | (931,529) |
| Fair value of donated asset | 772,483 |

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.

| | |
|-------------------------------------|---------|
| Reduction of benefit liability, net | 317,834 |
|-------------------------------------|---------|

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 | 208,000 |
|----------------|---------|

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 | 4,376 |
| Accrued Interest | 2,888 |

| | |
|---|--------------|
| Change in Net Position of Governmental Activities | \$ 2,298,395 |
|---|--------------|

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

CITY OF TUSCOLA

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS
APRIL 30, 2021**

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Total</u> |
|--|---------------------|---------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 952,753 | \$ 1,295,643 | \$ 2,248,396 |
| Accounts receivable, net | 106,998 | 66,603 | 173,601 |
| Prepaid items | 10,260 | 6,822 | 17,082 |
| Cash and cash equivalents-restricted | 223,390 | 33,931 | 257,321 |
| Investment in joint venture | 303,025 | - | 303,025 |
| Total Current Assets | <u>1,596,426</u> | <u>1,402,999</u> | <u>2,999,425</u> |
| Noncurrent Assets | | | |
| Capital assets: | | | |
| Property, plant and equipment | 7,780,170 | 12,056,289 | 19,836,459 |
| Accumulated Depreciation | (4,201,979) | (6,970,907) | (11,172,886) |
| Total Noncurrent Assets | <u>3,578,191</u> | <u>5,085,382</u> | <u>8,663,573</u> |
| Total Assets | <u>5,174,617</u> | <u>6,488,381</u> | <u>11,662,998</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable | 66,563 | 43,666 | 110,229 |
| Customer deposits | 40,500 | - | 40,500 |
| Accrued payroll | 8,927 | 6,640 | 15,567 |
| Accrued interest | 1,225 | 272 | 1,497 |
| Accrued compensated absences - current | 2,458 | 2,376 | 4,834 |
| IEPA loans - current | 59,627 | 8,933 | 68,560 |
| Total Current Liabilities | <u>179,300</u> | <u>61,887</u> | <u>241,187</u> |
| Noncurrent Liabilities | | | |
| Accrued compensated absences | 5,692 | 4,855 | 10,547 |
| IEPA loans | 741,883 | 105,979 | 847,862 |
| Total Noncurrent Liabilities | <u>747,575</u> | <u>110,834</u> | <u>858,409</u> |
| Total Liabilities | <u>926,875</u> | <u>172,721</u> | <u>1,099,596</u> |
| Net Position | | | |
| Net investment in capital assets | 2,776,681 | 4,970,470 | 7,747,151 |
| Restricted: | | | |
| Restricted for debt service | 70,000 | 10,500 | 80,500 |
| Required bond reserves | 153,391 | 21,646 | 175,037 |
| Unrestricted | 1,247,670 | 1,313,044 | 2,560,714 |
| Total Net Position | <u>\$ 4,247,742</u> | <u>\$ 6,315,660</u> | <u>\$ 10,563,402</u> |

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, 2021**

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|--|---------------------|---------------------|----------------------|
| Operating Revenues | | | |
| Charges for services | \$ 1,066,665 | \$ 649,700 | \$ 1,716,365 |
| Miscellaneous | 13,888 | - | 13,888 |
| Total Operating Revenues | <u>1,080,553</u> | <u>649,700</u> | <u>1,730,253</u> |
| Operating Expenses | | | |
| Personnel services | 221,387 | 166,789 | 388,176 |
| Supplies and materials | 83,213 | 58,164 | 141,377 |
| Contractual services | 521,719 | 89,112 | 610,831 |
| Depreciation and amortization | 229,201 | 293,200 | 522,401 |
| Total Operating Expenses | <u>1,055,520</u> | <u>607,265</u> | <u>1,662,785</u> |
| Operating Income (Loss) | <u>25,033</u> | <u>42,435</u> | <u>67,468</u> |
| Non-Operating Revenues (Expenses) | | | |
| Interest income | 2,148 | 2,182 | 4,330 |
| Grant income | 2,551 | 2,551 | 5,102 |
| Donation Income | 22,302 | 127,400 | 149,702 |
| Sprayfield farm income (loss), net | - | (996) | (996) |
| Interest expense | (10,482) | (1,498) | (11,980) |
| Total Non-Operating Revenues (expenses) | <u>16,519</u> | <u>129,639</u> | <u>146,158</u> |
| Change in net position | <u>41,552</u> | <u>172,074</u> | <u>213,626</u> |
| Net Position - Beginning | <u>4,206,190</u> | <u>6,143,586</u> | <u>10,349,776</u> |
| Net Position - Ending | <u>\$ 4,247,742</u> | <u>\$ 6,315,660</u> | <u>\$ 10,563,402</u> |

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, 2021**

| Cash Flows from Operating Activities | Water | Sewer | Totals |
|--|---------------------|---------------------|---------------------|
| Receipts from users | \$ 1,059,841 | \$ 646,686 | \$ 1,706,527 |
| Payments to suppliers | (694,027) | (114,851) | (808,878) |
| Payments to employees | (215,078) | (166,546) | (381,624) |
| Other receipts (payments) | 13,885 | - | 13,885 |
| Net cash provided (used) by operating activities | <u>164,621</u> | <u>365,289</u> | <u>529,910</u> |
| Cash Flows from Capital and Related Financing Activities | | | |
| Sale (Purchase) of capital assets | (16,392) | (82,530) | (98,922) |
| Interest paid on capital debt | (10,572) | (1,519) | (12,091) |
| Principal paid on capital debt | (58,889) | (8,823) | (67,712) |
| Net cash provided (used) by capital and related financing activities | <u>(85,853)</u> | <u>(92,872)</u> | <u>(178,725)</u> |
| Cash Flows from Investing Activities | | | |
| Interest on cash and investments | 2,148 | 2,182 | 4,330 |
| Sprayfield farm income (loss) | - | (997) | (997) |
| Grant income | 2,551 | 2,551 | 5,102 |
| Net cash provided (used) by investing activities | <u>4,699</u> | <u>3,736</u> | <u>8,435</u> |
| Net increase (decrease) in cash and cash equivalents | 83,467 | 276,153 | 359,620 |
| Cash and cash equivalents, beginning of the year | <u>1,092,676</u> | <u>1,053,421</u> | <u>2,146,097</u> |
| Cash and cash equivalents, end of the year | <u>\$ 1,176,143</u> | <u>\$ 1,329,574</u> | <u>\$ 2,505,717</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities | | | |
| Operating income (loss) | \$ 25,033 | \$ 42,435 | \$ 67,468 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation and amortization | 229,201 | 293,200 | 522,401 |
| Change in assets and liabilities: | | | |
| (Increase) decrease-accounts receivable | (9,474) | (3,012) | (12,486) |
| (Increase) decrease-prepaid insurance | (2,591) | (359) | (2,950) |
| (Increase) decrease-joint venture equity | (90,357) | - | (90,357) |
| Increase (decrease)-accounts payable | 3,851 | 32,784 | 36,635 |
| Increase (decrease)-accrued payroll | 4,007 | 904 | 4,911 |
| Increase (decrease)-customer deposits | 2,650 | - | 2,650 |
| Increase (decrease)-accrued compensated absences | 2,301 | (663) | 1,638 |
| Net Cash Provided (Used) By Operating Activities | <u>\$ 164,621</u> | <u>\$ 365,289</u> | <u>\$ 529,910</u> |

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, 2021**

| | Custodial Funds |
|---------------------|----------------------------|
| ASSETS | |
| Current assets | |
| Cash | \$ - |
| Accounts receivable | 33,429 |
| Total Assets | 33,429 |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | 33,429 |
| Total Liabilities | 33,429 |
| NET POSITION | |
| Total Net Position | \$ - |

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
NET POSITION- FIDUCIARY FUNDS
APRIL 30, 2021**

| | Custodial Funds |
|----------------------------------|----------------------------|
| ADDITIONS | |
| Garbage fees | \$ 291,251 |
| Miscellaneous revenue | - |
| Total Additions | 291,251 |
| DEDUCTIONS | |
| Payments to the garbage company | 285,998 |
| Due to garbage company | 3,994 |
| Bad debt write off | 391 |
| Closing payout-Section 125 Fund | 820 |
| Payments to others | 48 |
| Total Deductions | 291,251 |
| 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.

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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 non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

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

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

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

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

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.

Custodial 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 custodial 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.

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus

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

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

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. Custodial 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. Custodial 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.

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Concluded)

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.

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.

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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

Interfund Receivables and Payables

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

Capital Assets

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

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.

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Concluded)

Government-Wide Statement (Concluded)

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

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

Fund Financial Statements

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

Prepaid Items

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

Deferred Outflows/Inflows of Resources

Government-Wide Statement

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

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

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources (Concluded)

Government-Wide Statement (Concluded)

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.

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.

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-Term Debt (Concluded)

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.”

Fund Statements

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

- a. Non-spendable 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.

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Equity Classifications (Concluded)

Fund Statements (Concluded)

- 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 non-spendable fund balance or restricted fund balance or committed fund balance or assigned fund balance.

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

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

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 non-operating revenues and expenses.

Expenditures/Expenses

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

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Expenditures/Expenses (Concluded)

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 non-operating

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

Interfund Transfers

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

Use of Estimates

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

Stewardship, Compliance, and Accountability

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

Fund Accounting Requirements

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

Revenue Restrictions

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

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

For the year ended April 30, 2021, the City complied in all material respects with these revenue restrictions.

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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 October 1, 2021, the date financial statements were available to be issued.

- The City Council approved various vehicle and equipment purchases subsequent to the end of the fiscal year ending April 30, 2021.
- A new police patrol vehicle, a 2020 Ford Police Interceptor Utility AWD from Morrow Brother's Ford in the amount of \$38,585, on May 10, 2021.
- A Toro Workman MDX utility vehicle with electric lift kit for use in the park from MTI Distributing in the amount of \$9,170.87, with the trade-in of like equipment, on May 24, 2021.
- A 2022 Ford F-450 cab and chassis from Ford of Tuscola in the amount of \$38,098.68, and the purchase of the dump bed, snow plow, hydraulics and related equipment and installation on the same vehicle from Rahn Equipment in the amount of \$37,527.41, on June 14, 2021.

On May 24, 2021, the City Council approved a professional services agreement in the amount of \$15,000 with Clark Dietz Engineering for a capital improvements plan for the water, sewer and general government areas of the City.

On June 14, 2021, the City Council approved a grant agreement with the Office of the State Fire Marshall in the amount of \$24,412.50 for the purchase of 14 sets of fire turnout gear. The grant is intended to cover 100% of the cost of the gear.

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, 2021. 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, 2021, are as follows:

| <u>Description</u> | <u>Date</u> |
|---------------------------------|---|
| Assessment and enforceable lien | January 1, 2020 |
| Levy | December 14, 2020 |
| Face value amount payment dates | 1 st half by July 8, 2021 2 nd half by September 8, 2021 |

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.

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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

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, 2021, 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 \$504,279. The bank balance was subject to deposit risk as follows:

| | |
|---|-------------------------|
| Deposits covered by FDIC insurance | \$470,012 |
| Uninsured and collateral held by third party bank in the City's name | <u>34,267</u> |
| Total | <u><u>\$504,279</u></u> |

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, 2021, \$10,371,685 was deposited into accounts with The Illinois Funds.

The City formerly maintained 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, 2021, \$6,160 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 \$2,507, to reflect the net amount IMET has determined to be realizable as of April 30, 2021.

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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

Deposits and Investments (Concluded)

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 AAmmf by Fitch Ratings, Inc. as of June 15, 2021. The Illinois Metropolitan Investment Fund was rated Aaa-bf by Moody's, as of March 4, 2021.

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, 2021, the City's investment in The Illinois Funds represent more than 5% of the total cash investment portfolio.

Capital Assets

Capital asset activity for the year ended April 30, 2021, was as follows:

| | Balance | | | Balance |
|--|----------------------|---------------------|-------------------|-----------------------|
| | May 1, 2020 | Increases | Decreases | April 30, 2021 |
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,824,976 | \$ 59,678 | \$ 15,000 | \$ 1,869,654 |
| Land-rights of way | 1,367,195 | 39,353 | - | 1,406,548 |
| Total capital assets, not being depreciated | <u>3,192,171</u> | <u>99,031</u> | <u>15,000</u> | <u>3,276,202</u> |
| Capital assets, being depreciated: | | | | |
| Land improvements | 1,805,898 | 652,375 | - | 2,458,273 |
| Buildings | 5,824,824 | - | 148,258 | 5,676,566 |
| Infrastructure | 24,375,752 | 2,602,019 | 82,160 | 26,895,611 |
| Equipment & vehicles | 2,717,525 | 51,256 | 18,375 | 2,750,406 |
| PME-portable machinery/equip | 1,179,600 | 47,001 | 171,186 | 1,055,415 |
| Library collection | 413,903 | 16,399 | - | 430,302 |
| Totals at historical cost | <u>36,317,502</u> | <u>3,369,050</u> | <u>419,979</u> | <u>39,266,573</u> |
| Less accumulated depreciation: | | | | |
| Land improvements | 980,891 | 76,874 | - | 1,057,765 |
| Buildings | 2,665,303 | 162,003 | 73,576 | 2,753,730 |
| Infrastructure | 9,245,835 | 488,572 | 66,638 | 9,667,769 |
| Equipment & vehicles | 1,572,906 | 138,326 | 18,375 | 1,692,857 |
| PME-portable machinery/equip | 1,027,320 | 41,025 | 141,520 | 926,825 |
| Library collection | 331,645 | 24,729 | - | 356,374 |
| Total accumulated depreciation | <u>15,823,900</u> | <u>931,529</u> | <u>300,109</u> | <u>16,455,320</u> |
| Total capital assets, being depreciated, net | <u>20,493,602</u> | <u>2,437,521</u> | <u>119,870</u> | <u>22,811,253</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 23,685,773</u> | <u>\$ 2,536,552</u> | <u>\$ 134,870</u> | <u>\$ 26,087,455</u> |

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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

Capital Assets (Concluded)

Depreciation expense was charged to governmental activities as follows:

| | |
|----------------------------|------------|
| General government | \$ 47,431 |
| Public safety | 91,797 |
| Public works | 615,216 |
| Culture and recreation | 177,085 |
| Total Depreciation Expense | 177,085 |
| Governmental Activities | \$ 931,529 |

| | Balance May 1, 2020 | Increases | Decreases | Balance April 30, 2021 |
|--|--------------------------------|------------------|------------------|-----------------------------------|
| Business-Type Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 637,198 | \$ - | \$ - | \$ 637,198 |
| Total capital assets, not being depreciated | 637,198 | - | - | 637,198 |
| Capital assets, being depreciated: | | | | |
| Infrastructure | 7,068,324 | 164,595 | - | 7,232,919 |
| Plant/mechanical | 11,525,733 | 50,764 | - | 11,576,497 |
| Vehicles & equipment | 305,333 | 4,902 | - | 310,235 |
| PME-portable machinery/equip | 64,192 | 28,363 | 12,945 | 79,610 |
| Totals at historical cost | 18,963,582 | 248,624 | 12,945 | 19,199,261 |
| Less accumulated depreciation: | | | | |
| Infrastructure | 3,719,571 | 196,180 | - | 3,915,751 |
| Plant/mechanical | 6,719,176 | 301,835 | - | 7,021,011 |
| Vehicles & equipment | 171,441 | 18,820 | - | 190,261 |
| PME-portable machinery/equip | 53,242 | 5,566 | 12,945 | 45,863 |
| Total accumulated depreciation | 10,663,430 | 522,401 | 12,945 | 11,172,886 |
| Total capital assets, being depreciated, net | 8,300,152 | (273,777) | - | 8,026,375 |
| Business-Type Activities Capital Assets, Net | \$ 8,937,350 | \$ (273,777) | \$ - | \$ 8,663,573 |

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

| | |
|---|------------|
| Water | \$ 229,201 |
| Sewer | 293,200 |
| Total Depreciation Expense-Business-Type Activities | \$ 522,401 |

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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, 2021, the governmental long-term liabilities consisted of the following:

| | |
|------------------------------------|------------------|
| Accrued compensated absences: | |
| Current portion | \$ 19,327 |
| Noncurrent portion | 46,372 |
| Total Accrued Compensated Absences | <u>\$ 65,699</u> |

Business-Type Activities

As of April 30, 2021, the long-term liabilities payable from proprietary fund resources consisted of the following:

| | |
|------------------------------|-------------------|
| Loans payable: | |
| Current portion | \$ 68,560 |
| Noncurrent portion | 847,862 |
| Total Loans Payable Payments | <u>\$ 916,422</u> |

| | |
|------------------------------------|------------------|
| Accrued compensated absences: | |
| Current portion | \$ 4,834 |
| Noncurrent portion | 10,547 |
| Total Accrued Compensated Absences | <u>\$ 15,381</u> |

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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. These bonds were paid in full as of April 30, 2021

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. The City council approved paying these bonds in full on September 14, 2020. The bonds were paid in full as of April 30, 2021

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.

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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

Long-Term Liabilities (Continued)

Loans Payable (Concluded)

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.

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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, 2021:

| Type of Liability: | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|-------------------------------------|--------------------------|----------------------------|----------------------------------|---------------------------------------|
| Governmental activities: | | | | | |
| <i>General obligation bonds :</i> | | | | | |
| Series 2010 | \$ 58,000 | \$ - | \$ (58,000) | \$ - | \$ - |
| Series 2012 | 150,000 | - | (150,000) | - | - |
| <i>Total bonds payable</i> | <u>208,000</u> | <u>-</u> | <u>(208,000)</u> | <u>-</u> | <u>-</u> |
| Accrued Compensated Absences | <u>70,075</u> | <u>115,300</u> | <u>(119,676)</u> | <u>65,699</u> | <u>19,327</u> |
| TOTAL GENERAL LONG- TERM LIABILITIES | <u>\$ 278,075</u> | <u>\$ 115,300</u> | <u>\$ (327,676)</u> | <u>\$ 65,699</u> | <u>\$ 19,327</u> |
| Business-type activities: | | | | | |
| <i>Loans payable :</i> | | | | | |
| Project L17-3758 | \$ 537,163 | \$ - | \$ (36,766) | \$ 500,397 | \$ 37,226 |
| Project L17-4835 | 323,236 | - | (22,123) | 301,113 | 22,401 |
| Project L17-3671 | 123,735 | - | (8,823) | 114,912 | 8,933 |
| <i>Total loans payable</i> | <u>984,134</u> | <u>-</u> | <u>(67,712)</u> | <u>916,422</u> | <u>68,560</u> |
| Accrued Compensated Absences | <u>13,744</u> | <u>23,897</u> | <u>(22,260)</u> | <u>15,381</u> | <u>4,834</u> |
| TOTAL BUSINESS LONG- TERM LIABILITIES | <u>\$ 997,878</u> | <u>\$ 23,897</u> | <u>\$ (89,972)</u> | <u>\$ 931,803</u> | <u>\$ 73,394</u> |

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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

Long-Term Liabilities (Concluded)

Annual Debt Service Requirements

The annual debt service requirements to maturity for bonds and loans as of April 30, 2021, are as follows:

| Year Ending <u>April 30</u> | Business-Type | |
|---------------------------------------|----------------------|------------------|
| | Principal | Interest |
| 2022 | \$ 68,560 | \$ 11,242 |
| 2023 | 69,420 | 10,382 |
| 2024 | 70,291 | 9,512 |
| 2025 | 71,172 | 8,630 |
| 2026 | 72,065 | 7,737 |
| 2027-2031 | 374,106 | 24,905 |
| 2032-2034 | 190,808 | 3,529 |
| TOTALS | \$ 916,422 | \$ 75,937 |

Legal Debt Margin

| | |
|-----------------------------------|---------------|
| 2019 Equalized Assessed Valuation | \$ 60,366,592 |
| | 8.625% |
| Legal Debt Margin | 5,206,619 |
| Margin Used | 916,422 |
| Margin Remaining | \$ 4,290,197 |

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, 2021, are as follows:

| | Governmental Business-Type | |
|-----------------------|-----------------------------------|-------------------|
| | Activities | Activities |
| Accrued paid time off | \$ 65,699 | \$ 15,381 |
| Less current portion | 19,327 | 4,834 |
| Long-term portion | \$ 46,372 | \$ 10,547 |

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.

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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

Other Post-Employment Benefits (OPEB) (Concluded)

The City has one retiree included in its healthcare premiums at April 30, 2021 or during the year ending April 30, 2021. 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, 2021.

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, 2021:

| | |
|---------------------------|---------------------|
| <u>Douglas County</u> | |
| Property taxes | \$ 2,048,328 |
| Police fines | 4,855 |
| Total | <u>\$ 2,053,183</u> |
| <u>State of Illinois</u> | |
| Sales tax | \$ 195,504 |
| Home rule sales tax | 64,257 |
| Income tax | 75,385 |
| Corporate pers. repl. tax | 16,962 |
| Gaming tax | 29,712 |
| Motor fuel tax | 14,758 |
| OSLAD Grant | 144,800 |
| Total | <u>\$ 541,378</u> |

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, 2021, all amounts of this loan were disbursed and the loan had entered the repayment phase, with an outstanding balance of \$37,497.

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, 2021, all amounts of this loan was disbursed and the loan had entered the repayment phase, with an outstanding balance of \$36,643. An additional \$2,933 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, 2021, no business had been opened on the site and the loan balance was \$34,942.

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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

Tax Increment Financing Loans Receivable (Concluded)

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, 2021, \$41,735 of this loan was disbursed and the loan had entered the repayment phase, with an outstanding balance of \$13,046. An additional \$318 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, 2021, the loan had an outstanding balance of \$14,470.

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, 2021, the loan had an outstanding balance of \$298.

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, 2021, the loan had an outstanding balance of \$393.

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, 2021, the loan had an outstanding balance of \$6,437.

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. Again on March 22, 2021, the City Council approved a one year lease extension with the same terms through February 1, 2022.

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, 2021, all amounts of this loan were disbursed and the loan had entered the repayment phase, with an outstanding balance of \$4,985.

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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

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, 2021 the Tax Increment Fund received \$1,298,851 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, 2021, \$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, 2021, none of these funds had been disbursed.

On April 12, 2021, the City Council approved a \$120,000 grant to Tuscola Packaging Group LLC for the installation of loading docks on the property at 1304 Tuscola Boulevard. At April 30, 2021, none of these funds had been disbursed.

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 March 22, 2021, the City Council approved an extension of the agreement with the same terms through December 31, 2021.

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, 2021, \$711,175 of this grant had been disbursed, of which \$22,241 in sales tax rebates and \$24,723 in property tax rebates was disbursed in the current year. These payments represent the 10th and final year of the agreement, thus no additional payments will be made under this agreement.

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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

Tax Increment Other Redevelopment Agreements and Commitments (Concluded)

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, 2021, \$141,018 had been rebated to Tucker for this portion of the agreement, leaving \$258,328 owed to Tucker from future years' property taxes. During the year ended April 30, 2021, the City remitted \$30,203 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, 2021, 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, 2021.

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 tiebreaker 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.

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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

Joint Venture (Concluded)

Each member agency (the Cities of Arcola and Tuscola) holds an equity interest in the water main capital assets according to each City's share of water usage for the prior year and the proportion of funding provided by each City during a year. At April 30, 2021 the City of Tuscola's equity interest was 57.64%, or \$303,025, 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, 2021 is provided below.

| Financial Position as of April 30, 2021 | |
|--|-------------------|
| Cash | \$ 407,080 |
| Accounts receivable - customers | 281 |
| Accounts receivable - City of Arcola | 118,396 |
| Total assets | <u>\$ 525,757</u> |
| Total equity | <u>\$ 525,757</u> |
| Results of Operations for Fiscal Year Ending April 30, 2021 | |
| Total revenues | \$ 641,391 |
| Total expenditures | <u>(502,039)</u> |
| Net income (loss) | 139,352 |
| Beginning total equity | <u>386,405</u> |
| Ending total equity | <u>\$ 525,757</u> |

Economic Dependency

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

Rebuild IL Bond Fund Grant

The City was awarded \$295,250 from the Rebuild IL grant. It will be paid out in installments of \$49,208.27, they received three installments for the year ended April 30, 2021. They will receive three more installments in the year ended April 30, 2022. The money is to be used on a capital project, the City plans to use the money to resurface South Washington Street and Parke Street. The grant money is shown in a restricted cash account until the money is spent.

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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 five 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.

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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, 2020, 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 | 27 |
| Total | 60 |

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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 2020 was 8.14%. For the fiscal year ended April 30, 2021, the City contributed \$118,705 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, 2020. 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, 2020:

- 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 2.25%.
- **Salary Increases** were expected to be 2.85% to 13.75%.
- 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 2020 valuation according to an experience study from year 2017 to 2019.
- For **non-disabled retirees**, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020.
- For **Disabled Retirees**, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.
- For **Active Members**, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

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:

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 7 - Pension Plan (Continued)

Single Discount Rate (Concluded)

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 2.00%, 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, 2019 | \$ 8,102,799 | \$ 8,223,783 | \$ (120,984) |
| Changes for the year: | | | |
| Service Cost | 139,636 | - | 139,636 |
| Interest on the Total Pension Liability | 580,800 | - | 580,800 |
| Changes of Benefit Terms | - | - | - |
| Differences Between Expected and Actual | 90,241 | - | 90,241 |
| Experience of the Total Pension Liability | | | |
| Changes of Assumptions | (46,822) | - | (46,822) |
| Contributions - Employer | - | 122,997 | (122,997) |
| Contributions - Employees | - | 67,996 | (67,996) |
| Net Investment Income | - | 1,131,414 | (1,131,414) |
| Benefit Payments, including Refunds of Employee Contributions | (323,170) | (323,170) | - |
| Other (Net Transfer) | - | 64,172 | (64,172) |
| Net Changes | <u>440,685</u> | <u>1,063,409</u> | <u>(622,724)</u> |
| Balances at December 31, 2020 | <u>\$ 8,543,484</u> | <u>\$ 9,287,192</u> | <u>\$ (743,708)</u> |

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

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.25%, 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 (6.25%) | Current Discount (7.25%) | 1% Higher (8.25%) |
|-----------------------|-----------------------------|-------------------------------------|------------------------------|
| Net Pension Liability | <u>\$184,359</u> | <u>(\$743,708)</u> | <u>(\$1,427,438)</u> |

CITY OF TUSCOLA, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 7 - Pension Plan (Concluded)

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

For the year ended April 30, 2021, the City recognized an increase in pension asset of \$317,834. At April 30, 2021, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Net Deferred Outflows of Resources</u> |
|---|--|---|--|
| Deferred Amounts Related to Pensions | | | |
| <i>Deferred Amounts to be Recognized in Expense in Future Periods</i> | | | |
| Differences between expected and actual | \$ 79,925 | \$ 45,069 | \$ 34,856 |
| Changes of assumptions | 83,045 | 99,522 | (16,477) |
| Net difference between projected and actual earnings on pension plan investments | <u>355,266</u> | <u>999,352</u> | <u>(644,086)</u> |
| Total Deferred Amounts to be recognized in pension expense in future periods | <u>\$ 518,236</u> | <u>\$ 1,143,943</u> | <u>\$ (625,707)</u> |

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:

| <u>Year Ending December 31</u> | <u>Deferred Outflows of Resources</u> |
|------------------------------------|---|
| 2021 | \$ (199,410) |
| 2022 | (65,835) |
| 2023 | (258,947) |
| 2024 | (101,515) |
| 2025 | - |
| Thereafter | - |
| Total | <u>\$ (625,707)</u> |

Note 8 - Related Party Transactions

During the year April 30, 2021 the City council purchased Craig Hastings' property at 120 North Central for \$59,500. Craig Hastings is the Police Chief for the City of Tuscola. If the building is sold for transport, Hastings will be entitled to 50% of the proceeds for a period of 5 years and if the building is demolished Hastings will have first right to salvage building materials, doors, light fixtures, hardware, etc.

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, | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------------|---------------------|-------------------|---------------------|-------------------|-------------------|
| Total Pension Liability | | | | | | |
| Service Cost | \$ 139,636 | \$ 145,172 | \$ 125,868 | \$ 136,805 | \$ 128,500 | \$ 135,003 |
| Interest on the Total Pension Liability | 580,800 | 557,721 | 532,034 | 520,082 | 490,430 | 464,222 |
| Changes of Benefit Terms | - | - | - | - | - | - |
| Difference between Expected and Actual Experience of the Total Pension Liability | 90,241 | (69,467) | 16,047 | (9,126) | 34,719 | (9,272) |
| Changes of Assumption | (46,822) | - | 204,785 | (208,863) | (8,687) | 8,307 |
| Benefit Payments, Including Refunds of Employee Contributions | (323,170) | (301,487) | (277,452) | (270,697) | (254,268) | (219,403) |
| Net Change in Total Pension Liability | <u>440,685</u> | <u>331,939</u> | <u>601,282</u> | <u>168,201</u> | <u>390,694</u> | <u>378,857</u> |
| Total Pension Liability - Beginning | <u>8,102,799</u> | <u>7,770,860</u> | <u>7,169,578</u> | <u>7,001,377</u> | <u>6,610,683</u> | <u>6,231,826</u> |
| Total Pension Liability - Ending (A) | <u>8,543,484</u> | <u>8,102,799</u> | <u>7,770,860</u> | <u>7,169,578</u> | <u>7,001,377</u> | <u>6,610,683</u> |
| Plan Fiduciary Net Position | | | | | | |
| Contributions - Employer | 122,997 | 99,796 | 126,735 | 118,904 | 119,261 | 127,492 |
| Contributions - Employees | 67,996 | 66,335 | 60,671 | 60,253 | 65,588 | 56,574 |
| Net Investment Income | 1,131,414 | 1,254,604 | (330,034) | 1,095,323 | 423,784 | 30,553 |
| Benefit Payments, Including Refunds of Employee Contributions | (323,170) | (301,487) | (277,452) | (270,697) | (254,268) | (219,403) |
| Other (Net Transfer) | 64,172 | (9,052) | 93,880 | (59,453) | 51,594 | (33,907) |
| Net Change in Plan Fiduciary Net Position | <u>1,063,409</u> | <u>1,110,196</u> | <u>(326,200)</u> | <u>944,330</u> | <u>405,959</u> | <u>(38,691)</u> |
| Plan Fiduciary Net Position - Beginning | <u>8,223,783</u> | <u>7,113,587</u> | <u>7,439,787</u> | <u>6,495,457</u> | <u>6,089,498</u> | <u>6,128,189</u> |
| Plan Fiduciary Net Position - Ending (B) | <u>9,287,192</u> | <u>8,223,783</u> | <u>7,113,587</u> | <u>7,439,787</u> | <u>6,495,457</u> | <u>6,089,498</u> |
| Net Pension Liability/(Asset) - Ending (A) - (B) | <u>\$ (743,708)</u> | <u>\$ (120,984)</u> | <u>\$ 657,273</u> | <u>\$ (270,209)</u> | <u>\$ 505,920</u> | <u>\$ 521,185</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | | | | | | |
| Covered Valuation Payroll | 108.70% | 101.49% | 91.54% | 103.77% | 92.77% | 92.12% |
| Net Pension Liability as a Percentage of Covered Valuation Payroll | | | | | | |
| Valuation Payroll | -49.22% | -8.21% | 48.75% | -21.41% | 41.87% | 41.46% |

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.

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 | 0 | 1,262,251 | 9.42% |
| 2018 | 126,735 | 126,735 | 0 | 1,348,242 | 9.40% |
| 2019 | 99,797 | 99,796 | 1 | 1,474,107 | 6.77% |
| 2020 | 122,997 | 122,997 | 0 | 1,511,021 | 8.14% |

Estimated based on contribution rate of 8.14% and covered valuation payroll of \$1,511,021.

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 2020 Contribution Rates:

- Actuarial Cost Method:* Aggregate entry age normal
- Amortization Method:* Level percentage of payroll, closed
- Remaining Amortization Period:* Non-taxing bodies: 10-year rolling period.
Taxing bodies (Regular, SLEP and ECO groups): 23-year closed period.
- Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.
- SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 18 years for most employers (three employers were financed over 27 years, four others were financed over 28 years).
- Asset Valuation Method:* 5-year smoothed market; 20% corridor
- Wage Growth :* 3.25%
- Price Inflation:* 2.50%
- Salary Increases:* 3.35% to 14.25%, including inflation
- Investment Rate of Return:* 7.25%
- 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.

CITY OF TUSCOLA
Tuscola, Illinois

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions (Concluded)

Methods and Assumptions Used to Determine 2020 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 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 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, 2018 actuarial valuation.

CITY OF TUSCOLA

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2021**

| | <u>Original & Final Budget</u> | <u>Actual</u> | <u>Over (Under)</u> |
|--|--|------------------|-------------------------|
| Revenues | | | |
| Property taxes | \$ 548,426 | \$ 545,928 | \$ (2,498) |
| Sales taxes | 1,115,000 | 1,439,152 | 324,152 |
| State income taxes | 415,000 | 543,793 | 128,793 |
| Replacement taxes | 34,000 | 51,131 | 17,131 |
| Video gaming taxes | 80,000 | 91,252 | 11,252 |
| Fines and fees | 24,000 | 58,179 | 34,179 |
| Rent | 5,000 | 4,670 | (330) |
| Licenses and permits | 29,500 | 19,711 | (9,789) |
| Bond Proceeds | 325,000 | - | (325,000) |
| Grant income | 233,149 | 482,597 | 249,448 |
| Franchise fees | 15,000 | 13,245 | (1,755) |
| Fire insurance | 10,000 | 11,998 | 1,998 |
| Pool income | - | - | - |
| Interest income | 4,350 | 11,732 | 7,382 |
| Miscellaneous | 27,850 | 74,619 | 46,769 |
| Total Revenues | <u>2,866,275</u> | <u>3,348,007</u> | <u>481,732</u> |
| Expenditures | | | |
| General government: | | | |
| Salaries - city officials and other | 322,000 | 224,435 | (97,565) |
| Payroll taxes | 61,000 | 17,302 | (43,698) |
| Employee benefits | 160,000 | 60,264 | (99,736) |
| Professional fees | 275,000 | 82,604 | (192,396) |
| Office and general expenses | 190,000 | 28,120 | (161,880) |
| Insurance | 90,000 | 54,358 | (35,642) |
| Publications | 35,000 | 13,878 | (21,122) |
| Maintenance | 55,000 | 2,899 | (52,101) |
| Utilities | 50,000 | 15,626 | (34,374) |
| Animal and bird control | 182,500 | 15,718 | (166,782) |
| Travel, training and education | 35,000 | 5,801 | (29,199) |
| Community activity subsidy | 200,000 | 80,792 | (119,208) |
| Substance abuse program | 12,000 | 2,061 | (9,939) |
| Miscellaneous | 82,500 | 13,300 | (69,200) |
| Total Expenditures - General Government | <u>1,750,000</u> | <u>617,158</u> | <u>(1,132,842)</u> |

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, 2021**

| | <u>Original & Final Budget</u> | <u>Actual</u> | <u>Over (Under)</u> |
|--------------------------------------|--|----------------|-------------------------|
| Expenditures (continued) | | | |
| Public safety: | | | |
| Fire protection: | | | |
| Salaries | 300,000 | 138,921 | (161,079) |
| Payroll taxes | 32,500 | 11,156 | (21,344) |
| Employee benefits | 10,000 | 2,219 | (7,781) |
| Subscriptions | 5,000 | 715 | (4,285) |
| Special bequests | 50,000 | 10,508 | (39,492) |
| Utilities | 25,000 | 5,418 | (19,582) |
| Travel, training and education | 25,000 | 5,229 | (19,771) |
| Office and general expenses | 25,000 | 6,785 | (18,215) |
| Uniforms | 7,500 | 559 | (6,941) |
| Repairs and maintenance | 285,000 | 24,295 | (260,705) |
| Supplies and parts | 85,000 | 20,561 | (64,439) |
| Fire prevention | 5,000 | 977 | (4,023) |
| Miscellaneous | 5,000 | 574 | (4,426) |
| Total Expenditures - Fire Protection | <u>860,000</u> | <u>227,917</u> | <u>(632,083)</u> |

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, 2021**

| | <u>Original & Final Budget</u> | <u>Actual</u> | <u>Over (Under)</u> |
|--|--|----------------|-------------------------|
| Expenditures (continued) | | | |
| Public safety (continued): | | | |
| Police protection: | | | |
| Salaries | 825,000 | 418,271 | (406,729) |
| Payroll taxes | 25,000 | 8,704 | (16,296) |
| Employee benefits | 275,000 | 137,578 | (137,422) |
| Communications | 25,000 | 11,408 | (13,592) |
| Office and general expenses | 20,000 | 3,177 | (16,823) |
| Uniforms | 10,000 | 2,071 | (7,929) |
| Repairs and maintenance | 210,000 | 46,554 | (163,446) |
| Utilities | 20,000 | 6,154 | (13,846) |
| Subscriptions | 7,500 | 240 | (7,260) |
| Travel, training and education | 15,000 | 2,043 | (12,957) |
| Drug fund | 20,000 | - | (20,000) |
| K-9 unit | 10,000 | - | (10,000) |
| Miscellaneous | 15,000 | 320 | (14,680) |
| Total Expenditures - Police Protection | <u>1,477,500</u> | <u>636,520</u> | <u>(840,980)</u> |
| Building inspection: | | | |
| Salaries | 85,000 | 54,567 | (30,433) |
| Payroll taxes | 11,000 | 3,647 | (7,353) |
| Employee benefits | 70,000 | 32,042 | (37,958) |
| Insurance | 500 | 50 | (450) |
| Office and general expenses | 22,500 | 3,213 | (19,287) |
| Travel, training and education | 7,500 | 32 | (7,468) |
| Professional fees | 120,000 | 300 | (119,700) |
| Repairs and maintenance | 40,000 | 433 | (39,567) |
| Miscellaneous | 1,500 | 50 | (1,450) |
| Total Expenditures - Building Inspection | <u>358,000</u> | <u>94,334</u> | <u>(263,666)</u> |
| Total Expenditures - Public Safety | <u>2,695,500</u> | <u>958,771</u> | <u>(1,736,729)</u> |

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, 2021**

| | <u>Original & Final Budget</u> | <u>Actual</u> | <u>Over (Under)</u> |
|---|--|--------------------|-------------------------|
| Expenditures (continued) | | | |
| Public works: | | | |
| Streets and alleys: | | | |
| Salaries | 445,000 | 272,702 | (172,298) |
| Payroll taxes | 80,000 | 20,212 | (59,788) |
| Employee benefits | 225,000 | 107,992 | (117,008) |
| Communications | 5,000 | 426 | (4,574) |
| Travel, training and education | 5,000 | 210 | (4,790) |
| Vehicle fuel | 75,000 | 13,088 | (61,912) |
| Vehicle maintenance | 150,000 | 18,400 | (131,600) |
| Utilities | 100,000 | 41,255 | (58,745) |
| Small equipment | 102,500 | 3,144 | (99,356) |
| Supplies and parts | 20,000 | 2,319 | (17,681) |
| Repairs and maintenance | 300,000 | 1,901 | (298,099) |
| Street, alley and curb maintenance | 250,000 | 30,335 | (219,665) |
| Sidewalks | 25,000 | 462 | (24,538) |
| Miscellaneous | 5,000 | 105 | (4,895) |
| Total Expenditures - Streets and Alleys | <u>1,787,500</u> | <u>512,551</u> | <u>(1,274,949)</u> |
| Total Expenditures - Public Works | <u>1,787,500</u> | <u>512,551</u> | <u>(1,274,949)</u> |

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, 2021**

| | <u>Original & Final Budget</u> | <u>Actual</u> | <u>Over (Under)</u> |
|---|--|----------------|-------------------------|
| Expenditures (continued) | | | |
| Culture and recreation: | | | |
| Park: | | | |
| Salaries | 170,000 | 98,565 | (71,435) |
| Payroll taxes | 16,000 | 6,393 | (9,607) |
| Employee benefits | 250,000 | 63,176 | (186,824) |
| Repairs and maintenance | 145,000 | 14,259 | (130,741) |
| Communications | 5,000 | 179 | (4,821) |
| Travel, training and education | 5,000 | 45 | (4,955) |
| Utilities | 50,000 | 9,360 | (40,640) |
| Supplies and parts | 41,500 | 3,205 | (38,295) |
| Miscellaneous | 25,000 | 278 | (24,722) |
| Total Expenditures - Park | <u>707,500</u> | <u>195,460</u> | <u>(512,040)</u> |
| Pool: | | | |
| Salaries | 80,000 | - | (80,000) |
| Payroll taxes | 10,000 | - | (10,000) |
| Supplies | 70,000 | 7,938 | (62,062) |
| Repairs and maintenance | 95,000 | 1,688 | (93,312) |
| Advertising | 5,000 | 47 | (4,953) |
| Communications | 5,000 | 70 | (4,930) |
| Training | 5,000 | - | (5,000) |
| Utilities | 50,000 | 3,264 | (46,736) |
| Miscellaneous | 20,000 | 40 | (19,960) |
| Total Expenditures - Pool | <u>340,000</u> | <u>13,047</u> | <u>(326,953)</u> |
| Total Expenditures - Culture and Recreation | <u>1,047,500</u> | <u>208,507</u> | <u>(838,993)</u> |

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

CITY OF TUSCOLA

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONCLUDED)
FOR THE YEAR ENDED APRIL 30, 2021**

| | <u>Original & Final Budget</u> | <u>Actual</u> | <u>Over (Under)</u> |
|--|--|---------------------|-------------------------|
| Expenditures (concluded) | | | |
| Development: | | | |
| Economic development | 2,000,000 | 30,438 | (1,969,562) |
| Total Expenditures - Development | <u>2,000,000</u> | <u>30,438</u> | <u>(1,969,562)</u> |
| Capital outlay: | | | |
| General government | 500,000 | 25,746 | (474,254) |
| Fire protection | 1,000,000 | 63,070 | (936,930) |
| Police protection | 100,000 | 4,540 | (95,460) |
| Building inspection | 75,000 | - | (75,000) |
| Streets and alleys | 1,000,000 | 3,603 | (996,397) |
| Municipal building | 250,000 | - | (250,000) |
| Park | 1,000,000 | 653,667 | (346,333) |
| Pool | 500,000 | - | (500,000) |
| Development | - | - | - |
| Total Expenditures - Capital Outlay | <u>4,425,000</u> | <u>750,626</u> | <u>(3,674,374)</u> |
| Total Expenditures | <u>13,705,500</u> | <u>3,078,051</u> | <u>(10,627,449)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(10,839,225)</u> | <u>269,956</u> | <u>11,109,181</u> |
| Other Financing Sources (Uses) | | | |
| Impairment loss on investment | - | 80 | 80 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>80</u> | <u>80</u> |
| Net Change in Fund Balances | <u>\$ (10,839,225)</u> | 270,036 | <u>\$ 11,109,261</u> |
| Fund Balances - Beginning | | <u>6,442,075</u> | |
| Fund Balances - Ending | | <u>\$ 6,712,111</u> | |

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, 2021**

| | Original & Final Budget | Actual | Over (Under) |
|--|--|---------------|-------------------------|
| Revenues | | | |
| Property taxes | \$ 1,298,587 | \$ 1,298,851 | \$ 264 |
| Miscellaneous income | 15,000 | 14,685 | (315) |
| Interest income | 12,500 | 7,173 | (5,327) |
| Total Revenues | 1,326,087 | 1,320,709 | (5,378) |
| Expenditures | | | |
| Current: | | | |
| Development | 14,417,000 | 425,235 | (13,991,765) |
| Debt service: | | | |
| Principal | 500,000 | - | (500,000) |
| Interest expense | 150,000 | - | (150,000) |
| Capital outlay | 2,050,000 | 84,887 | (1,965,113) |
| Total Expenditures | 17,117,000 | 510,122 | (16,606,878) |
| Excess (deficiency) of revenues over (under) expenditures | (15,790,913) | 810,587 | 16,601,500 |
| Net Change in Fund balances | \$ (15,790,913) | 810,587 | \$ 16,601,500 |
| Fund Balances - Beginning | | 518,048 | |
| Fund Balances - Ending | | \$ 1,328,635 | |

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, 2021**

| | Original & Final Budget | Actual | Over (Under) |
|--|--|---------------|-------------------------|
| Revenues | | | |
| Motor fuel tax | \$ 192,926 | \$ 160,402 | \$ (32,524) |
| Grant income | 98,417 | 147,625 | 49,208 |
| Interest income | 300 | 285 | (15) |
| Total Revenues | 291,643 | 308,312 | 16,669 |
| Expenditures | | | |
| Current: | | | |
| Public works | 250,000 | - | (250,000) |
| Debt service: | | | |
| Principal | 500,000 | 208,000 | (292,000) |
| Interest expense | 150,000 | 5,919 | (144,081) |
| Capital outlay | 1,500,000 | 51,180 | (1,448,820) |
| Total Expenditures | 2,400,000 | 265,099 | (2,134,901) |
| Excess (deficiency) of revenues over (under) expenditures | \$ (2,108,357) | 43,213 | \$ 2,151,570 |
| Fund Balances - Beginning | | 277,263 | |
| Fund Balances - Ending | | \$ 320,476 | |

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, 2021**

| | Original & Final Budget | Actual | Over (Under) |
|--|--|---------------|-------------------------|
| Revenues | | | |
| Sales taxes - city | \$ 125,000 | \$ 106,129 | \$ (18,871) |
| Fines and fees | 2,500 | 570 | (1,930) |
| Interest income | 500 | 538 | 38 |
| Grant income | - | - | - |
| Miscellaneous | 500 | 125 | (375) |
| Total Revenues | 128,500 | 107,362 | (21,138) |
| Expenditures | | | |
| Current: | | | |
| Development | 972,000 | 93,812 | (878,188) |
| Capital outlay | 150,000 | - | (150,000) |
| Total Expenditures | 1,122,000 | 93,812 | (1,028,188) |
| Excess (deficiency) of revenues over (under) expenditures | \$ (993,500) | 13,550 | \$ 1,007,050 |
| Fund Balances - Beginning | | 284,174 | |
| Fund Balances - Ending | | \$ 297,724 | |

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, 2021**

| | Original & Final Budget | Actual | Over (Under) |
|--|--|---------------|-------------------------|
| Revenues | | | |
| Property taxes | \$ 155,354 | \$ 155,448 | \$ 94 |
| Replacement taxes | 12,500 | 13,072 | 572 |
| Fines and fees | 6,800 | 4,529 | (2,271) |
| Memorial funds | 1,000 | 575 | (425) |
| Interest income | 2,300 | 185 | (2,115) |
| Grant income | 5,600 | 13,763 | 8,163 |
| Miscellaneous | 1,000 | 1,626 | 626 |
| Total Revenues | 184,554 | 189,198 | 4,644 |
| Expenditures | | | |
| Current: | | | |
| Culture and recreation | 707,500 | 154,064 | (553,436) |
| Capital outlay | 100,000 | 16,405 | (83,595) |
| Total Expenditures | 807,500 | 170,469 | (637,031) |
| Excess (deficiency) of revenues over (under) expenditures | (622,946) | 18,729 | 641,675 |
| Net Change in Fund Balances | \$ (622,946) | 18,729 | \$ 641,675 |
| Fund Balances - Beginning | | 90,799 | |
| Fund Balances - Ending | | \$ 109,528 | |

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

CITY OF TUSCOLA, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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 22, 2020. The appropriation hearing was held on July 13, 2020. The appropriations ordinance for the fiscal year ending April 30, 2021 was adopted on July 13, 2020.
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, 2021.

Note 2 - Appropriations Deficit

No funds that adopted budgets annually had excess expenditures over appropriations for the fiscal year ended April 30, 2021.

OTHER SUPPLEMENTARY INFORMATION

CITY OF TUSCOLA
Tuscola, Illinois

Equalized Assessed Valuations, Tax Rates, Taxes Extended and Collected
April 30, 2021

| Tax Levy Year | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Equalized Assessed Valuation (not including TIF Districts) | \$60,574,189 | \$60,366,592 | \$60,650,359 | \$58,847,927 | \$58,200,770 |
| <u>Tax Rates</u> | | | | | |
| (Per \$100 Equalized Assessed Valuation) | | | | | |
| General corporate | \$ 0.1573 | \$ 0.1510 | \$ 0.1466 | \$ 0.1474 | \$ 0.1433 |
| Audit | 0.0118 | 0.0113 | 0.0109 | 0.0109 | 0.0105 |
| ESDA | - | - | - | - | - |
| Liability insurance | 0.0926 | 0.0889 | 0.0863 | 0.0867 | 0.0842 |
| Social security | 0.0773 | 0.0742 | 0.0720 | 0.0723 | 0.0702 |
| Fire protection | 0.1686 | 0.1618 | 0.1571 | 0.1579 | 0.1535 |
| Parks | 0.0767 | 0.0736 | 0.0714 | 0.0717 | 0.0697 |
| Police protection | 0.1555 | 0.1493 | 0.1449 | 0.1456 | 0.1415 |
| IMRF | 0.1169 | 0.1122 | 0.1089 | 0.1094 | 0.1063 |
| Library | 0.2615 | 0.2574 | 0.2499 | 0.2512 | 0.2442 |
| Workmans compensation | 0.0523 | 0.0502 | 0.0487 | 0.0489 | 0.0475 |
| Total Tax Rate | <u>\$ 1.1705</u> | <u>\$ 1.1299</u> | <u>\$ 1.0967</u> | <u>\$ 1.1020</u> | <u>\$ 1.0709</u> |
| Equalized Assessed Valuation - TIF Districts only | <u>\$16,624,683</u> | <u>\$16,504,227</u> | <u>\$16,516,787</u> | <u>\$19,572,240</u> | <u>\$20,282,421</u> |
| TIF Districts | <u>\$ 7.9388</u> | <u>\$ 7.7779</u> | <u>\$ 7.7720</u> | <u>\$ 8.0444</u> | <u>\$ 8.0426</u> |
| <u>Tax Extensions</u> | | | | | |
| General corporate | \$ 95,283 | \$ 91,154 | \$ 88,913 | \$ 86,742 | \$ 83,402 |
| Audit | 7,148 | 6,821 | 6,611 | 6,414 | 6,111 |
| ESDA | - | - | - | - | - |
| Liability insurance | 56,092 | 53,666 | 52,341 | 51,003 | 49,005 |
| Social security | 46,824 | 44,792 | 43,668 | 42,547 | 40,857 |
| Road and bridge | 19,505 | 19,015 | 19,590 | 20,000 | 19,788 |
| Fire protection | 102,128 | 97,673 | 95,282 | 92,921 | 89,338 |
| Parks | 46,460 | 44,430 | 43,304 | 42,194 | 40,566 |
| Police protection | 94,193 | 90,127 | 87,882 | 85,683 | 82,354 |
| IMRF | 70,811 | 67,731 | 66,048 | 64,380 | 61,867 |
| Library | 158,402 | 155,384 | 151,565 | 147,826 | 142,126 |
| Workmans compensation | 31,680 | 30,304 | 29,537 | 28,777 | 27,645 |
| TIF districts | <u>1,319,802</u> | <u>1,298,587</u> | <u>1,283,686</u> | <u>1,574,471</u> | <u>1,631,236</u> |
| Taxes Extended - In Total | <u>\$ 2,048,328</u> | <u>\$ 1,999,684</u> | <u>\$ 1,968,427</u> | <u>\$ 2,242,958</u> | <u>\$ 2,274,295</u> |

CITY OF TUSCOLA
Tuscola, Illinois

Equalized Assessed Valuations, Tax Rates, Taxes Extended and Collected (Concluded)
April 30, 2021

| Tax Levy Year | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---------------------------------------|--------------|---------------------|---------------------|---------------------|---------------------|
| <u>Taxes Collected</u> | | | | | |
| General corporate | \$ - | \$ 91,157 | \$ 88,569 | \$ 86,926 | \$ 83,032 |
| Audit | - | 6,822 | 6,585 | 6,428 | 6,084 |
| Civil defense | - | - | - | - | - |
| Liability insurance | - | 53,668 | 52,139 | 51,129 | 48,788 |
| Social security | - | 44,794 | 43,499 | 42,638 | 40,676 |
| Road and bridge | - | 19,004 | 19,533 | 19,706 | 19,696 |
| Fire protection | - | 97,679 | 94,913 | 93,118 | 88,943 |
| Park | - | 44,431 | 43,137 | 42,284 | 40,386 |
| Police protection | - | 90,130 | 87,542 | 85,865 | 81,989 |
| IMRF | - | 67,734 | 65,793 | 64,516 | 61,594 |
| Library | - | 155,389 | 150,978 | 148,132 | 141,493 |
| Workmen's compensation | - | 30,305 | 29,423 | 28,838 | 27,523 |
| TIF Districts | - | 1,298,357 | 1,281,094 | 1,645,083 | 1,610,499 |
| Taxes Collected | <u>\$ -</u> | <u>\$ 1,999,470</u> | <u>\$ 1,963,205</u> | <u>\$ 2,314,663</u> | <u>\$ 2,250,703</u> |
| Percentage of Extensions Collected | <u>0.00%</u> | <u>99.99%</u> | <u>99.73%</u> | <u>103.20%</u> | <u>98.96%</u> |

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