

CITY OF TUSCOLA

Tuscola, Illinois

Annual Financial Report
For the Year Ended April 30, 2010

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August 4, 2010

Honorable Mayor and
City Council
City of Tuscola
Tuscola, Illinois

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tuscola, Tuscola, Illinois (the City) as of and for the year ended April 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Tuscola. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tuscola as of April 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 11 and 46 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Bray, Drake, Liles & Richardson LLP
BRAY, DRAKE, LILES & RICHARDSON LLP

Members of the American Institute of Certified Public Accountants
Members of the Illinois CPA Society

City of Tuscola

Management's Discussion and Analysis

April 30, 2010

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, 2010.

Financial Highlights

- The assets of the City of Tuscola exceeded its liabilities at the close of the most recent fiscal year by \$33,794,246 (*net assets*).
- The City's total net assets increased by \$1,055,055 in the last fiscal year
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,975,075. Over half of this amount, \$2,886,195 is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$703,178, or 32.9% of total general fund expenditures.
- City of Tuscola's total debt decreased by \$749,199 during the current fiscal year.

Overview of the Financial Statements

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

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

- The *statement of net assets* presents information on all of the City of Tuscola's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Tuscola is improving or deteriorating.
- The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Tuscola include general government, public safety, public recreation, development, public library, tourism and roadways. The business-type activities of the City of Tuscola include the City of Tuscola Water and Sewer services. The government-wide financial statements do not include funds classified as Fiduciary Funds (discussed further below), because the resources of those funds are not available to support the City's programs.

The government-wide financial statements can be found on pages 12-13 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 14-15 of this report.

Proprietary funds. The City of Tuscola maintains two proprietary funds (also called Enterprise Funds). Enterprise Funds are presented as *business-type activities* in the government-wide financial statements. The City of Tuscola uses one enterprise fund to account for its Water service activities and one enterprise fund to account for its Sewer service activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer services, which are considered to be major funds of the City of Tuscola.

The basic proprietary fund financial statements can be found on pages 16-18 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Tuscola’s own programs. The City of Tuscola maintains two fiduciary funds. The Garbage Fund is for the purpose of billing and collecting revenue for Veolia Environmental Services, the contracted garbage hauler in the City. And the Section 125 Fund is used to hold employee deposits and reimburse employees for approved medical and daycare expenses. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-45 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This supplementary information includes information concerning the City of Tuscola’s progress in funding its obligation to provide pension benefits to its employees, additional information about the operation of the water and sewer funds, legal debt margin calculations and assessed valuations, tax rates, taxes extended and collected information about the property tax funding system. Required supplementary information can be found on pages 46-57 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City of Tuscola, assets exceeded liabilities by \$33,794,246 at the close of the most recent fiscal year.

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

Summary of City of Tuscola’s Net Assets

| | Governmental Activities 2010 | Governmental Activities 2009 | Business-Type Activities 2010 | Business-Type Activities 2009 | Total 2010 | Total 2009 |
|----------------------------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|----------------------|----------------------|
| Current and Other Assets | \$ 7,078,985 | \$ 6,228,103 | \$ 2,396,491 | \$ 2,326,560 | \$ 9,475,476 | \$ 8,554,663 |
| Capital Assets | 19,396,429 | 19,750,028 | 9,660,514 | 9,938,902 | 29,056,943 | 29,688,930 |
| Total Assets | <u>\$ 26,475,414</u> | <u>\$ 25,978,131</u> | <u>\$ 12,057,005</u> | <u>\$ 12,265,462</u> | <u>\$ 38,532,419</u> | <u>\$ 38,243,593</u> |
| Long-term Liabilities | \$ 217,500 | \$ 542,500 | \$ 4,420,000 | \$ 4,860,000 | \$ 4,637,500 | \$ 5,402,500 |
| Other Liabilities | 125,970 | 140,985 | (25,297) | (39,134) | 100,673 | 101,851 |
| Total Liabilities | <u>\$ 343,470</u> | <u>\$ 683,485</u> | <u>\$ 4,394,703</u> | <u>\$ 4,820,866</u> | <u>\$ 4,738,173</u> | <u>\$ 5,504,351</u> |
| Net Assets: | | | | | | |
| Invested in Capital Assets | \$ 19,178,931 | \$ 19,207,526 | \$ 5,240,514 | \$ 5,078,903 | \$ 24,419,445 | \$ 24,286,429 |
| Restricted | 2,028,305 | 2,016,502 | 1,209,713 | 915,731 | 3,238,018 | 2,932,233 |
| Unrestricted | 4,924,708 | 4,070,616 | 1,212,075 | 1,449,961 | 6,136,783 | 5,520,577 |
| Total Net Assets | <u>\$ 26,131,944</u> | <u>\$ 25,294,644</u> | <u>\$ 7,662,302</u> | <u>\$ 7,444,595</u> | <u>\$ 33,794,246</u> | <u>\$ 32,739,239</u> |

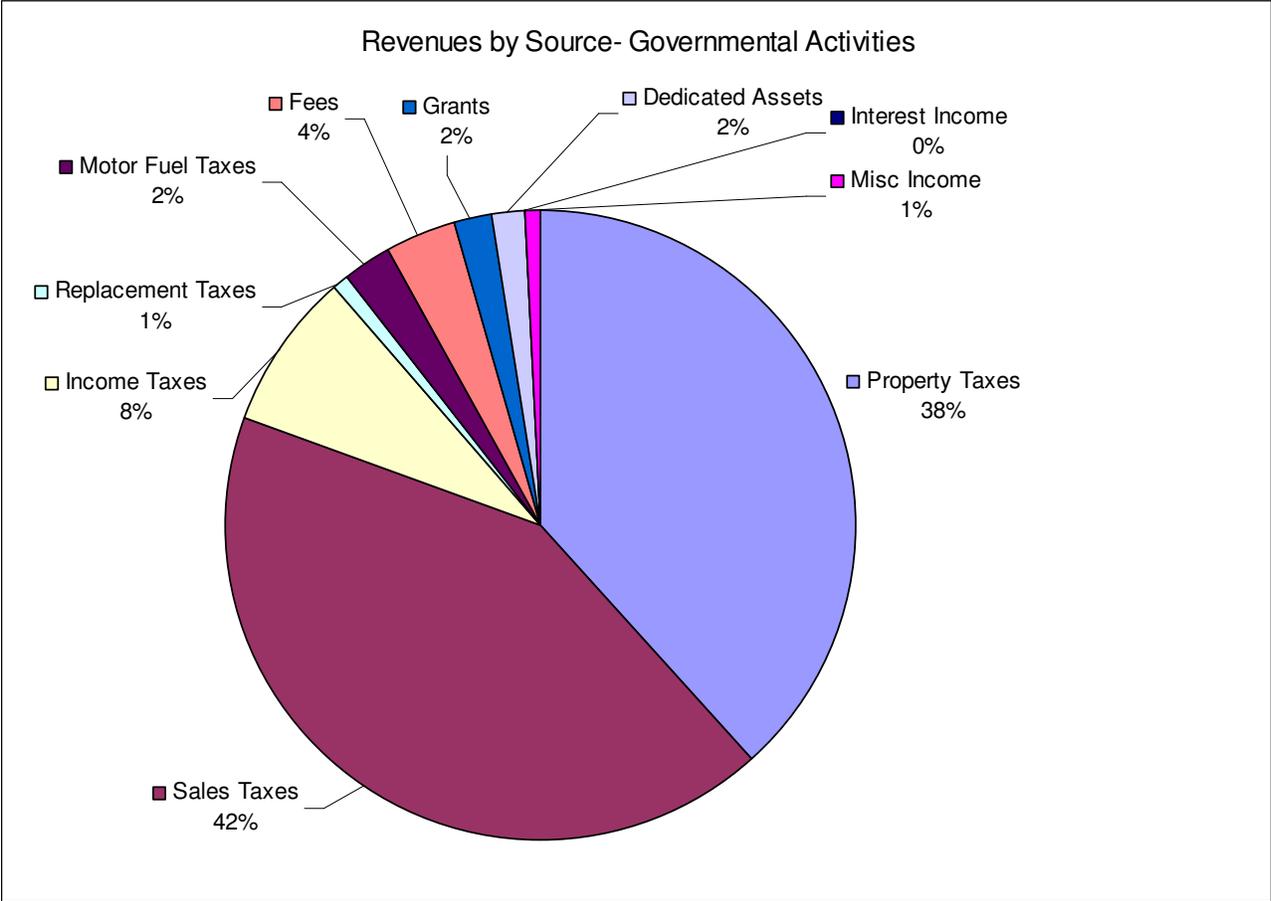
An additional portion of the City of Tuscola's net assets (\$3,238,018) represents resources that are subject to external restrictions on how they may be used. The remaining balance of Net Assets, *unrestricted net assets* (\$6,136,783) may be used to meet the government's ongoing obligations to citizens and creditors.

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

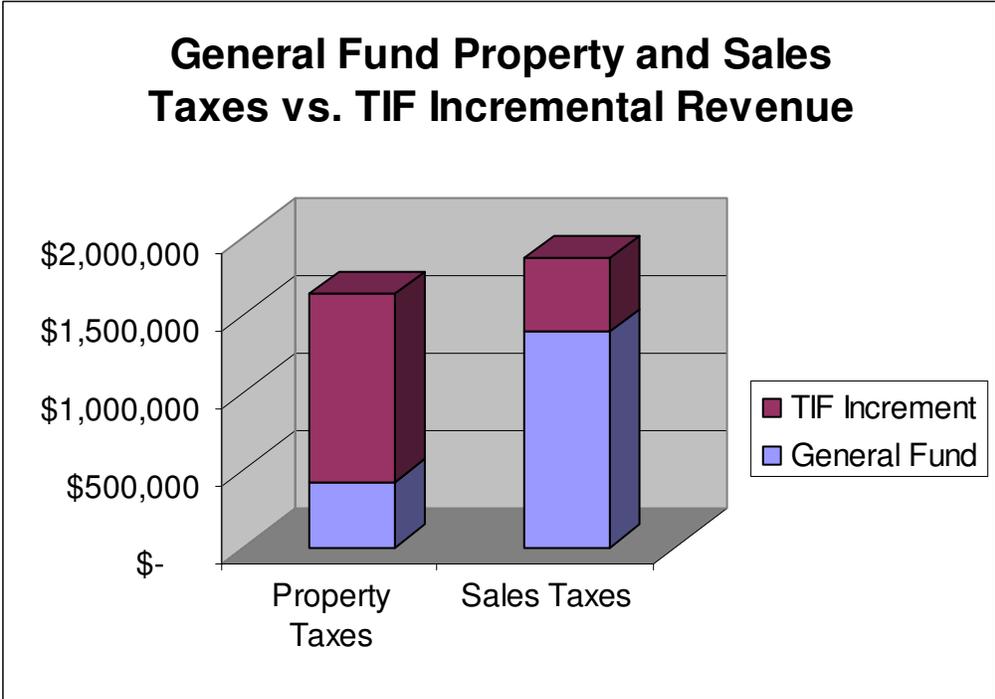
The following table summarizes the revenues and expenses of the City's activities:

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| City of Tuscola's Revenues, Expenses and Net Assets | | | | | | |
| Revenues: | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 183,964 | \$ 197,935 | \$ 1,578,962 | \$ 1,541,891 | \$ 1,762,926 | \$ 1,739,826 |
| Grants & Contributions | 162,764 | 93,020 | - | - | 162,764 | 93,020 |
| General Revenues: | | | | | | |
| Property Taxes | 1,849,697 | 1,754,624 | - | - | 1,849,697 | 1,754,624 |
| Sales Taxes | 2,029,310 | 1,987,126 | - | - | 2,029,310 | 1,987,126 |
| Income Taxes | 397,235 | 337,540 | - | - | 397,235 | 337,540 |
| Replacement Taxes | 40,025 | 48,344 | - | - | 40,025 | 48,344 |
| Motor Fuel Taxes | 112,255 | 116,072 | - | - | 112,255 | 116,072 |
| Investment Earnings | 7,040 | 37,766 | 5,304 | 22,269 | 12,344 | 60,035 |
| Miscellaneous | 38,991 | 11,575 | - | - | 38,991 | 11,575 |
| Total Revenues | \$ 4,821,281 | \$ 4,584,002 | \$ 1,584,266 | \$ 1,564,160 | \$ 6,405,547 | \$ 6,148,162 |
| Expenses: | | | | | | |
| General Government | \$ 557,877 | \$ 558,272 | \$ - | \$ - | \$ 557,877 | \$ 558,272 |
| Public Safety | 950,372 | 966,781 | - | - | 950,372 | 966,781 |
| Public Works | 851,385 | 837,759 | - | - | 851,385 | 837,759 |
| Culture and Recreation | 374,154 | 371,597 | - | - | 374,154 | 371,597 |
| Development | 1,226,658 | 1,015,147 | - | - | 1,226,658 | 1,015,147 |
| Interest on L-T Debt | 23,537 | 41,230 | - | - | 23,537 | 41,230 |
| Water Department | - | - | 738,713 | 720,971 | 738,713 | 720,971 |
| Sewer Department | - | - | 627,846 | 643,023 | 627,846 | 643,023 |
| Total Expenses | 3,983,983 | 3,790,786 | 1,366,559 | 1,363,994 | 5,350,542 | 5,154,780 |
| Change in Net Assets | 837,298 | 793,217 | 217,707 | 200,165 | 1,055,005 | 993,382 |
| Net Assets, Beginning | 25,294,646 | 24,501,429 | 7,444,595 | 7,244,430 | 32,739,241 | 31,745,859 |
| Net Assets, Ending | \$ 26,131,944 | \$ 25,294,646 | \$ 7,662,302 | \$ 7,444,595 | \$ 33,794,246 | \$ 32,739,241 |

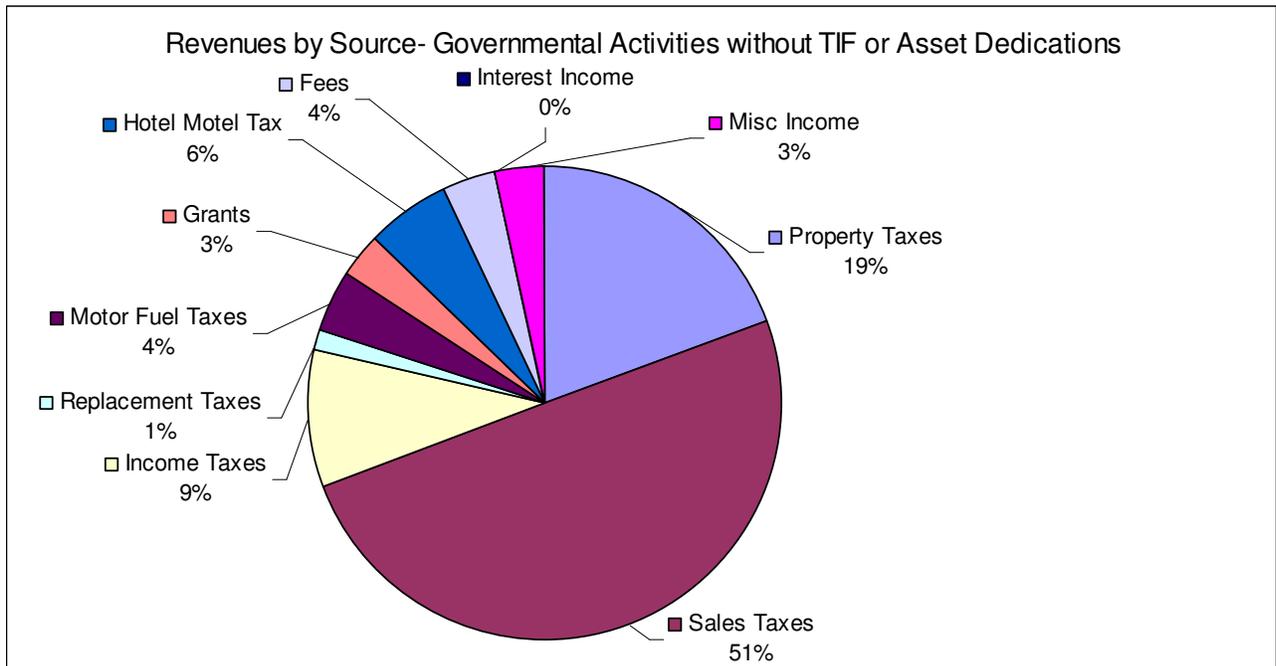
Revenues for the City are generated from a number of different sources and for the most part are dependent on different financial factors. The majority of revenue is derived from sales taxes and property taxes, as illustrated in the chart below. Property taxes are a stable source of revenues, not dependent on economic trends and fluctuations. Sales tax revenues, conversely, are heavily dependent on economic trends and the success of a smaller number of local businesses. Property taxes are derived solely from local property owners, while sales taxes are partly paid by out of town shoppers. Keeping sales tax revenues strong and the local economy growing is taking some of the financial burden of running the City's programs off of the local citizenry. Having a balance between those two revenues is essential to the stability of the operations of the City. The City also accounts for dedicated assets as revenues in the governmental activities. In FY 2010, local business owners, Jerry and Nancy Reynolds donated their property at 103-105 W. Sale Street to the City so that it could be renovated and used for business development in the downtown area. The governmental assets resulting from that dedication were valued at \$75,000, or approximately 2% of revenues from governmental activities.



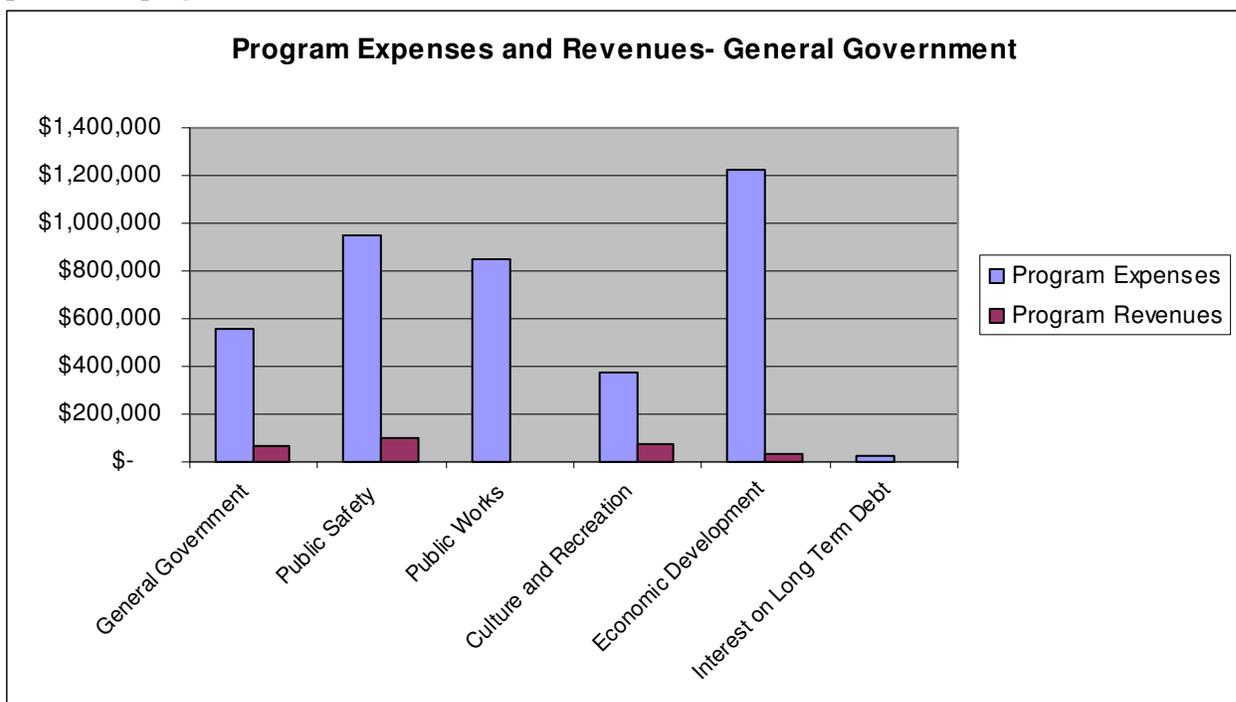
The City of Tuscola is unique in that it has a very successful Tax Increment Financing (TIF) District that provides revenues from property tax and sales tax increment to fund most of the City's economic development plans. While sales and property tax revenues are the main sources of overall revenue for the City's combined funds, the amounts of these types of revenues that are attributable to the TIF District are significant (48%). As shown in the chart below, TIF increment accounts for 74% of all property taxes collected and 26% of sales taxes.



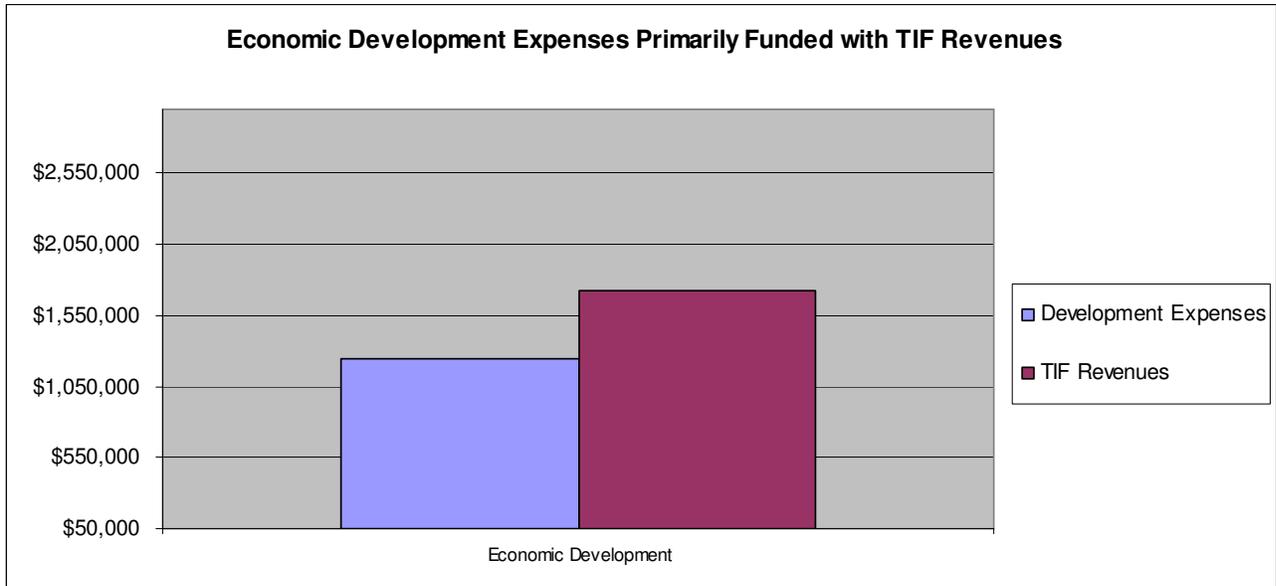
When the general government funds are analyzed independently of the Tax Increment Financing Fund, and without the previously mentioned dedication of infrastructure assets, one gets a clearer picture of the priorities of the City's government. As shown in the chart below, the City government has made a priority of keeping property tax levies low to keep the burden off local residents. This is possible due to the high percentage (51%) of sales taxes, paid in large part by out of town shoppers.



Economic Development expenses were the largest program expense with \$1,226,658 being spent toward development of the local economy. As explained later, that focus on economic development would not be possible without the City's Tax Increment Financing District Revenue. Other than development, the largest program expenses are for public safety at \$950,372, which is the highest priority for the City government with general revenues, and public works at \$851,385. Those programs are followed by \$557,877 of general government expenses, which is only 14% of the total program expenses. A breakdown by program of expenses and program revenues follows.



The City of Tuscola funds a vast majority of the economic development programs with Tax Increment Financing revenues, not with General Fund revenues. The following chart shows the current year TIF revenues were the primary means to fund all other expenditures for economic development projects for FY 2010.



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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Tuscola's governmental funds reported combined ending fund balances of \$4,975,075. Fifty-eight percent of this amount constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for debt service (\$278,634) and other designated projects and programs (\$1,642,886).

The general fund is the chief operating fund of the City of Tuscola. At the end of the current fiscal year, total fund balance of the general fund was \$2,889,341, of that \$1,640,770 is restricted for specific purposes while \$703,178 is unreserved and available for spending at the government's discretion. Unreserved fund balance represents 32.9 percent of total general fund expenditures. Because of its reliance on sales tax revenues (51% of total revenues, as shown in the previous chart titled "Revenues by Source-Governmental Activities without TIF"), it is important for the City to maintain a sufficient unreserved fund balance. In times of low local sales, due to seasonal shopping trends or events out of the control of the City's Government, sales taxes can fluctuate low enough that the City has to rely on the unreserved fund balance to meet monthly obligations and program expenses. The recent economic turmoil, due to the housing market crash and the credit market tightening, has caused a general downturn in consumer spending in the United States. While the retail segment of the City of Tuscola was expected to reflect that same slow down of consumer spending, we were fortunate that our sales tax revenues were only down 1.94% for the fiscal year ending April 30, 2010.

The City's TIF funds are primarily used to assist local businesses in funding projects for economic growth within the TIF districts. A few of those projects in FY 2010 were the Tanger Outlet Center, Visual Image Salon, Hogwrench motorcycle shop, Illini Community Insurance, Lighthouse Insurance Agency, Jim Nees' Pro Hardware store, and the Tuscola Do-It Best Homecenter. The TIF fund also has on-going receipts of principal and interest income from low interest loans on past TIF funded projects. A complete accounting of TIF funded activities is available in the annual TIF report compiled by the City and submitted to the Office of the Comptroller- State of Illinois.

The City Motor Fuel Tax Funds are used mostly to meet debt service obligations on the Prairie Street and Niles Street improvement projects. In FY 2010 funds were also used for annual maintenance to the City's chip and tar streets.

The City's Tourism Funds are derived from a tax on local hotel operators. In FY 2008, the City Council voted to raise the tax percentage from 5% to 6%. Funds derived from the tax are dedicated to tourism and marketing efforts within the City. With the increase in the tax, the City Council further directed a portion of those funds to be used to commission a marketing study and fund marketing efforts for the City of Tuscola.

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

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

Unrestricted net assets of the proprietary funds at the end of the year amounted to \$1,212,075.

The Water Fund revenues come from fees charged to users of the City's water system. Expenses for the operation of the water system are paid exclusively from those funds. The City's water system, as any infrastructure system, is continually being upgraded and maintained. The Water Fund revenues are also used for debt service on bonds originally sold to fund the purchase of the water system, upgrades to the water system and the construction of a water pipeline to transport purchased water from Illinois American Water Company in Champaign County to the City of Tuscola.

The Sewer Fund revenues come from fees charged to users of the City's sewer system. Expenses for the operation of the sewer system are paid exclusively from those funds. The City's sewer system, as any infrastructure system, is continually being upgraded and maintained using sewer system fund balances. The Sewer Fund revenues are also used for debt service on bonds originally sold to fund major upgrades to the system and the building of a new waste water treatment facility.

General Fund Budgetary Highlights

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

The legal spending limits of the City of Tuscola, as in most municipal governments, are set by the appropriation budget. The appropriation budget is also developed by City staff taking into account the maximum acceptable spending for operations and other possible contingencies. The appropriation budget is passed via ordinance of the City Council in accordance with State statutes. The City Council may vote to transfer appropriated amounts between departments or line items as needed during the year. But there are very few remedies, as described in State statute, if the total appropriation amount needs to be raised or lowered.

During the fiscal year 2010 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, 2010, amounts to \$29,056,943 (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 2010 | FY 2009 | FY 2010 | FY 2009 | FY 2010 | FY 2009 |
| Land | \$ 2,544,515 | \$ 2,529,515 | \$ 637,198 | \$ 637,198 | \$ 3,181,713 | \$ 3,166,713 |
| Land Improvements | 343,016 | 344,213 | - | - | 343,016 | 344,213 |
| Buildings | 2,341,016 | 2,318,124 | - | - | 2,341,016 | 2,318,124 |
| Plant, Machinery & Equipment | 586,155 | 642,362 | 6,425,549 | 6,590,631 | 7,011,704 | 7,232,993 |
| Vehicles | 943,000 | 1,046,769 | 28,671 | 33,322 | 971,671 | 1,080,091 |
| Distribution System | - | - | 2,569,096 | 2,677,751 | 2,569,096 | 2,677,751 |
| Infrastructure | 12,638,727 | 12,869,044 | - | - | 12,638,727 | 12,869,044 |
| Work in Progress | - | - | - | - | - | - |
| | <u>\$19,396,429</u> | <u>\$19,750,027</u> | <u>\$ 9,660,514</u> | <u>\$ 9,938,902</u> | <u>\$29,056,943</u> | <u>\$29,688,929</u> |

Additional information on the City of Tuscola's capital assets can be found in Note 2C in the Notes to Financial Statements of this report.

Long-term debt. At the end of the current fiscal year, the City of Tuscola had total debt outstanding of \$4,559,150. Following is a comparative statement of outstanding debt:

| | Governmental Activities | | Business-type activities | | Total | |
|-----------------------------------|-------------------------|-------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| General Obligation Bonds- | | | | | | |
| Alternate Revenue Bonds | \$ 32,500 | \$ 112,500 | \$ 4,420,000 | \$ 4,860,000 | \$ 4,452,500 | \$ 4,972,500 |
| TIF Revenue Bonds | 185,000 | 430,000 | - | - | 185,000 | 430,000 |
| Capital Lease Obligations | - | - | - | - | - | - |
| Less deferred charge on refunding | - | - | (130,045) | (147,385) | (130,045) | (147,385) |
| Compensated Absences | <u>41,686</u> | <u>44,604</u> | <u>10,009</u> | <u>8,630</u> | <u>51,695</u> | <u>53,234</u> |
| Total | <u>\$ 259,186</u> | <u>\$ 587,104</u> | <u>\$ 4,299,964</u> | <u>\$ 4,721,245</u> | <u>\$ 4,559,150</u> | <u>\$ 5,308,349</u> |

The City of Tuscola's total debt decreased by \$749,199 (14%) during the current fiscal year. Additional information on the City's long-term debt can be found in Note 3G in the Notes to Financial Statements of this report.

Economic Factors and Next Year's Budgets and Rates

The Tanger Outlet Center lies within the limits of the City of Tuscola and is a major contributor to the area's economy, as the Center is a large employer (estimated at 300) and a large generator of local taxes. Approximately 35% of the City's overall sales tax revenue is generated from Center sales and the City realizes approximately \$350,000 in annual property tax revenues from the property. This contribution helps make the City of Tuscola more financially sound than many communities of similar size or population. Conversely, this also creates financial vulnerabilities for the City in the event of a drastic change in the Center

operation. During this fiscal year, the Tanger Outlet Center has continued to enjoy a rejuvenation of retail occupancy with their top brand name stores such as Gymboree, and is excitedly awaiting the opening of the Aeropostle clothing retailer.

The equalized assessed value (EAV) of taxable property in the City for 2009 levy year was \$56,112,673, which represents one-third market value. Residential properties make up 86% of the EAV for the 2009 levy year. Commercial developments constitute 13% of the EAV. Keeping the City's tax rate low has been a long-standing goal of the City's leadership. After a 10 year period of lowering rates each year, the Council has in recent years maintained a flat rate with only small increases in the prior few years' levies. It is expected that, barring unforeseen events, this goal will continue to drive tax levy decisions in future years.

The State of Illinois collects and distributes sales and income tax revenues to the City of Tuscola, as it does to all local governments. Those tax revenues are a significant portion of the general fund revenues for the City. In recent years, the State of Illinois has encountered a mounting fiscal crisis, punctuated by the fact that the General Revenue fund of the state is reaching the largest backlog of unpaid bills in state history. The State is currently 4 months behind in distribution of the local portion of state income tax, which accounts for \$133,895.92 in revenues that the State of Illinois owes the City of Tuscola. Due to these financial problems, some state legislators are proposing changes to state law that could negatively impact the City's revenues of sales and/or income tax. At this point, none of these changes have been enacted into law, but the State's financial issues, and how the state will address them, remain a potential future dilemma for the City's state tax revenues.

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

Requests for Information

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

CITY OF TUSCOLA

Tuscola, Illinois

Statement of Net Assets

April 30, 2010

| <u>Assets</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|---|--|-----------------------------|
| Cash and cash equivalents | \$ 49,120 | \$ 100 | \$ 49,220 |
| Investments | 1,612,197 | 791,380 | 2,403,577 |
| Due from Douglas County | 1,850,558 | - | 1,850,558 |
| Due from State of Illinois | 529,329 | - | 529,329 |
| Receivables, net | 24,457 | 108,782 | 133,239 |
| Loans receivable | 909,925 | - | 909,925 |
| Prepaid items | 60,575 | 9,971 | 70,546 |
| Investment in joint venture | - | 8,565 | 8,565 |
| Deferred bond issue costs, net | - | 267,980 | 267,980 |
| Restricted Assets: | | | |
| Cash and cash equivalents | 78,726 | 348,042 | 426,768 |
| Investments | 1,964,098 | 861,671 | 2,825,769 |
| Capital Assets (net of accumulated depreciation): | | | |
| Land | 2,544,515 | 637,198 | 3,181,713 |
| Land improvements | 343,016 | - | 343,016 |
| Buildings | 2,341,016 | - | 2,341,016 |
| Plant, machinery and equipment | 586,155 | 6,425,549 | 7,011,704 |
| Vehicles | 943,000 | 28,671 | 971,671 |
| Infrastructure | 12,638,727 | 2,569,096 | 15,207,823 |
| <u>Total Assets</u> | <u>26,475,414</u> | <u>12,057,005</u> | <u>38,532,419</u> |
| <u>Liabilities:</u> | | | |
| Accounts payable | 24,302 | 28,054 | 52,356 |
| Accrued payroll | 54,648 | 11,527 | 66,175 |
| Accrued Interest | 5,334 | 26,258 | 31,592 |
| Customer deposits | - | 28,900 | 28,900 |
| Accrued compensated absences | 41,686 | 10,009 | 51,695 |
| Deferred loss on bond refunding, net | - | (130,045) | (130,045) |
| Non-current liabilities: | | | |
| Due within one year | 72,500 | 460,000 | 532,500 |
| Due after more than one year | 145,000 | 3,960,000 | 4,105,000 |
| <u>Total Liabilities:</u> | <u>343,470</u> | <u>4,394,703</u> | <u>4,738,173</u> |
| <u>Net Assets:</u> | | | |
| Invested in capital assets, net of related debt | 19,178,931 | 5,240,514 | 24,419,445 |
| Restricted for: | | | |
| Debt service | 278,634 | 348,042 | 626,676 |
| Transportation projects | 167,360 | - | 167,360 |
| Capital projects and improvements | - | 861,671 | 861,671 |
| Other | 1,582,311 | - | 1,582,311 |
| Unrestricted | 4,924,708 | 1,212,075 | 6,136,783 |
| <u>Total Net Assets:</u> | <u>\$ 26,131,944</u> | <u>\$ 7,662,302</u> | <u>\$ 33,794,246</u> |

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

City of Tuscola

Tuscola, Illinois

Statement of Activities

For the Year Ended April 30, 2010

| | Program Revenues | | | | Net (Expenses) Revenue and Changes in Net Assets | | |
|--|---------------------|-------------------------|--|--|--|-----------------------------|-----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| <u>Functions/Programs:</u> | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 557,877 | \$ 53,683 | \$ 15,532 | \$ 75,000 | \$ (413,662) | \$ - | \$ (413,662) |
| Public safety | 950,372 | 34,655 | 66,851 | - | (848,866) | - | (848,866) |
| Public works | 851,385 | - | - | - | (851,385) | - | (851,385) |
| Culture and recreation | 374,154 | 66,282 | 5,381 | - | (302,491) | - | (302,491) |
| Development | 1,226,658 | 29,344 | - | - | (1,197,314) | - | (1,197,314) |
| Interest on long-term debt | 23,537 | - | - | - | (23,537) | - | (23,537) |
| Total governmental activities | 3,983,983 | 183,964 | 87,764 | 75,000 | (3,637,255) | - | (3,637,255) |
| Business-type activities: | | | | | | | |
| Water | 738,713 | 944,028 | - | - | - | 205,315 | 205,315 |
| Sewer | 627,846 | 634,934 | - | - | - | 7,088 | 7,088 |
| Total business-type activities | 1,366,559 | 1,578,962 | - | - | - | 212,403 | 212,403 |
| <u>Total functions/programs</u> | \$ 5,350,542 | \$ 1,762,926 | \$ 87,764 | \$ 75,000 | \$ (3,637,255) | \$ 212,403 | \$ (3,424,852) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 1,849,697 | - | 1,849,697 |
| Sales taxes | | | | | 2,029,310 | - | 2,029,310 |
| Income taxes | | | | | 397,235 | - | 397,235 |
| Replacement taxes | | | | | 40,025 | - | 40,025 |
| Motor fuel taxes | | | | | 112,255 | - | 112,255 |
| Interest income | | | | | 7,040 | 5,304 | 12,344 |
| Miscellaneous income | | | | | 38,991 | - | 38,991 |
| Total general revenues | | | | | 4,474,553 | 5,304 | 4,479,857 |
| Change in net assets | | | | | 837,298 | 217,707 | 1,055,005 |
| Net assets, beginning | | | | | 25,294,646 | 7,444,595 | 32,739,241 |
| Net assets, ending | | | | | \$ 26,131,944 | \$ 7,662,302 | \$ 33,794,246 |

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

CITY OF TUSCOLA

Tuscola, Illinois

Balance Sheet - Governmental Funds

April 30, 2010

| | General Fund | Tax Increment Financing Fund | Motor Fuel Tax Fund | Tourism Fund | Library Fund | Total |
|--|---------------------|---------------------------------------|------------------------|-------------------|-------------------|---------------------|
| <u>Assets</u> | | | | | | |
| Cash and cash equivalents | \$ 49,070 | \$ - | \$ - | \$ - | \$ 50 | \$ 49,120 |
| Investments | 425,128 | 866,297 | 157,711 | 130,825 | 32,236 | 1,612,197 |
| Due from Douglas County | 446,098 | 1,283,762 | - | - | 120,698 | 1,850,558 |
| Due from State of Illinois | 324,245 | 60,388 | 9,648 | - | 1,151 | 395,432 |
| Accounts receivable | 4,080 | - | - | 20,377 | - | 24,457 |
| Loans receivable | - | 909,925 | - | - | - | 909,925 |
| Prepaid items | 58,459 | - | - | 924 | 1,192 | 60,575 |
| Restricted Assets: | | | | | | |
| Cash and cash equivalents | 13,372 | 50,981 | 14,373 | - | - | 78,726 |
| Investments | 1,568,889 | 395,209 | - | - | - | 1,964,098 |
| Total Assets | \$ 2,889,341 | \$ 3,566,562 | \$ 181,732 | \$ 152,126 | \$ 155,327 | \$ 6,945,088 |
| <u>Liabilities and Fund Balance</u> | | | | | | |
| <u>Liabilities</u> | | | | | | |
| Accounts payable | \$ 17,370 | \$ 764 | \$ - | \$ 1,492 | \$ 4,676 | \$ 24,302 |
| Accrued salaries | 45,824 | 4,504 | - | 1,147 | 3,173 | 54,648 |
| Accrued compensated absences | 37,282 | 1,149 | - | 1,056 | 2,199 | 41,686 |
| Deferred revenue | 444,917 | 1,283,762 | - | - | 120,698 | 1,849,377 |
| Total Liabilities | 545,393 | 1,290,179 | - | 3,695 | 130,746 | 1,970,013 |
| <u>Fund Balance</u> | | | | | | |
| Reserved for: | | | | | | |
| Debt service | - | 264,261 | 14,373 | - | - | 278,634 |
| Youth activities | 50,766 | - | - | - | - | 50,766 |
| Drug training or prevention | 13,422 | - | - | - | - | 13,422 |
| Fire programs | 30,091 | - | - | - | - | 30,091 |
| Prepaid items | 58,459 | - | - | 924 | 1,192 | 60,575 |
| Other | 1,488,032 | - | - | - | - | 1,488,032 |
| Reserved by enabling legislation for: | | | | | | |
| Highways and streets | - | - | 167,360 | - | - | 167,360 |
| Unreserved | 703,178 | 2,012,122 | (1) | 147,507 | 23,389 | 2,886,195 |
| Total Fund Balance | 2,343,948 | 2,276,383 | 181,732 | 148,431 | 24,581 | 4,975,075 |
| Total Liabilities and Fund Balance | \$ 2,889,341 | \$ 3,566,562 | \$ 181,732 | \$ 152,126 | \$ 155,327 | |

Reconciliation to Statement of Net Assets

Amounts reported for governmental activities in the statement of net assets are different because:

| | |
|---|--|
| Capital assets used in governmental activities, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds. | 28,923,702 <u>(9,527,272)</u> 19,396,430 |
| Other assets are not available to pay for current-period expenditures and therefore are deferred or not recorded in the funds. | 1,983,273 |
| Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds | <u>(222,834)</u> |
| Net assets of governmental activities | <u>\$26,131,944</u> |

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

City of Tuscola

Tuscola, Illinois

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

For the Year Ended April 30, 2010

| | <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 | \$ 423,860 | \$ 1,212,494 | \$ - | \$ - | \$ 114,895 | \$ 1,751,249 |
| State sales taxes | 1,392,690 | 243,119 | - | - | - | 1,635,809 |
| State income taxes | 263,339 | - | - | - | - | 263,339 |
| Replacement taxes | 31,878 | - | - | - | 8,147 | 40,025 |
| Motor fuel taxes | - | - | 112,255 | - | - | 112,255 |
| Sales taxes - city | - | 234,978 | - | 158,522 | - | 393,500 |
| Fines and fees | 27,838 | - | - | - | 10,056 | 37,894 |
| Grant revenues | 82,383 | - | - | - | 5,381 | 87,764 |
| Licenses and permits | 24,268 | - | - | - | - | 24,268 |
| Rent | 8,075 | - | - | - | - | 8,075 |
| Franchise fee | 29,415 | - | - | - | - | 29,415 |
| Memorial funds | - | - | - | - | 1,730 | 1,730 |
| Interest income | 3,484 | 32,220 | 408 | 171 | 101 | 36,384 |
| Fire insurance | 6,817 | - | - | - | - | 6,817 |
| Pool income | 48,151 | - | - | - | - | 48,151 |
| Miscellaneous | 36,998 | - | - | 45 | 219 | 37,262 |
| Total Revenues | 2,379,196 | 1,722,811 | 112,663 | 158,738 | 140,529 | 4,513,937 |
| Expenditures: | | | | | | |
| Current | | | | | | |
| General government | 535,123 | - | - | - | - | 535,123 |
| Public safety | 834,835 | - | - | - | - | 834,835 |
| Public works | 434,770 | - | 63,043 | - | - | 497,813 |
| Culture and recreation | 179,999 | - | - | - | 141,617 | 321,616 |
| Development | 47,788 | 1,084,935 | - | 106,097 | - | 1,238,820 |
| Debt Service: | | | | | | |
| Principal retirement | - | 245,000 | 80,000 | - | - | 325,000 |
| Interest and fiscal charges | - | 24,963 | 6,146 | - | - | 31,109 |
| Capital outlay | 103,640 | - | - | - | - | 103,640 |
| Total Expenditures | 2,136,155 | 1,354,898 | 149,189 | 106,097 | 141,617 | 3,887,956 |
| Excess of revenues over (under) expenditures | 243,041 | 367,913 | (36,526) | 52,641 | (1,088) | 625,981 |
| Fund Balances, beginning | 2,100,907 | 1,908,469 | 218,259 | 95,790 | 25,669 | 4,349,094 |
| Fund Balances, ending | \$ 2,343,948 | \$ 2,276,382 | \$ 181,733 | \$ 148,431 | \$ 24,581 | \$ 4,975,075 |

Reconciliation to the Statement of Activities:

Net change in fund balances - total governmental funds

\$ 625,981

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

217,479

Gain (Loss) on Asset Disposal

(31,960)

Depreciation expense

(614,117)

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

307,344

Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

325,000

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.

7,571

\$ 211,317

Change in Net Assets of Governmental Activities

\$ 837,298

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

CITY OF TUSCOLA

Tuscola, Illinois

Statement of Net Assets - Proprietary Funds

April 30, 2010

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Total</u> |
|--|---------------------|---------------------|---------------------|
| <u>Assets</u> | | | |
| <u>Current assets</u> | | | |
| Cash and cash equivalents | \$ 60 | \$ 40 | \$ 100 |
| Investments | 640,809 | 150,571 | 791,380 |
| Accounts receivable, net | 64,639 | 44,143 | 108,782 |
| Prepaid items | 5,851 | 4,120 | 9,971 |
| Total Current Assets | <u>\$ 711,359</u> | <u>\$ 198,874</u> | <u>\$ 910,233</u> |
| <u>Noncurrent assets</u> | | | |
| Cash-restricted | 161,202 | 186,840 | \$ 348,042 |
| Investments-restricted | 568,717 | 292,953 | 861,670 |
| Deferred bond issue costs, net | 121,860 | 146,120 | 267,980 |
| Investment in joint venture | 8,565 | - | 8,565 |
| Capital assets: | | | |
| Property, plant and equipment | 5,507,086 | 10,351,151 | 15,858,237 |
| Accumulated Depreciation | <u>(2,116,499)</u> | <u>(4,081,223)</u> | <u>(6,197,722)</u> |
| Total Noncurrent Assets | <u>4,250,931</u> | <u>6,895,841</u> | <u>11,146,772</u> |
| Total Assets | <u>4,962,290</u> | <u>7,094,715</u> | <u>12,057,005</u> |
| <u>Liabilities</u> | | | |
| <u>Current Liabilities</u> | | | |
| Accounts payable | 21,888 | 6,166 | 28,054 |
| Customer deposits | 28,900 | - | 28,900 |
| Accrued payroll | 6,932 | 4,595 | 11,527 |
| Accrued interest | 11,348 | 14,910 | 26,258 |
| Deferred loss on bond refunding, net | <u>(130,045)</u> | <u>-</u> | <u>(130,045)</u> |
| Accrued compensated absences | 6,216 | 3,793 | 10,009 |
| General obligation bonds - current | 215,000 | 245,000 | 460,000 |
| Total Current Liabilities | <u>160,239</u> | <u>274,464</u> | <u>434,703</u> |
| <u>Noncurrent Liabilities</u> | | | |
| General obligation bonds | 1,715,000 | 2,245,000 | 3,960,000 |
| Total Noncurrent Liabilities | <u>1,715,000</u> | <u>2,245,000</u> | <u>3,960,000</u> |
| Total Liabilities | <u>1,875,239</u> | <u>2,519,464</u> | <u>4,394,703</u> |
| <u>Net Assets</u> | | | |
| Invested in capital assets, net of related debt | 1,460,587 | 3,779,928 | 5,240,515 |
| Restricted: | | | |
| Restricted for capital projects and improvements | 568,717 | 292,953 | 861,670 |
| Restricted for debt service | 161,202 | 186,840 | 348,042 |
| Unrestricted | 896,545 | 315,530 | 1,212,075 |
| Total Net Assets | <u>\$ 3,087,051</u> | <u>\$ 4,575,251</u> | <u>\$ 7,662,302</u> |

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

City of Tuscola
Tuscola, Illinois

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

For the Year Ended April 30, 2010

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|
| <u>Operating Revenues:</u> | | | |
| Charges for services | \$ 937,637 | \$ 634,934 | \$ 1,572,571 |
| Miscellaneous | 6,391 | - | 6,391 |
| Total Operating Revenues | <u>944,028</u> | <u>634,934</u> | <u>1,578,962</u> |
| <u>Operating Expenses:</u> | | | |
| Personnel services | 170,776 | 118,330 | 289,106 |
| Supplies and materials | 30,073 | 45,050 | 75,123 |
| Contractual services | 291,709 | 120,724 | 412,433 |
| Depreciation | 141,951 | 238,210 | 380,161 |
| Total Operating Expenses | <u>634,509</u> | <u>522,314</u> | <u>1,156,823</u> |
| Operating Income (Loss) | <u>309,519</u> | <u>112,620</u> | <u>422,139</u> |
| <u>Non Operating Revenues (Expenses)</u> | | | |
| Interest income | 3,870 | 1,433 | 5,303 |
| Sprayfield farm Income (loss), net | - | 3,946 | 3,946 |
| Interest expense | (104,204) | (109,477) | (213,681) |
| Total Non Operating Revenues (Expenses) | <u>(100,334)</u> | <u>(104,098)</u> | <u>(204,432)</u> |
| Net Income (loss) | <u>209,185</u> | <u>8,522</u> | <u>217,707</u> |
| Net assets - beginning | <u>2,877,866</u> | <u>4,566,729</u> | <u>7,444,595</u> |
| Net assets - ending | <u>\$ 3,087,051</u> | <u>\$ 4,575,251</u> | <u>\$ 7,662,302</u> |

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

CITY OF TUSCOLA

Tuscola, Illinois

Statement of Cash Flows

Proprietary Funds

For the Year Ended April 30, 2010

| <u>Cash Flows from Operating Activities:</u> | <u>Water</u> | <u>Sewer</u> | <u>Totals</u> |
|--|---------------------|---------------------|----------------------|
| Receipts from users | \$ 936,041 | \$ 633,889 | \$ 1,569,930 |
| Payments to suppliers | (326,088) | (171,431) | (497,519) |
| Payments to employees | (163,189) | (119,903) | (283,092) |
| Other receipts (payments) | 6,391 | - | 6,391 |
| Net cash provided by (used in) operating activities | <u>453,155</u> | <u>342,555</u> | <u>795,710</u> |
| <u>Cash Flows from Capital and Related Financing Activities:</u> | | | |
| Sale (purchase) of capital assets | (4,429) | (97,344) | (101,773) |
| Interest paid on capital debt | (71,556) | (93,316) | (164,872) |
| Sprayfield farm income (loss) | - | 3,946 | 3,946 |
| Principal paid on capital debt | <u>(210,000)</u> | <u>(230,000)</u> | <u>(440,000)</u> |
| Net cash used for capital and related financing activities | <u>(285,985)</u> | <u>(416,714)</u> | <u>(702,699)</u> |
| <u>Cash Flows from Investing Activities:</u> | | | |
| Investment income | 3,870 | 1,433 | 5,303 |
| Sale of investments | | 81,659 | 81,659 |
| Purchase of investments | (168,685) | | (168,685) |
| Net cash provided (used) by investing activities | <u>(164,815)</u> | <u>83,092</u> | <u>(81,723)</u> |
| Net increase (decrease) in cash and cash equivalents | 2,355 | 8,933 | 11,288 |
| Cash and cash equivalents, beginning of the year | <u>158,907</u> | <u>177,949</u> | <u>336,856</u> |
| Cash and cash equivalents, end of the year | <u>\$ 161,262</u> | <u>\$ 186,882</u> | <u>\$ 348,144</u> |
| <u>Reconciliation of Operating Income (Loss)</u> | | | |
| <u>To Net Cash Provided (Used) By Operating Activities</u> | | | |
| Operating income (loss) | \$ 309,519 | \$ 112,620 | \$ 422,139 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation | 141,951 | 238,210 | 380,161 |
| Change in assets and liabilities: | | | |
| (Increase) decrease-accounts receivable | (1,868) | (1,045) | (2,913) |
| (Increase) decrease-prepaid insurance | (378) | 41 | (337) |
| (Increase) decrease-joint venture equity | (1,807) | - | (1,807) |
| Increase (decrease)-accounts payable | (2,121) | (5,699) | (7,820) |
| Increase (decrease)-accrued payroll | 4,389 | 247 | 4,636 |
| Increase (decrease)-customer deposits | 272 | - | 272 |
| Increase (decrease)-accrued compensated absences | <u>3,198</u> | <u>(1,819)</u> | <u>1,379</u> |
| Total adjustments | <u>143,636</u> | <u>229,935</u> | <u>373,571</u> |
| Net cash provided (used) by operating activities | <u>\$ 453,155</u> | <u>\$ 342,555</u> | <u>\$ 795,710</u> |

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

CITY OF TUSCOLA

Tuscola, Illinois

Statement of Fiduciary Net Assets - Fiduciary Funds

April 30, 2010

| | <u>Agency Funds</u> |
|------------------------------------|-------------------------|
| <u>ASSETS</u> | |
| <u>Current assets:</u> | |
| Cash | \$ 978 |
| Accounts receivable | \$ 15,462 |
| Total assets | <u>\$ 16,440</u> |
| <u>LIABILITIES</u> | |
| <u>Current liabilities:</u> | |
| Accounts payable | \$ 16,440 |
| Total liabilities | <u>\$ 16,440</u> |

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

**CITY OF TUSCOLA
Tuscola, Illinois**

Notes to Basic Financial Statements

April 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.A. FINANCIAL REPORTING ENTITY

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

Primary Government: City of Tuscola

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

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

FUND FINANCIAL STATEMENTS

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

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

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

**CITY OF TUSCOLA
Tuscola, Illinois**

Notes to Basic Financial Statements – (continued)

April 30, 2010

1.B. BASIS OF PRESENTATION (continued)

FUND FINANCIAL STATEMENTS (continued)

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

| <i>Fund</i> | <i>Brief Description</i> |
|-------------------------|--|
| Tax Increment Financing | Accounts for the incremental property taxes realized within the Tax Increment Financing District. Expenditure of these revenues is restricted to capital improvements and redevelopment. |
| Motor Fuel Tax | Accounts for revenues received and expenditures paid for street maintenance. |
| Tourism | Accounts for revenues and expenditures for promoting tourism in the City. Hotel/Motel taxes provide revenues for operations. |
| Library | Accounts for revenues and expenditures of operating the City Library. Property taxes and Replacement taxes provide the revenues for operations. |

Proprietary Funds

Enterprise Funds

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

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

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2010

1.B. BASIS OF PRESENTATION (continued)

FUND FINANCIAL STATEMENTS (continued)

Fiduciary Funds

Agency Funds

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

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

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

Governmental Funds

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

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

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

**CITY OF TUSCOLA
Tuscola, Illinois**

Notes to Basic Financial Statements – (continued)

April 30, 2010

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

MEASUREMENT FOCUS (continued)

Proprietary Funds

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

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

Fiduciary Funds

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

1.D. ASSETS, LIABILITIES, AND EQUITY

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

CAPITAL ASSETS

The City’s GAAP basis of accounting reports capital assets and reports depreciation where appropriate. The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

Governmental Activities

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

**CITY OF TUSCOLA
Tuscola, Illinois**

Notes to Basic Financial Statements – (continued)

April 30, 2010

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

Government-Wide Statements (continued)

Governmental Activities (continued)

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

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

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

Business-Type Activities (Enterprise Funds)

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

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

LONG-TERM DEBT

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

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

**CITY OF TUSCOLA
Tuscola, Illinois**

Notes to Basic Financial Statements – (continued)

April 30, 2010

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

Fund Financial Statements

EQUITY CLASSIFICATION

Government-Wide Statements

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

- a. Invested in capital assets, net of related debt-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net assets-Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets-All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

Fund Financial Statements

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

1.E. REVENUES, EXPENDITURES, AND EXPENSES

PROGRAM REVENUES

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

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

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

OPERATING REVENUE AND EXPENSES

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

**CITY OF TUSCOLA
Tuscola, Illinois**

Notes to Basic Financial Statements – (continued)

April 30, 2010

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

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

FUND FINANCIAL STATEMENTS

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

1.G. PROPERTY TAXES

Property taxes are levied and attach as an enforceable lien on January 1, on property values assessed as of the same date. Taxes are levied by December 31 of the subsequent year (by passage of the Tax Levy Ordinance). The 2009 tax levy was adopted by the Council on November 16, 2009. Tax bills are prepared by the County and issued on or about June 1, and are payable in two installments, on or about July 6, and September 6. The City receives significant distributions of taxes approximately one month after these due dates. No provision has been made for delinquent property taxes since in past years the amount has been immaterial. In the governmental funds, property taxes are recorded as receivables and deferred revenues at the time the tax levy attaches as an enforceable lien on January 1. In the enterprise funds, property taxes are recorded as revenue at the time the tax levy attaches as an enforceable lien on January 1. The City has received and recognized \$1,751,249 from the 2008 tax levy.

**CITY OF TUSCOLA
Tuscola, Illinois**

Notes to Basic Financial Statements – (continued)

April 30, 2010

1.H. USE OF ESTIMATES

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

1.I. COMPENSATED ABSENCES

City employees are entitled to certain compensated absences based on their length of employment. Vacation days earned do not accumulate and are recorded as expenditures when they are paid. Governmental funds record as an expenditure the amount accrued during the year that would normally be liquidated with expendable resources. Governmental funds have recorded \$41,686 as the current portion of compensated absences. The proprietary funds recorded \$10,009 as compensated absences all of which is due within one year.

1.J. PREPAID ITEMS

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

NOTE 2. DETAIL NOTES-TRANSACTION CLASSES/ACCOUNTS

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

2.A. DEPOSITS AND INVESTMENTS

DEPOSITS

At April 30, 2010 the carrying amount of the City's deposits totaled \$475,689 and the bank balances totaled \$538,540.

CUSTODIAL CREDIT RISK - DEPOSITS

Deposits are subject to custodial credit risk if uninsured and uncollateralized or covered by collateral that is not in the City's name. It is City policy to require collateral for deposit and investment balances above Federal Deposit Insurance Corporation (FDIC) insurance coverage. At April 30, 2010, the City's deposits were either covered by FDIC insurance or by pledged collateral held in the City's name, except for \$48,479 which was over FDIC insurance limit pending a transfer of those funds on the next business day.

**CITY OF TUSCOLA
Tuscola, Illinois**

Notes to Basic Financial Statements – (continued)

April 30, 2010

2.A. DEPOSITS AND INVESTMENTS (continued)

INVESTMENTS

At April 30, 2010 the carrying amount of the City's investments totaled \$5,230,270 and the bank balances totaled \$5,212,873. The Illinois Funds money market investment pool and certificates of deposit are the City's current investments.

CUSTODIAL CREDIT RISK - INVESTMENTS

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

CREDIT RATING RISK - INVESTMENTS

Investments are subject to credit rating risk for all debt securities, whether held directly or indirectly (through investment pools, mutual funds or money market funds). The Illinois Funds investment pools were rated AAAM by Standard & Poor's as of March 26, 2010.

CONCENTRATION OF CREDIT RISK - INVESTMENTS

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

INTEREST RATE RISK - INVESTMENTS

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

DEPOSITS AND INVESTMENTS – LEGAL AND CONTRACTUAL PROVISIONS

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

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

**CITY OF TUSCOLA
Tuscola, Illinois**

Notes to Basic Financial Statements – (continued)

April 30, 2010

2.B. RESTRICTED ASSETS

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

Governmental Funds

The General Fund has restricted assets consisting of the following:

| | |
|----------------------------|---------------|
| Cashford Funds | \$ 50,766 |
| Capital Replacement Funds | 742,602 |
| Reserve Funds | 745,429 |
| Fire Special Bequest Funds | 30,091 |
| Police Drug Funds | <u>13,422</u> |

Total restricted assets – General Fund \$1,582,310

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

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

| | |
|----------------------------------|---------------|
| Special Tax Allocation | \$150,044 |
| Pledged Tax Reserve | 213,280 |
| Pledged Tax Principal & Interest | <u>50,981</u> |

Total restricted assets – Tax Increment Financing Fund 414,305

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

| | |
|---|----------------|
| Pledged Tax Principal & Interest | 14,373 |
| Reserved by enabling legislation for highways and streets | <u>157,711</u> |

Total restricted assets – Motor Fuel Tax Fund 172,084

Total restricted assets – Governmental Funds \$2,168,699

Proprietary Funds

Proprietary Funds have restricted assets consisting of the following:

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

| | |
|---------------------------|----------------|
| Depreciation | \$100,000 |
| Capital Replacement Funds | 192,953 |
| Bond and Interest | <u>186,840</u> |

Total restricted assets – Sewer Fund 479,793

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2010

2.B. RESTRICTED ASSETS (continued)

Proprietary Funds (continued)

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

| | |
|---|--------------------|
| Customer Deposits | \$ 28,900 |
| Capital Replacement Funds | 348,000 |
| Bond & Interest | 161,202 |
| Depreciation | <u>220,717</u> |
| Total restricted assets – Water Fund | <u>758,819</u> |
| Total restricted assets – Proprietary Funds | <u>\$1,238,612</u> |

2.C. CAPITAL ASSETS

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

| | <i>Balance at</i> <i>May 1, 2009</i> | <i>Additions</i> | <i>Deductions</i> | <i>Balance at</i> <i>April 30, 2010</i> |
|---|---|--------------------|-------------------|--|
| <i>Governmental activities:</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$1,162,320 | \$ 15,000 | 0 | \$ 1,177,320 |
| Land- Right of Way | <u>1,367,195</u> | <u>0</u> | <u>0</u> | <u>1,367,195</u> |
| Total capital assets not depreciated | <u>2,529,515</u> | <u>15,000</u> | <u>0</u> | <u>2,544,515</u> |
| Other capital assets: | | | | |
| Land improvements | 792,208 | 26,294 | 0 | 818,502 |
| Buildings | 3,838,115 | 90,102 | 0 | 3,928,217 |
| Plant, machinery and equipment | 1,389,918 | 26,745 | 0 | 1,416,663 |
| Vehicles | 2,310,873 | 34,575 | 79,900 | 2,265,548 |
| Infrastructure | <u>17,850,492</u> | <u>99,764</u> | <u>0</u> | <u>17,950,256</u> |
| Total other capital assets | <u>26,181,606</u> | <u>277,480</u> | <u>79,900</u> | <u>26,379,186</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 447,995 | 27,491 | 0 | 475,486 |
| Buildings | 1,519,991 | 67,209 | 0 | 1,587,200 |
| Plant, machinery and equipment | 747,554 | 82,952 | 0 | 830,506 |
| Vehicles | 1,264,104 | 106,384 | 47,940 | 1,322,548 |
| Infrastructure | <u>4,981,449</u> | <u>330,081</u> | <u>0</u> | <u>5,311,530</u> |
| Total accumulated depreciation | <u>8,961,093</u> | <u>614,117</u> | <u>47,940</u> | <u>9,527,270</u> |
| Other capital assets, net | <u>17,220,513</u> | <u>(336,637)</u> | <u>31,960</u> | <u>16,851,916</u> |
| Governmental activities capital assets, net | <u>\$19,750,028</u> | <u>\$(321,637)</u> | <u>\$ 31,960</u> | <u>\$19,396,431</u> |

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2010

2.C. CAPITAL ASSETS (continued)

| | <i>Balance at May 1, 2009</i> | <i>Additions</i> | <i>Deductions</i> | <i>Balance at April 30, 2010</i> |
|--|-----------------------------------|--------------------|-------------------|--------------------------------------|
| <i>Business-type activities:</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ <u>637,198</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>637,198</u> |
| Other capital assets: | | | | |
| Plant, machinery and equipment | 10,173,802 | 94,609 | 0 | 10,268,411 |
| Furniture and fixtures | 60,583 | 6,420 | 0 | 67,003 |
| Vehicles | 272,439 | 0 | 0 | 272,439 |
| Work in progress | 0 | 0 | 0 | 0 |
| Infrastructure | <u>4,612,441</u> | <u>744</u> | <u>0</u> | <u>4,613,185</u> |
| Total other capital assets | <u>15,119,265</u> | <u>101,773</u> | <u>0</u> | <u>15,221,038</u> |
| Less accumulated depreciation for: | | | | |
| Plant, machinery and equipment | 3,596,823 | 260,577 | 0 | 3,857,400 |
| Furniture and fixtures | 46,931 | 4,181 | 0 | 51,112 |
| Vehicles | 239,117 | 4,610 | 0 | 243,727 |
| Infrastructure | <u>1,934,690</u> | <u>110,794</u> | <u>0</u> | <u>2,045,484</u> |
| Total accumulated depreciation | <u>5,817,561</u> | <u>380,162</u> | <u>0</u> | <u>6,197,723</u> |
| Other capital assets, net | <u>9,301,704</u> | <u>(278,389)</u> | <u>0</u> | <u>9,023,315</u> |
| Business-type activities capital assets, net | <u>\$9,938,902</u> | <u>\$(278,389)</u> | <u>\$ 0</u> | <u>\$9,660,513</u> |

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

| | | |
|---|--|------------------|
| Governmental Activities: | | |
| General government | | \$ 22,754 |
| Public safety | | 115,537 |
| Public works | | 400,761 |
| Culture and recreation | | <u>75,065</u> |
| Total depreciation expense for governmental activities | | <u>\$614,117</u> |
| Business-Type Activities: | | |
| Water | | \$141,951 |
| Sewer | | <u>238,210</u> |
| Total depreciation expense for business-type activities | | <u>\$380,161</u> |

NOTE 3. OTHER NOTES

3.A. DEFERRED COMPENSATION PLAN

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

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2010

3.B. DEFINED BENEFIT PENSION PLAN

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

Funding Policy: As set by statute, the City's regular plan members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's employer contribution rate for calendar year 2009 was 8.94% of annual covered payroll. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost: For fiscal year ending December 31, 2009, the City's annual pension cost of \$99,955 for the regular plan was equal to the City's required and actual contributions.

THREE-YEAR TREND INFORMATION for the REGULAR PLAN

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|------------------------|--------------------------------------|--|-----------------------------------|
| 12/31/09 | \$ 99,955 | 100% | \$0 |
| 12/31/08 | 123,504 | 100% | 0 |
| 12/31/07 | 112,069 | 100% | 0 |

The required contribution for 2009 was determined as part of the December 31, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007, included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the City's regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor between the actuarial and market value of assets. The City regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at the December 31, 2007, valuation was 23 years.

Funded Status and Funding Progress. As of December 31, 2009, the most recent actuarial valuation date, the regular plan was 84.75 percent funded. The actuarial accrued liability for benefits was \$3,464,866 and the actuarial value of assets was \$2,936,360, resulting in an underfunded actuarial accrued liability (UAAL) of \$528,506. The covered payroll (annual payroll of active employees covered by the plan) was \$1,118,065 and the ratio of the UAAL to the covered payroll was 47 percent. In conjunction with the December 2009 actuarial valuation the market value of investments was determined using techniques that spread the effect of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 30 year basis.

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2010

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

3.C. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters.

The City manages these various risks of loss as follows:

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

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

3.D. MOTOR FUEL TAX ALLOTMENT

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

3.E. REVENUES DUE FROM STATE AND COUNTY GOVERNMENTS

The following is a breakdown of the amounts due from the State and County governments in both the government-wide and governmental fund financial statements at April 30, 2010:

| | |
|-------------------------------|----------------------|
| <u>Douglas County:</u> | |
| Property taxes | \$1,849,377 |
| Police fines | <u>1,181</u> |
| | <u>\$1,850,558</u> |
| <u>State of Illinois:</u> | |
| Sales tax | \$219,737 |
| Home rule sales tax | 67,166 |
| Income tax | 166,735 |
| Sales tax – TIF | 60,388 |
| Corporate pers. repl. tax | 5,655 |
| Motor Fuel Tax | <u>9,648</u> |
| Total | <u>\$529,329</u> |

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2010

3.F. EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended April 30, 2010, the City did not have any expenditure over the legal appropriation limits.

3.G. LONG-TERM DEBT

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

The following is a summary of the City's long-term debt transactions for the year ended April 30, 2010:

| | <u>Balance</u> <u>May 1, 2009</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>April 30, 2010</u> | <u>Amounts</u> <u>Due Within</u> <u>One Year</u> |
|--|--------------------------------------|------------------|-------------------|---|--|
| <i>Governmental activities</i> | | | | | |
| Capital lease obligations: | | | | | |
| The City had no capital lease obligations in the fiscal year ending April 30, 2010 | | | | | |
| General obligation bonds (alternate revenue bonds): | | | | | |
| General obligation bonds (Series 1999) | \$ 49,000 | \$ 0 | \$ 49,000 | \$ 0 | \$ 0 |
| General obligation bonds (Series 2000) | 63,500 | 0 | 31,000 | 32,500 | 32,500 |
| Tax increment refunding revenue bonds: | | | | | |
| Tax increment refunding rev. bonds (Series 1996) | 430,000 | 0 | 245,000 | 185,000 | 40,000 |
| Other long-term obligations: | | | | | |
| Accrued compensated absences | <u>44,604</u> | <u>81,961</u> | <u>84,879</u> | <u>41,686</u> | <u>41,686</u> |
| Total governmental activities long-term liabilities | <u>\$587,104</u> | <u>\$81,961</u> | <u>\$409,879</u> | <u>\$259,186</u> | <u>\$114,186</u> |
| <i>Business-type activities</i> | | | | | |
| General obligation refunding bonds: | | | | | |
| General obligation refunding bonds (2003A) | \$2,140,000 | \$ 0 | \$210,000 | \$1,930,000 | \$215,000 |
| General obligation refunding bonds (2003B) | 2,720,000 | 0 | 230,000 | 2,490,000 | 245,000 |
| Less deferred charge on refunding: | (147,385) | 0 | (17,339) | (130,045) | (17,339) |
| Other long-term obligations: | | | | | |
| Accrued compensated absences | <u>8,630</u> | <u>23,712</u> | <u>22,333</u> | <u>10,009</u> | <u>10,009</u> |
| Total business-type activities long-term liabilities | <u>\$4,721,245</u> | <u>\$23,712</u> | <u>\$444,994</u> | <u>\$4,299,964</u> | <u>\$452,670</u> |

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2010

3.G. LONG-TERM DEBT (continued)

Arbitrage Compliance

Proceeds from tax-exempt bonds issued after September 1, 1986, are subject to the 1986 Tax Reform Act. The City invests records and reports these proceeds in the manner set forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the bonds. Arbitrage liabilities are reported as enterprise fund liabilities. At April 30, 2010 arbitrage liabilities were \$0.

Debt outstanding as of April 30, 2010, consisted of the following:

Governmental Funds:

The City issued \$250,000 of double-barreled Motor Fuel Tax bonds for the purpose of completing improvements to North Niles Street. The bonds, dated July 31, 2000, are of \$500 denominations and mature on December 1 of each year. The principal and interest is intended to be paid entirely from the revenues of the Motor Fuel Tax Fund. However, should there be insufficient funds available in the Motor Fuel Tax Fund; the City will increase its property tax levy to generate the needed revenue for the bond payments.

| <u>Fiscal Year</u> | <u>Bond</u> | <u>Interest</u> |
|-------------------------|------------------|-----------------|
| <u>Ending April 30,</u> | <u>Principal</u> | <u>Rate</u> |
| 2011 | <u>\$32,500</u> | 6.10% |
| Total | <u>\$32,500</u> | |

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

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

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

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2010

3.G. LONG-TERM DEBT (continued)

Tax Increment Refunding Revenue Bonds:

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

| <u>Fiscal Year</u> <u>Ending April 30,</u> | <u>Bond</u> <u>Principal</u> | <u>Interest</u> <u>Rate</u> |
|---|---------------------------------|--------------------------------|
| 2011 | \$ 40,000 | 5.80% |
| 2012 | 45,000 | 5.90% |
| 2013 | 50,000 | 5.90% |
| 2014 | <u>50,000</u> | 5.90% |
| Total | <u>\$185,000</u> | |

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

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

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

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2010

3.G. LONG-TERM DEBT (continued)

Annual Debt Service Requirements for Governmental Funds Bonds

| <u>Year</u> | <u>2000 Series</u> <u>G. O. Bonds</u> <u>MFT Alt. Rev.</u> | | <u>1996 Series</u> <u>Tax Increment</u> <u>Refunding Rev.</u> | | <u>Total</u> <u>Debt</u> <u>Service</u> <u>Requirement</u> |
|-------------|--|-----------------|---|-----------------|---|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | |
| 2011 | \$32,500 | \$1,983 | \$40,000 | \$10,875 | \$85,358 |
| 2012 | 0 | 0 | 45,000 | 8,555 | 53,555 |
| 2013 | 0 | 0 | 50,000 | 5,900 | 55,900 |
| 2014 | 0 | 0 | 50,000 | 2,950 | 52,950 |
| | <u>\$32,500</u> | <u>\$1,983</u> | <u>\$185,000</u> | <u>\$28,280</u> | <u>\$247,763</u> |

Proprietary Funds:

Enterprise Funds (Water and Sewer Funds):

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

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

| <u>Fiscal Year</u> <u>Ending April 30,</u> | <u>Bond</u> <u>Principal</u> | <u>Interest</u> <u>Rate</u> |
|---|---------------------------------|--------------------------------|
| 2011 | \$ 245,000 | 3.00% |
| 2012 | 245,000 | 3.20% |
| 2013 | 255,000 | 3.35% |
| 2014 | 270,000 | 3.50% |
| 2015 | 280,000 | 3.60% |
| 2016 | 280,000 | 3.70% |
| 2017 | 290,000 | 3.85% |
| 2018 | 300,000 | 4.00% |
| 2019 | <u>325,000</u> | 4.05% |
| Total | <u>\$2,490,000</u> | |

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

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2010

3.G. LONG-TERM DEBT (continued)

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

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

The City issued \$3,145,000 of double-barreled Waterworks bonds to refund the Waterworks Refunding Revenue Bonds, Series 1997. The bonds, dated March 1, 2003, are of \$5,000 denominations and mature on September 1 of each year. The principal and interest is intended to be paid from the revenues of the Water Fund. In addition, the City’s sales tax has been pledged as additional means for repayment of these bonds. However, should there be insufficient funds available from the Water Fund and sales taxes, the City will increase its property tax levy to generate the needed revenue for the bond payments.

| <u>Fiscal Year Ending April 30,</u> | <u>Bond Principal</u> | <u>Interest Rate</u> |
|---|---------------------------|--------------------------|
| 2011 | \$ 215,000 | 3.00% |
| 2012 | 225,000 | 3.20% |
| 2013 | 230,000 | 3.35% |
| 2014 | 235,000 | 3.50% |
| 2015 | 245,000 | 3.60% |
| 2016 | 250,000 | 3.70% |
| 2017 | 260,000 | 3.85% |
| 2018 | <u>270,000</u> | 4.00% |
| Total | <u>\$1,930,000</u> | |

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

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

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

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2010

3.G. LONG-TERM DEBT (continued)

Annual Debt Service Requirements for Enterprise Fund Bonds

| Year | 2003A Series | | 2003B Series | | Total Debt Service Requirement |
|------|------------------------|------------------|------------------------|------------------|---|
| | G.O. Refunding Bonds | | G.O. Refunding Bonds | | |
| | <u>Water Alt. Rev.</u> | <u>Interest</u> | <u>Sewer Alt. Rev.</u> | <u>Interest</u> | |
| 2011 | \$ 215,000 | \$ 65,235 | \$ 245,000 | \$ 86,275 | \$ 611,510 |
| 2012 | 225,000 | 58,410 | 245,000 | 78,680 | 607,090 |
| 2013 | 230,000 | 50,958 | 255,000 | 70,489 | 606,447 |
| 2014 | 235,000 | 42,993 | 270,000 | 61,493 | 609,486 |
| 2015 | 245,000 | 34,470 | 280,000 | 51,728 | 611,198 |
| 2016 | 250,000 | 25,435 | 280,000 | 41,508 | 596,943 |
| 2017 | 260,000 | 15,805 | 290,000 | 30,745 | 596,550 |
| 2018 | 270,000 | 5,400 | 300,000 | 19,163 | 594,563 |
| 2019 | <u>0</u> | <u>0</u> | <u>325,000</u> | <u>6,581</u> | <u>331,581</u> |
| | <u>\$2,140,000</u> | <u>\$370,001</u> | <u>\$2,720,000</u> | <u>\$539,717</u> | <u>\$5,769,718</u> |

3.H. DEBT SERVICE COMPLIANCE – BOND ORDINANCE 93-0-20, 97-0-7 and 03-0-06:

Per Motor Fuel Ordinance 2000-0-9, the Motor Fuel Tax Fund is to maintain revenues during the fiscal year not less than 125% of the Debt Service requirement for the fund. For the fiscal year ending April 30, 2010, revenues in the Motor Fuel Tax Fund did not meet the 125% Debt Service requirement. However, failure to meet this requirement does not cause a default and bond payments were made as required.

Per Water and Sewer Ordinance 2003-0-06, the Water and Sewer Funds, individually, are to maintain revenues during the fiscal year not less than 125% of the Debt Service requirement for each fund. Included in the defined revenues of both the Water and Sewer Funds are pledged revenues consisting of all property taxes and sales taxes of the City. For the fiscal year ending April 30, 2010, revenues in the Water and Sewer Funds met the 125% Debt Service requirement in each fund, respectively.

3.I. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of April 30, 2010, interfund receivables and payables resulting from various interfund transactions were as follows:

| | |
|---------------------|---------------------|
| Due from | Due to |
| Other | Other |
| <u>Funds</u> | <u>Funds</u> |

There were no interfund receivables and payables as of April 30, 2010.

**CITY OF TUSCOLA
Tuscola, Illinois**

Notes to Basic Financial Statements – (continued)

April 30, 2010

3.J. TAX INCREMENT FINANCING LOAN PROJECT

The City approved and adopted tax increment financing in accordance with the terms of the Tax Increment Allocation Redevelopment Act of the State of Illinois. Accordingly, the City has adopted a redevelopment plan and project and designated a project area in compliance with the conditions of the Act. Under this plan, any increase in Property Tax or Illinois Sales and Use Taxes incurred over the base amount on the date of enactment of the project will be allocated exclusively to the project area for purpose of economic development. These tax increments collected under the Act and paid to the City will be deposited in a special fund designated as “The Special Tax Allocation Fund for the Tuscola Redevelopment Project Area”. For the year ending April 30, 2010 the Tax Increment Fund received \$1,212,484 in property taxes and \$478,097 in sales tax.

3.K. TAX INCREMENT FINANCING LOAN INTEREST SUBSIDIES

On May 24, 1999, the City Council approved a 20% TIF interest subsidy for Janko Financial Group, LLC on a \$600,000 loan at 8% for 10 years. At April 30, 2010, 10 years and \$59,700 was paid and this subsidy was complete.

On May 11, 2009, the City Council approved a 30% TIF interest subsidy for Visual Image Salon for improvements at 103 N Main St on a \$94,000 loan for 5 years. At April 30, 2010, nothing had been paid on this subsidy

On December 28, 2009, the City Council approved a 30% TIF interest subsidy for Spirits of Tuscola for renovations at 911 E Southline Road for 5 years on approximately \$108,000 in commercial financing. At April 30, 2010, nothing had been paid on this subsidy.

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

3.L. TIF NOTES RECEIVABLE

On August 24, 2009, the City Council approved a loan for \$20,000 at 3% for 10 years to Visual Image Salon for the purpose of completing improvements to the property at 103 N Main St. As of April 30, 2010, all of the amounts of this loan were disbursed and the loan was converted to repayment status.

On August 24, 2009, the City Council approved a loan for \$4,945 at 3% for 10 years to Jim Nees at Pro Hardware for the purpose of completing improvements to the property at 800 E Southline Road. As of April 30, 2010, none of the amounts of this loan were disbursed.

On February 12, 2007, the City Council approved a request by Flesor Family Confectionary to hold principal payments on their loan repayment for two and a half years (March 2007 through September 2009) so that they can reinvest that money in business expansion. Flesor’s will continue to pay all interest accrued on the loan on a monthly basis.

On May 14, 2007, the City Council approved a Loan of \$15,840 at 3% for 10 years to Jeff and Kristen Winans for roof repairs at 107 W. South Central Ave. At April 30, 2010, all amounts of this loan was disbursed.

**CITY OF TUSCOLA
Tuscola, Illinois**

Notes to Basic Financial Statements – (continued)

April 30, 2010

3.L. TIF NOTES RECEIVABLE – (continued)

On September 24, 2007, the City Council approved a \$6,205.10 loan at 3% for 10 years to Sally Foote for renovations to the Okaw Vet Clinic building at 140 W. Sale St. As of April 30, 2010, all amounts of this loan were disbursed.

On November 13, 2007, the City Council approved a \$20,000 loan at 3% for 10 years to Tewell Brothers for parking lot construction at their 300 N Parke Street location. As of April 30, 2010, all amounts of this loan was disbursed.

On December 10, 2007, the City Council approved a \$30,000 grant to Kelsey Furniture Company for roof and façade renovations at the Kelsey Furniture showroom at 106-108 E. Sale Street. On April 12, 2010, the City Council approved a two year extension to the draw period of this loan so that the owner can complete the work. As of April 30, 2010, none of the amount of this loan was disbursed.

3.M. TAX INCREMENT GRANTS

On June 12, 2006, the City Council approved a \$37,500 grant to Jim Higgins of Tuscola Do-It Best for the purpose of completing a façade renovation to the property at 104 E. Southline Road. As of April 30, 2010, all amounts of this grant were disbursed.

On August 14, 2006, the City Council approved a \$3,000 grant to The Douglas County Museum for the purpose of engaging and engineer review of HVAC upgrades to the property at 700 S. Main St. On May 14, 2007, the City Council approved an \$88,000 additional grant for purposes of completing those HVAC upgrades as proposed and designed by the engineering review. The Museum is to execute a 10 year recapture mortgage as part of this agreement. On September 24, 2007, the City Council approved an additional \$62,000 grant for additional renovations, contingent upon the Museum being awarded an a State of Illinois grant in the amount of \$150,000. The Museum was not awarded this grant from the state and as that was a condition of the city grant, the \$62,000 will not be awarded by the City. As of April 30, 2010, \$149,978.05 of the amounts of this grant were disbursed, with the remaining amounts rescinded by the City Council on April 26, 2010.

On September 24, 2007, the City Council approved a \$7,756.38 grant to Sally Foote for renovations to the Okaw Vet Clinic building at 140 W. Sale St. As of April 30, 2010, \$7,068.14 of the amount of this grant was disbursed, with the remaining amounts rescinded by City Council on May 11, 2009.

On December 10, 2007, the City Council approved a \$37,500 grant to Kelsey Furniture Company for roof and façade renovations at the Kelsey Furniture showroom at 106-108 E. Sale Street. As of April 30, 2010, \$6,290.00 of the amount of this grant was disbursed. On April 12, 2010, the City council approved a two year extension of the draw period on this grant in order for the owner to complete the renovations.

On April 14, 2008, the City Council approved a \$10,000 grant to Mike Campbell of Tuscola Laundry for renovations to the laundry facility at 201 S. Main St. As of April 30, 2010, \$9,880.06 of the amounts of this grant was disbursed, with the remaining amounts rescinded by City Council on May 11, 2009.

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2010

3.M. TAX INCREMENT GRANTS (continued)

On March 23, 2009, the City Council approved a \$2,100 grant to ATLR, Inc. for purposes of acquiring architectural services for the remodeling of the Tuscany Steakhouse. As of April 30, 2010, none of the amounts of this grant were disbursed. Since the owner chose not to use the funding, the grant was rescinded by City Council on April 26, 2010.

On May 11, 2009, the City Council approved a \$8,000 grant to Visual Image Salon for purposes of completing renovations at 103 N Main St. At April 30, 2010, all amounts of this grant were disbursed and the project was complete.

On July 13, 2009, the City Council approved a \$10,000 grant to Amishland Development LLC for purposes of completing a feasibility analysis for a fun center at the Amishland barn. At April 30, 2010, all amounts of this grant were disbursed and the project was complete.

On August 24, 2009, the City Council approved a 50% grant up to \$6,180 grant to Jim Nees/Pro Hardware for purposes of completing renovations at 800 E Southline Rd.. At April 30, 2010, none of the amounts of this grant were disbursed

On August 24, 2009, the City Council approved a 50% grant up to \$16,932 to Lighthouse Insurance Agency for exterior renovations at 606 S Main St. At April 30, 2010, \$15,839.07 of this grant was disbursed.

On October 12, 2009, the City Council approved a \$10,000 grant to Bob's Super Service for underground tank removal at 105 E Southline Rd. At April 30, 2010, all of this grant was disbursed.

On October 12, 2009, the City Council approved a \$1,552 grant to each Tuscola Pain and Wellness and Tuscola Eye Care for signage at their business at 902 S Court. At April 30, 2010, all of these grants were disbursed.

On December 14, 2009, the City Council approved a 50% grant up to \$6,575 to Darrell Latch for emergency roof repairs at his business at 122 W Sale St. At April 30, 2010, none of the grant amount was disbursed.

On December 28, 2009, the City Council approved a 50% grant up to \$36,352 to Spirits of Tuscola for renovations at 911 E Southline Rd. At April 30, 2010, none of the grant amount was disbursed.

On February 8, 2010, the City Council approved a 50% grant up to \$6,312 for Illini Community Insurance for renovations at 802 S Main St. At April 30, 2010, \$4,312 had been paid on this grant.

**CITY OF TUSCOLA
Tuscola, Illinois**

Notes to Basic Financial Statements – (continued)

April 30, 2010

3.N. TAX INCREMENT OTHER REDEVELOPMENT AGREEMENTS AND COMMITMENTS

On May 14, 2007, the City Council approved a Redevelopment Memorandum of Understanding with EcoDigital for purposes of a due diligence period of performing studies on the former Dotson building at 128 W. Sale St to see if a redevelopment project is feasible. On November 13, 2007, the City Council approved a 60 day extension of the Memorandum of Understanding due diligence period. And on December 10, 2007, the City Council approved additional \$26,100 funding commitment to the studies which is approximately 1/2 of cost to obtain architectural drawings, detailed specs and bid the project. At April 30, 2010, the City had contributed \$43,377.38 toward the studies on this building.

On January 28, 2008, the City Council approved a redevelopment agreement with COROC/Tuscola, L.L.C., operators of the Tanger Outlet Center on Progress Boulevard. This agreement addresses expansion and retail retention needed to maintain this very valuable development. Under the agreement, the City will reimburse COROC/Tuscola, L.L.C. for 50% of their costs for capital improvements to the center and for recruitment and store build-out for any of a listing of top retail tenants, contingent upon agreement to certain lease terms. The maximum amount of reimbursement from the City under this portion of the redevelopment agreement is \$1,000,000. As of April 30, 2010, the City had reimbursed COROC/Tuscola, L.L.C. \$969,123.47 of the amounts contemplated under this agreement. Those amounts assisted in the recruitment of top retailers such as Coldwater Creek, Old Navy, Nike, The Children's Place and Stride Rite to the Center.

An additional term of the redevelopment agreement is to extend the annual \$400,000 subsidy approved in the prior redevelopment agreement for an additional 12 years to the current end of the TIF district life. The terms of this extension is the same as the terms in the original redevelopment agreement on this development.

On September 12, 2005, the City Council approved an agreement with Tuscola Economic Development, Inc.(TEDI) for purposes of the City employing an economic development director position for TEDI as it's annual funding commitment to the organization. The amount of that commitment was not to exceed \$50,000 per year for the following three years. On December 10, 2007, the City Council approved an additional funding commitment under that original agreement of \$25,000 for the original three year period which would be ending April 30, 2010. On April 14, 2008, the City Council approved an extension to that agreement which would increase the annual funding commitment to \$75,000 per year for an additional three year term. On March 23, 2009, the City Council approved a \$5,000 grant to TEDI for purposes of providing assistance to clean up commercial properties within the TIF district.

On 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.

**CITY OF TUSCOLA
Tuscola, Illinois**

Notes to Basic Financial Statements – (continued)

April 30, 2010

3.O. CONCENTRATED CREDIT RISK

The City’s Water and Sewer Funds are principally engaged in the business of providing water and sewer services to City residents. The Water and Sewer Fund’s give credit to customers for water and sewer service provided, with payment terms normal in the industry. The Water and Sewer Fund’s ability to collect the amounts due from customers may be affected by general economic fluctuations in the City and the surrounding geographic area. The City has established an allowance for doubtful accounts in the Water Fund of \$4,000 and in the Sewer Fund of \$5,000 as of April 30, 2010.

3.P. SEWER PLANT INFORMATION

The City sewer system received 420,535,266 total gallons at the wastewater plant for calendar year end December 31, 2009. In addition, there were 2,596 users connected to the system and 16,199,300 cubic feet were billed. There were no non-metered users and one user discharging non-domestic or industrial wastes.

3.Q. JOINT VENTURE

On May 10, 1993, the City of Tuscola entered into an intergovernmental agreement with the City of Arcola and Cabot Corporation to construct, maintain and operate a newly constructed water main. The purpose of this water main is to provide the cities, as well as Cabot Corporation and several residences, water from Northern Illinois Water Corporation. This agreement had an original term of 10 years beginning on May 10, 1993, and automatically renews every 5-years. The maximum total term is not to exceed 40 years. Each of the Cities designates 3 representatives to serve on the Tuscola-Arcola Water Main board. The mayor or administrator of the host City serves as the chairperson (with tie breaker voting ability). The host City alternates with each meeting. The capital budgets for construction of this water main were funded 55% by the City of Tuscola and 45% by the City of Arcola, with Cabot Corporation reimbursing 12.5% of the total cost of construction up to a maximum of \$450,000.

Each member agency (the Cities of Arcola and Tuscola) holds an equity interest in the water main capital assets according to each Cities share of water usage for the prior year and the proportion of funding provided by each City during a year. At April 30, 2010 the City of Tuscola’s equity interest was 49.57%, or \$8,565, which is reported in the Proprietary Funds as investment in joint venture.

A copy of the separate unaudited financial statements for Tuscola-Arcola Water Main may be obtained from the City of Tuscola, 214 N. Main Street, Tuscola, IL 61953-1486. The responsibility for maintaining books and records for the joint venture is rotated periodically between the Cities.

Summary financial information for the Tuscola-Arcola Water Main as of and for the year ended April 30, 2010 is provided below.

Financial Position as of April 30, 2010

| | |
|------------------------------|-----------------|
| Total assets | <u>\$17,278</u> |
| Total liabilities | \$ 0 |
| Total equity | <u>17,278</u> |
| Total liabilities and equity | <u>\$17,278</u> |

**CITY OF TUSCOLA
Tuscola, Illinois**

Notes to Basic Financial Statements – (continued)

April 30, 2010

3.Q. JOINT VENTURE (continued)

Results of Operations for Fiscal Year Ending April 30, 2010

| | |
|------------------------|-----------------|
| Total revenues | \$115,447 |
| Total expenditures | <u>110,717</u> |
| Net income (loss) | 4,730 |
| Beginning total equity | <u>12,548</u> |
| Ending total equity | <u>\$17,278</u> |

3.R. ECONOMIC DEPENDENCY

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

3.S. TAX INCREMENT FINANCING DESIGNATED AND EARMARKED FUNDS

Beginning with the year ending April 30, 2000, all TIF funds must have planned uses or must be remitted back to the taxing bodies. The following schedule outlines the City’s planned use of its funds on hand.

Sales Tax Funds:

| | |
|---|--------------|
| Route 36 Business corridor plans to include private grants and subsidies and public infrastructure improvements | \$ 1,000,000 |
| Future Debt Service | 24,079 |

Property Tax Funds:

| | |
|---|-----------|
| Land Improvements; Private Loans, Subsidies, and Grants | 2,500,000 |
| Development of Business Centre east of I-57 | 1,500,000 |
| Future Debt Service | 189,201 |

CITY OF TUSCOLA
Tuscola, Illinois

REQUIRED SUPPLEMENTARY INFORMATION
Illinois Municipal Retirement Fund Analysis of Funding Progress
April 30, 2010

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) ---Entry Age (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u> |
|---|--|---|--|-----------------------------------|------------------------------------|--|
| 12/31/09 | \$2,936,360 | \$3,464,866 | \$528,506 | 84.75% | \$1,118,065 | 47.27% |
| 12/31/08 | 2,897,654 | 3,343,749 | 446,095 | 86.66% | 1,125,836 | 39.62% |
| 12/31/07 | 3,295,457 | 3,440,386 | 144,929 | 95.79% | 1,136,606 | 12.75% |

On a market value basis, the actuarial value of assets as of December 31, 2009 is \$2,868,027. On a market basis, the funded ratio would be 82.77%.

CITY OF TUSCOLA
Tuscola, Illinois

Notes to Budgetary Comparison Schedules
April 30, 2010

Budget:

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

- a. Prior to the end of the first quarter of each fiscal year, the mayor submits to the City Council a proposed operating budget for the year commencing on May 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 10 days prior to final approval of the budget.
- c. Prior to July 31 the appropriations budget is legally enacted through passage of an ordinance. The appropriations ordinance budget was adopted on July 13, 2009.
- d. The City Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The budget was amended during the fiscal year, but the total expenditures per department did not change.
- e. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
- f. Budgets for General and Special Revenue Funds, are adopted on a cash basis and lapse at year end.

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

CITY OF TUSCOLA
Tuscola, Illinois

Budgetary Comparison Schedule (Budgetary Basis)- General Fund
For the Year Ended April 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues:</u> | | | | |
| Property taxes | \$ 424,855 | \$ 424,855 | \$ 423,860 | \$ (995) |
| Sales taxes | \$ 1,390,000 | \$ 1,390,000 | \$ 1,338,341 | (51,659) |
| State income taxes | \$ 410,995 | \$ 410,995 | \$ 287,414 | (123,581) |
| Replacement taxes | \$ 38,059 | \$ 38,059 | \$ 34,700 | (3,359) |
| Fines and fees | \$ 30,000 | \$ 30,000 | \$ 23,654 | (6,346) |
| Rent | \$ 12,000 | \$ 12,000 | \$ 8,075 | (3,925) |
| Licenses and permits | \$ 30,500 | \$ 30,500 | \$ 24,268 | (6,232) |
| Grant income | \$ 101,186 | \$ 101,186 | \$ 117,217 | 16,031 |
| Franchise fees | \$ 28,300 | \$ 28,300 | \$ 29,535 | 1,235 |
| Fire insurance | \$ 5,000 | \$ 5,000 | \$ 6,817 | 1,817 |
| Pool income | \$ 50,000 | \$ 50,000 | \$ 48,151 | (1,849) |
| Interest income | \$ 26,100 | \$ 26,100 | \$ 3,484 | (22,616) |
| Miscellaneous | \$ 6,350 | \$ 6,350 | \$ 4,968 | (1,382) |
| Total revenues | <u>2,553,345</u> | <u>2,553,345</u> | <u>2,350,483</u> | <u>(202,862)</u> |
| <u>Expenditures:</u> | | | | |
| General government | | | | |
| Salaries - city officials and other | \$ 260,000 | \$ 260,000 | \$ 160,975 | 99,025 |
| Professional fees | \$ 100,000 | \$ 100,000 | \$ 11,345 | 88,655 |
| Office and general expenses | \$ 115,000 | \$ 115,000 | \$ 16,961 | 98,039 |
| Insurance | \$ 105,000 | \$ 105,000 | \$ 55,090 | 49,910 |
| Publications | \$ 15,000 | \$ 15,000 | \$ 4,222 | 10,778 |
| Maintenance | \$ 50,000 | \$ 50,000 | \$ 2,660 | 47,340 |
| Utilities | \$ 40,000 | \$ 40,000 | \$ 13,260 | 26,740 |
| Animal and bird control | \$ 20,000 | \$ 20,000 | \$ - | 20,000 |
| Payroll taxes | \$ 55,000 | \$ 55,000 | \$ 12,619 | 42,381 |
| Travel, training and education | \$ 10,000 | \$ 10,000 | \$ 654 | 9,346 |
| Employee benefits | \$ 100,000 | \$ 100,000 | \$ 42,565 | 57,435 |
| Community activity subsidy | \$ 165,000 | \$ 165,000 | \$ 118,793 | 46,207 |
| Substance abuse program | \$ 10,000 | \$ 10,000 | \$ 1,218 | 8,783 |
| Miscellaneous | \$ 25,000 | \$ 25,000 | \$ 8,376 | 16,624 |
| Total expenditures - general government | <u>1,070,000</u> | <u>1,070,000</u> | <u>448,739</u> | <u>621,261</u> |
| <u>Public Safety</u> | | | | |
| <u>Fire protection</u> | | | | |
| Salaries | \$ 500,000 | \$ 500,000 | \$ 144,875 | 355,125 |
| Payroll taxes | \$ 25,000 | \$ 25,000 | \$ 11,876 | 13,124 |
| Employee benefits | \$ 5,000 | \$ 5,000 | \$ 1,905 | 3,095 |
| Subscriptions | \$ 10,000 | \$ 10,000 | \$ 919 | 9,081 |
| Special bequests | \$ 150,000 | \$ 150,000 | \$ 10,757 | 139,243 |
| Utilities | \$ 25,000 | \$ 25,000 | \$ 4,487 | 20,513 |
| Travel, training and education | \$ 10,000 | \$ 10,000 | \$ 1,327 | 8,673 |
| Office and general expenses | \$ 25,000 | \$ 25,000 | \$ 3,177 | 21,823 |
| Uniforms | \$ 10,000 | \$ 10,000 | \$ 222 | 9,778 |
| Repairs and maintenance | \$ 285,000 | \$ 285,000 | \$ 13,978 | 271,022 |
| Supplies and parts | \$ 100,000 | \$ 100,000 | \$ 17,082 | 82,918 |
| Fire prevention | \$ 5,000 | \$ 5,000 | \$ 654 | 4,346 |
| Miscellaneous | \$ 5,000 | \$ 5,000 | \$ 750 | 4,250 |
| Total expenditures - fire protection | <u>1,155,000</u> | <u>1,155,000</u> | <u>212,009</u> | <u>942,991</u> |

(continued)

CITY OF TUSCOLA

Tuscola, Illinois

Budgetary Comparison Schedule (Budgetary Basis)- General Fund

For the Year Ended April 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Expenditures: (continued)</u> | | | | |
| <u>Public Safety (continued)</u> | | | | |
| <u>Police protection</u> | | | | |
| Salaries | \$ 550,000 | \$ 550,000 | \$ 355,776 | \$ 194,224 |
| Payroll taxes | \$ 15,000 | \$ 15,000 | \$ 6,372 | 8,628 |
| Employee benefits | \$ 225,000 | \$ 225,000 | \$ 123,845 | 101,155 |
| Communications | \$ 20,000 | \$ 20,000 | \$ 9,730 | 10,270 |
| Office and general expenses | \$ 25,000 | \$ 25,000 | \$ 2,467 | 22,533 |
| Uniforms | \$ 20,000 | \$ 20,000 | \$ 1,606 | 18,394 |
| Repairs and maintenance | \$ 235,000 | \$ 235,000 | \$ 38,329 | 196,671 |
| Utilities | \$ 20,000 | \$ 20,000 | \$ 5,814 | 14,186 |
| Subscriptions | \$ 15,000 | \$ 15,000 | \$ 25 | 14,975 |
| Travel, training and education | \$ 15,000 | \$ 15,000 | \$ 1,616 | 13,384 |
| Drug fund | \$ 100,000 | \$ 100,000 | \$ 1,422 | 98,578 |
| K-9 unit | \$ 20,000 | \$ 20,000 | \$ - | 20,000 |
| Miscellaneous | \$ 10,000 | \$ 10,000 | \$ 5,051 | 4,949 |
| Total expenditures - police protection | <u>1,270,000</u> | <u>1,270,000</u> | <u>552,052</u> | <u>717,948</u> |
| <u>Building Inspection</u> | | | | |
| Salaries | \$ 85,000 | \$ 85,000 | \$ 46,223 | 38,777 |
| Payroll taxes | \$ 11,000 | \$ 11,000 | \$ 3,649 | 7,351 |
| Employee benefits | \$ 30,000 | \$ 30,000 | \$ 16,787 | 13,213 |
| Insurance | \$ 500 | \$ 500 | \$ 50 | 450 |
| Office and general expenses | \$ 20,000 | \$ 20,000 | \$ 2,692 | 17,308 |
| Travel, training and education | \$ 10,000 | \$ 10,000 | \$ 210 | 9,790 |
| Professional fees | \$ 70,000 | \$ 70,000 | \$ 554 | 69,446 |
| Repairs and maintenance | \$ 30,000 | \$ 30,000 | \$ 1,853 | 28,147 |
| Miscellaneous | \$ 5,000 | \$ 5,000 | \$ - | 5,000 |
| Total expenditures - building inspection | <u>261,500</u> | <u>261,500</u> | <u>72,019</u> | <u>189,481</u> |
| <u>ESDA</u> | | | | |
| Communications | \$ 5,000 | \$ 5,000 | \$ 2,110 | 2,890 |
| Travel, training and education | \$ 5,000 | \$ 5,000 | \$ - | 5,000 |
| Supplies and parts | \$ 15,000 | \$ 15,000 | \$ - | 15,000 |
| Repairs and maintenance | \$ 15,000 | \$ 15,000 | \$ - | 15,000 |
| Miscellaneous | \$ 15,000 | \$ 15,000 | \$ - | 15,000 |
| Total expenditures - ESDA | <u>55,000</u> | <u>55,000</u> | <u>2,110</u> | <u>52,890</u> |
| Total expenditures - public safety | <u>2,741,500</u> | <u>2,741,500</u> | <u>838,189</u> | <u>1,903,311</u> |
| <u>Public Works</u> | | | | |
| <u>Streets and Alleys</u> | | | | |
| Salaries | \$ 400,000 | \$ 400,000 | \$ 184,508 | 215,492 |
| Payroll taxes | \$ 105,000 | \$ 105,000 | \$ 16,309 | 88,691 |
| Employee benefits | \$ 200,000 | \$ 200,000 | \$ 87,129 | 112,871 |
| Communications | \$ 5,000 | \$ 5,000 | \$ 1,046 | 3,954 |
| Travel, training and education | \$ 5,000 | \$ 5,000 | \$ 45 | 4,955 |
| Vehicle fuel | \$ 50,000 | \$ 50,000 | \$ 16,201 | 33,799 |
| Vehicle maintenance | \$ 150,000 | \$ 150,000 | \$ 19,395 | 130,605 |
| Utilities | \$ 150,000 | \$ 150,000 | \$ 51,991 | 98,009 |
| Small equipment | \$ 22,500 | \$ 22,500 | \$ 1,254 | 21,246 |

(continued)

CITY OF TUSCOLA

Tuscola, Illinois

Budgetary Comparison Schedule (Budgetary Basis)- General Fund

For the Year Ended April 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Expenditures: (continued)</u> | | | | |
| <u>Public Works (continued)</u> | | | | |
| <u>Streets and Alleys (continued)</u> | | | | |
| Supplies and parts | \$ 20,000 | \$ 20,000 | \$ 3,950 | \$ 16,050 |
| Repairs and maintenance | \$ 50,000 | \$ 50,000 | \$ 6,578 | 43,422 |
| Street, alley and curb maintenance | \$ 75,000 | \$ 75,000 | \$ 46,891 | 28,109 |
| Sidewalks | \$ 25,000 | \$ 25,000 | \$ 420 | 24,580 |
| Miscellaneous | \$ 5,000 | \$ 5,000 | \$ 125 | 4,875 |
| Total expenditures - streets and alleys | <u>1,262,500</u> | <u>1,262,500</u> | <u>435,842</u> | <u>826,658</u> |
| <u>Public Works (continued)</u> | | | | |
| <u>Municipal Building</u> | | | | |
| Salaries | \$ 12,000 | \$ 12,000 | \$ - | 12,000 |
| Payroll taxes | \$ 11,000 | \$ 11,000 | \$ - | 11,000 |
| Employee benefits | \$ 20,000 | \$ 20,000 | \$ - | 20,000 |
| Insurance | \$ 100,000 | \$ 100,000 | \$ 32,698 | 67,302 |
| Communications | \$ 5,000 | \$ 5,000 | \$ - | 5,000 |
| Leases | \$ 5,000 | \$ 5,000 | \$ 3,137 | 1,863 |
| Utilities | \$ 35,000 | \$ 35,000 | \$ 16,473 | 18,527 |
| Real estate taxes - drainage | \$ 10,000 | \$ 10,000 | \$ 649 | 9,351 |
| Vending | \$ 5,000 | \$ 5,000 | \$ 638 | 4,362 |
| Supplies and parts | \$ 40,000 | \$ 40,000 | \$ 2,852 | 37,148 |
| Repairs and maintenance | \$ 190,000 | \$ 190,000 | \$ 34,064 | 155,936 |
| Miscellaneous | \$ 5,000 | \$ 5,000 | \$ - | 5,000 |
| Total expenditures - municipal building | <u>438,000</u> | <u>438,000</u> | <u>90,510</u> | <u>347,490</u> |
| Total expenditures - public works | <u>1,700,500</u> | <u>1,700,500</u> | <u>526,352</u> | <u>1,174,148</u> |
| <u>Culture and Recreation</u> | | | | |
| <u>Park</u> | | | | |
| Salaries | \$ 135,000 | \$ 135,000 | \$ 54,077 | 80,923 |
| Payroll taxes | \$ 11,000 | \$ 11,000 | \$ 4,239 | 6,761 |
| Employee benefits | \$ 35,000 | \$ 35,000 | \$ 18,803 | 16,197 |
| Repairs and maintenance | \$ 120,000 | \$ 120,000 | \$ 9,657 | 110,343 |
| Communications | \$ 5,000 | \$ 5,000 | \$ 393 | 4,607 |
| Travel, training and education | \$ 5,000 | \$ 5,000 | \$ - | 5,000 |
| Utilities | \$ 50,000 | \$ 50,000 | \$ 10,500 | 39,500 |
| Supplies and parts | \$ 41,500 | \$ 41,500 | \$ 4,699 | 36,801 |
| Advertising | \$ - | \$ - | \$ - | - |
| Miscellaneous | \$ 40,000 | \$ 40,000 | \$ 607 | 39,393 |
| Total expenditures - park | <u>442,500</u> | <u>442,500</u> | <u>102,975</u> | <u>339,525</u> |
| <u>Pool</u> | | | | |
| Salaries | \$ 85,000 | \$ 85,000 | \$ 43,134 | 41,866 |
| Payroll taxes | \$ 15,000 | \$ 15,000 | \$ 3,559 | 11,441 |
| Supplies | \$ 90,000 | \$ 90,000 | \$ 10,222 | 79,778 |
| Repairs and maintenance | \$ 95,000 | \$ 95,000 | \$ 2,539 | 92,461 |
| Advertising | \$ 10,000 | \$ 10,000 | \$ 375 | 9,625 |
| Communications | \$ 5,000 | \$ 5,000 | \$ 754 | 4,246 |
| Training | \$ 5,000 | \$ 5,000 | \$ 1,200 | 3,800 |

(continued)

CITY OF TUSCOLA

Tuscola, Illinois

Budgetary Comparison Schedule (Budgetary Basis)- General Fund

For the Year Ended April 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|--|-------------------------|------------------------|---------------------|------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| <u>Expenditures: (continued)</u> | | | | |
| <u>Culture and Recreation (continued)</u> | | | | |
| <u>Pool (continued)</u> | | | | |
| Utilities | \$ 50,000 | \$ 50,000 | \$ 14,202 | \$ 35,798 |
| Miscellaneous | \$ 20,000 | \$ 20,000 | \$ 173 | 19,827 |
| Total expenditures - pool | <u>375,000</u> | <u>375,000</u> | <u>76,160</u> | <u>298,840</u> |
| Total expenditures - culture and recreation | <u>817,500</u> | <u>817,500</u> | <u>179,135</u> | <u>638,365</u> |
| <u>Development</u> | | | | |
| Economic development | \$ 5,000,000 | \$ 5,000,000 | \$ 52,671 | 4,947,329 |
| Total expenditures - development | <u>5,000,000</u> | <u>5,000,000</u> | <u>52,671</u> | <u>4,947,329</u> |
| <u>Capital Outlay</u> | | | | |
| General government | \$ 200,000 | \$ 200,000 | \$ - | 200,000 |
| Fire protection | \$ 500,000 | \$ 500,000 | \$ 3,475 | 496,525 |
| Police protection | \$ 100,000 | \$ 100,000 | \$ - | 100,000 |
| Building inspection | \$ 50,000 | \$ 50,000 | \$ - | 50,000 |
| Streets and alleys | \$ 150,000 | \$ 150,000 | \$ 50,328 | 99,672 |
| Municipal building | \$ 100,000 | \$ 100,000 | \$ 23,543 | 76,457 |
| ESDA | \$ 100,000 | \$ 100,000 | \$ - | 100,000 |
| Park | \$ 150,000 | \$ 150,000 | \$ - | 150,000 |
| Pool | \$ 1,500,000 | \$ 1,500,000 | \$ 24,363 | 1,475,637 |
| Total expenditures - capital outlay | <u>2,850,000</u> | <u>2,850,000</u> | <u>101,709</u> | <u>2,748,291</u> |
| Total expenditures | <u>14,179,500</u> | <u>14,179,500</u> | <u>2,146,796</u> | <u>12,032,704</u> |
| Excess (deficiency) of revenues over (under) expenditures | (11,626,155) | (11,626,155) | 203,687 | (12,235,567) |
| Fund balances - beginning | <u>(6,365,233)</u> | <u>(6,365,233)</u> | <u>1,853,484</u> | <u>-</u> |
| Fund balances - ending | <u>\$ (17,991,388)</u> | <u>\$ (17,991,388)</u> | <u>\$ 2,057,171</u> | <u>\$ (12,235,567)</u> |
| Fund balances, ending - budgetary basis | | | <u>\$ 2,057,171</u> | |
| <u>Accrual Adjustments</u> | | | | |
| Revenues | | | 22,829 | |
| Expenditures | | | <u>10,641</u> | |
| Net | | | <u>33,470</u> | |
| Other financing sources (uses) | | | - | |
| Beginning fund balance adjustment to GAAP basis | | | <u>247,423</u> | |
| Fund balance, ending - GAAP basis | | | <u>\$ 2,338,064</u> | |

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

CITY OF TUSCOLA

Tuscola, Illinois

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

For the Year Ended April 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|--|-------------------------|------------------------|---------------------|------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| <u>Revenues:</u> | | | | |
| Property taxes | \$ 1,206,000 | \$ 1,206,000 | \$ 1,212,494 | \$ 6,494 |
| Replacement taxes | \$ - | \$ - | \$ - | - |
| Income taxes | \$ - | \$ - | \$ - | - |
| Sales taxes | \$ 250,000 | \$ 250,000 | \$ 233,273 | (16,727) |
| Sales taxes - city | \$ 200,000 | \$ 200,000 | \$ 234,978 | 34,978 |
| Motor fuel tax | \$ - | \$ - | \$ - | - |
| Fines and fees | \$ - | \$ - | \$ - | - |
| Memorial funds | \$ - | \$ - | \$ - | - |
| Interest income | \$ 84,500 | \$ 84,500 | \$ 32,220 | (52,280) |
| Miscellaneous | \$ 500 | \$ 500 | \$ - | (500) |
| | <u>1,741,000</u> | <u>1,741,000</u> | <u>1,712,965</u> | <u>(28,035)</u> |
| <u>Expenditures:</u> | | | | |
| Current | | | | |
| General government | \$ - | \$ - | \$ - | - |
| Public safety | \$ - | \$ - | \$ - | - |
| Public works | \$ - | \$ - | \$ - | - |
| Culture and recreation | \$ - | \$ - | \$ - | - |
| Development | \$ 10,297,000 | \$ 10,697,000 | \$ 1,082,499 | 9,614,501 |
| Debt service | | | | |
| Principal | \$ 650,000 | \$ 650,000 | \$ 245,000 | 405,000 |
| Interest expense and fiscal charges | \$ 225,000 | \$ 225,000 | \$ 24,963 | 200,038 |
| Capital outlay | \$ 2,150,000 | \$ 1,750,000 | \$ - | 1,750,000 |
| | <u>13,322,000</u> | <u>13,322,000</u> | <u>1,352,461</u> | <u>11,969,539</u> |
| Excess (deficiency) of revenues over (under) expenditures | (11,581,000) | (11,581,000) | 360,504 | (11,997,574) |
| <u>Other financing sources (uses):</u> | | | | |
| Bond proceeds | - | - | - | - |
| Net change in fund balances | (11,581,000) | (11,581,000) | 360,504 | (11,997,574) |
| Fund balances - beginning | <u>(39,412,182)</u> | <u>(39,412,182)</u> | <u>1,861,905</u> | <u>-</u> |
| Fund balances - ending | <u>\$ (50,993,182)</u> | <u>\$ (50,993,182)</u> | <u>\$ 2,222,409</u> | <u>\$ (11,997,574)</u> |
| Fund balances, ending - budgetary basis | | | <u>\$ 2,222,409</u> | |
| <u>Accrual Adjustments</u> | | | | |
| Revenues | | | 9,846 | |
| Expenditures | | | (2,436) | |
| Net | | | 7,410 | |
| Other financing sources (uses) | | | - | |
| Beginning fund balance adjustment to GAAP basis | | | 46,564 | |
| Fund balance, ending - GAAP basis | | | <u>\$ 2,276,383</u> | |

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

CITY OF TUSCOLA

Tuscola, Illinois

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

For the Year Ended April 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|---------------------------|---------------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues:</u> | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Replacement taxes | \$ - | \$ - | \$ - | \$ - |
| Income taxes | \$ - | \$ - | \$ - | \$ - |
| Sales taxes | \$ - | \$ - | \$ - | \$ - |
| Sales taxes - city | \$ - | \$ - | \$ - | \$ - |
| Motor fuel tax | \$ 134,000 | \$ 134,000 | \$ 111,488 | (22,512) |
| Fines and fees | \$ - | \$ - | \$ - | \$ - |
| Memorial funds | \$ - | \$ - | \$ - | \$ - |
| Interest income | \$ 3,696 | \$ 3,696 | \$ 408 | (3,288) |
| Miscellaneous | \$ - | \$ - | \$ - | \$ - |
| Total revenues | <u>137,696</u> | <u>137,696</u> | <u>111,896</u> | <u>(25,800)</u> |
| <u>Expenditures:</u> | | | | |
| Current | | | | |
| General government | \$ - | \$ - | \$ - | \$ - |
| Public safety | \$ - | \$ - | \$ - | \$ - |
| Public works | \$ 100,000 | \$ 100,000 | \$ 63,043 | 36,957 |
| Culture and recreation | \$ - | \$ - | \$ - | \$ - |
| Development | \$ - | \$ - | \$ - | \$ - |
| Debt service | \$ - | \$ - | \$ - | \$ - |
| Principal | \$ 200,000 | \$ 200,000 | \$ 80,000 | 120,000 |
| Interest expense and fiscal charges | \$ 150,000 | \$ 150,000 | \$ 6,146 | 143,855 |
| Capital outlay | \$ 1,500,000 | \$ 1,500,000 | \$ - | 1,500,000 |
| Total expenditures | <u>1,950,000</u> | <u>1,950,000</u> | <u>149,188</u> | <u>1,800,812</u> |
| Excess (deficiency) of revenues over (under) expenditures | (1,812,304) | (1,812,304) | (37,292) | (1,826,611) |
| Fund balances - beginning | <u>(1,445,055)</u> | <u>(1,445,055)</u> | <u>209,377</u> | <u>-</u> |
| Fund balances - ending | <u>\$ (3,257,359)</u> | <u>\$ (3,257,359)</u> | <u>\$ 172,085</u> | <u>\$ (1,826,611)</u> |
| Fund balances, ending - budgetary basis | | | <u>\$ 172,085</u> | |
| <u>Accrual Adjustments</u> | | | | |
| Revenues | | | 766 | |
| Expenditures | | | <u>-</u> | |
| Net | | | 766 | |
| Other financing sources (uses) | | | - | |
| Beginning fund balance adjustment to GAAP basis | | | <u>8,882</u> | |
| Fund balance, ending - GAAP basis | | | <u>\$ 181,733</u> | |

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

CITY OF TUSCOLA

Tuscola, Illinois

Budgetary Comparison Schedule (Budgetary Basis) - Tourism Fund

For the Year Ended April 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|-----------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues:</u> | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Replacement taxes | \$ - | \$ - | \$ - | - |
| Income taxes | \$ - | \$ - | \$ - | - |
| Sales taxes | \$ - | \$ - | \$ - | - |
| Sales taxes - city | \$ 150,000 | \$ 150,000 | \$ 153,044 | 3,044 |
| Motor fuel tax | \$ - | \$ - | \$ - | - |
| Fines and fees | \$ - | \$ - | \$ - | - |
| Memorial funds | \$ - | \$ - | \$ - | - |
| Interest income | \$ 500 | \$ 500 | \$ 171 | (329) |
| Grant income | \$ 1,500 | \$ 1,500 | \$ - | (1,500) |
| Miscellaneous | \$ 500 | \$ 500 | \$ 45 | (456) |
| | | | | |
| Total revenues | <u>152,500</u> | <u>152,500</u> | <u>153,260</u> | <u>760</u> |
| | | | | |
| <u>Expenditures:</u> | | | | |
| Current | | | | |
| General government | \$ - | \$ - | \$ - | - |
| Public safety | \$ - | \$ - | \$ - | - |
| Public works | \$ - | \$ - | \$ - | - |
| Culture and recreation | \$ - | \$ - | \$ - | - |
| Development | \$ 487,000 | \$ 487,000 | \$ 108,658 | 378,342 |
| Debt service | | | | |
| Principal | \$ - | \$ - | \$ - | - |
| Interest expense and fiscal charges | \$ - | \$ - | \$ - | - |
| Capital outlay | \$ 150,000 | \$ 150,000 | \$ - | 150,000 |
| | | | | |
| Total expenditures | <u>637,000</u> | <u>637,000</u> | <u>108,658</u> | <u>528,342</u> |
| | | | | |
| Excess (deficiency) of revenues over (under) expenditures | (484,500) | (484,500) | 44,602 | (527,582) |
| | | | | |
| Fund balances - beginning | <u>(597,566)</u> | <u>(597,566)</u> | <u>86,223</u> | <u>-</u> |
| | | | | |
| Fund balances - ending | <u>\$ (1,082,066)</u> | <u>\$ (1,082,066)</u> | <u>\$ 130,825</u> | <u>\$ (527,582)</u> |
| | | | | |
| Fund balances, ending - budgetary basis | | | <u>\$ 130,825</u> | |
| | | | | |
| Accrual Adjustments | | | | |
| Revenues | | | 5,478 | |
| Expenditures | | | <u>2,561</u> | |
| Net | | | 8,039 | |
| Other financing sources (uses) | | | - | |
| | | | | |
| Beginning fund balance adjustment to GAAP basis | | | <u>9,567</u> | |
| Fund balance, ending - GAAP basis | | | <u>\$ 148,431</u> | |

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

CITY OF TUSCOLA

Tuscola, Illinois

Budgetary Comparison Schedule (Budgetary Basis) - Library Fund

For the Year Ended April 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues:</u> | | | | |
| Property taxes | \$ 115,000 | \$ 115,000 | \$ 114,895 | \$ (105) |
| Replacement taxes | \$ 9,700 | \$ 9,700 | \$ 8,869 | (831) |
| Income taxes | \$ - | \$ - | \$ - | - |
| Sales taxes | \$ - | \$ - | \$ - | - |
| Sales taxes - city | \$ - | \$ - | \$ - | - |
| Motor fuel tax | \$ - | \$ - | \$ - | - |
| Fines and fees | \$ 8,500 | \$ 8,500 | \$ 10,056 | 1,556 |
| Memorial funds | \$ 700 | \$ 700 | \$ 1,730 | 1,030 |
| Interest income | \$ 400 | \$ 400 | \$ 101 | (299) |
| Grant income | \$ 5,000 | \$ 5,000 | \$ 5,381 | 381 |
| Miscellaneous | \$ 100 | \$ 100 | \$ 219 | 119 |
| | <u>139,400</u> | <u>139,400</u> | <u>141,251</u> | <u>1,851</u> |
| <u>Total revenues</u> | | | | |
| | | | | |
| <u>Expenditures:</u> | | | | |
| Current | | | | |
| General government | \$ - | \$ - | \$ - | - |
| Public safety | \$ - | \$ - | \$ - | - |
| Public works | \$ - | \$ - | \$ - | - |
| Culture and recreation | \$ 508,000 | \$ 508,000 | \$ 139,952 | 368,048 |
| Development | \$ - | \$ - | \$ - | - |
| Debt service | \$ - | \$ - | \$ - | - |
| Principal | \$ - | \$ - | \$ - | - |
| Interest expense and fiscal charges | \$ - | \$ - | \$ - | - |
| Capital outlay | \$ 100,000 | \$ 100,000 | \$ - | 100,000 |
| | <u>608,000</u> | <u>608,000</u> | <u>139,952</u> | <u>468,048</u> |
| <u>Total expenditures</u> | | | | |
| Excess (deficiency) of revenues over (under) expenditures | (468,600) | (468,600) | 1,299 | (466,197) |
| Fund balances - beginning | <u>567,204</u> | <u>567,204</u> | <u>31,067</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 98,604</u> | <u>\$ 98,604</u> | <u>\$ 32,366</u> | <u>\$ (466,197)</u> |
| Fund balances, ending - budgetary basis | | | <u>\$ 32,366</u> | |
| <u>Accrual Adjustments</u> | | | | |
| Revenues | | | (721) | |
| Expenditures | | | <u>(1,666)</u> | |
| Net | | | (2,387) | |
| Other financing sources (uses) | | | - | |
| Beginning fund balance adjustment to GAAP basis | | | <u>(5,398)</u> | |
| Fund balance, ending - GAAP basis | | | <u>\$ 24,581</u> | |

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

CITY OF TUSCOLA
Tuscola, Illinois

Assessed Valuations, Tax Rates, Taxes Extended and Collected
April 30, 2010

| Tax Levy Year | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Equalized Assessed Valuation (not including TIF Districts) | \$ 56,112,673 | \$ 54,325,162 | \$ 52,645,934 | \$ 47,920,648 | \$ 45,276,839 |
| <u>Tax Rates</u> | | | | | |
| (Per \$100 Equalized Assessed Valuation) | | | | | |
| General corporate | \$ 0.1310 | \$ 0.1289 | \$ 0.1288 | \$ 0.1350 | \$ 0.1387 |
| Audit | 0.0094 | 0.0093 | 0.0095 | 0.0107 | 0.0109 |
| ESDA | 0.0057 | 0.0056 | 0.0057 | 0.0063 | - |
| Liability insurance | 0.0767 | 0.0755 | 0.0779 | 0.0832 | 0.0876 |
| Social security | 0.0580 | 0.0571 | 0.0589 | 0.0653 | 0.0670 |
| Fire protection | 0.1403 | 0.1381 | 0.1321 | 0.1381 | 0.1419 |
| Parks | 0.0636 | 0.0626 | 0.0646 | 0.0681 | 0.0699 |
| Police protection | 0.1291 | 0.1271 | 0.1311 | 0.1373 | 0.1410 |
| IMRF | 0.0970 | 0.0955 | 0.0855 | 0.0915 | 0.0961 |
| Library | 0.2151 | 0.2117 | 0.1995 | 0.1983 | 0.1907 |
| Workmans compensation | <u>0.0431</u> | <u>0.0424</u> | <u>0.0437</u> | <u>0.0471</u> | <u>0.0505</u> |
| Total Tax Rate | \$ <u>0.9690</u> | \$ <u>0.9538</u> | \$ <u>0.9373</u> | \$ <u>0.9809</u> | \$ <u>0.9943</u> |
| Equalized Assessed Valuation - TIF Districts only | \$ <u>17,288,303</u> | \$ <u>16,577,169</u> | \$ <u>16,145,752</u> | \$ <u>16,106,831</u> | \$ <u>16,517,431</u> |
| TIF Districts | \$ <u>7.4256</u> | \$ <u>7.3091</u> | \$ <u>7.1442</u> | \$ <u>7.3872</u> | \$ <u>7.3010</u> |
| <u>Tax Extensions</u> | | | | | |
| General corporate | \$ 73,508 | \$ 70,025 | \$ 67,808 | \$ 64,693 | \$ 62,799 |
| Audit | 5,275 | 5,052 | 5,001 | 5,128 | 4,935 |
| ESDA | 3,198 | 3,042 | 3,001 | 3,019 | - |
| Liability insurance | 43,038 | 41,016 | 41,011 | 39,870 | 39,662 |
| Social security | 32,545 | 31,020 | 31,008 | 31,292 | 30,335 |
| Road and bridge | 21,884 | 21,132 | 21,322 | 20,989 | 21,597 |
| Fire protection | 78,726 | 75,023 | 69,545 | 66,178 | 64,248 |
| Parks | 35,688 | 34,008 | 34,009 | 32,634 | 31,649 |
| Police protection | 72,441 | 69,047 | 69,019 | 65,795 | 63,840 |
| IMRF | 54,429 | 51,881 | 45,012 | 43,847 | 43,511 |
| Library | 120,698 | 115,006 | 105,029 | 95,027 | 86,174 |
| Workmans compensation | 24,185 | 23,034 | 23,006 | 22,571 | 22,865 |
| TIF Districts | <u>1,283,762</u> | <u>1,211,643</u> | <u>1,153,486</u> | <u>1,189,845</u> | <u>1,205,972</u> |
| Taxes extended - in total | \$ <u>1,849,377</u> | \$ <u>1,750,929</u> | \$ <u>1,668,257</u> | \$ <u>1,680,888</u> | \$ <u>1,677,587</u> |
| <u>Taxes Collected</u> | | | | | |
| General corporate | \$ - | \$ 69,958 | \$ 67,853 | \$ 64,806 | \$ 62,655 |
| Audit | - | 5,047 | 5,005 | 5,142 | 4,924 |

(continued)

CITY OF TUSCOLA
Tuscola, Illinois

Assessed Valuations, Tax Rates, Taxes Extended and Collected
April 30, 2010

| Tax Levy Year | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|---|--------------|---------------------|---------------------|---------------------|---------------------|
| <u>Taxes Collected (continued)</u> | | | | | |
| Civil defense | \$ - | \$ 3,039 | \$ 3,003 | \$ 3,028 | \$ - |
| Liability insurance | - | 40,976 | 41,038 | 39,987 | 39,571 |
| Social security | - | 30,990 | 31,029 | 31,384 | 36,491 |
| Road and bridge | - | 21,102 | 21,299 | 21,009 | 21,545 |
| Fire protection | - | 74,951 | 69,592 | 65,772 | 64,100 |
| Park | - | 33,975 | 34,032 | 32,730 | 31,576 |
| Police protection | - | 68,981 | 69,065 | 65,388 | 63,694 |
| IMRF | - | 51,831 | 45,042 | 43,976 | 37,187 |
| Library | - | 114,895 | 105,274 | 94,982 | 85,976 |
| Workmen's compensation | - | 23,012 | 23,022 | 22,637 | 22,812 |
| TIF Districts | - | 1,212,494 | 1,155,437 | 1,189,845 | 1,201,166 |
| Taxes collected | <u>\$ -</u> | <u>\$ 1,751,249</u> | <u>\$ 1,670,691</u> | <u>\$ 1,680,686</u> | <u>\$ 1,671,697</u> |
| Percentage of Extensions | | | | | |
| Collected | <u>0.00%</u> | <u>100.02%</u> | <u>100.15%</u> | <u>99.99%</u> | <u>99.65%</u> |

BRAY , DRAKE, LILES & RICHARDSON LLP
Certified Public Accountants

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Phone 217/337-0004
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JAMES P. BRAY, CPA (Retired)

August 4, 2010

Honorable Mayor and City Council
City of Tuscola
Tuscola, Illinois

We have audited the financial statements of City of Tuscola for the year ended April 30, 2010, and have issued our report thereon dated August 4, 2010. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 25, 2010, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 4, 2010.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issue

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

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

Very truly yours,

Bray, Drake, Liles & Richardson LLP
BRAY, DRAKE, LILES & RICHARDSON LLP

BRAY , DRAKE, LILES & RICHARDSON LLP
Certified Public Accountants

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September 2, 2010

Mr. Ronald L. Hazelwood, Manger
External Audit Unit
Office of Accountability
IL Department of Commerce & Economic Opportunity
500 East Monroe Street, 8th Floor
Springfield, IL 62701-1643

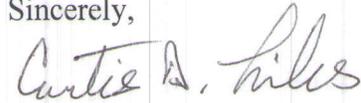
Re: City of Tuscola Grant #09-462018

Dear Mr. Hazelwood:

Per your request, we are providing a letter stating the following:

The City of Tuscola did not meet the requirements for a Single Audit under OMB Circular A-133 during the year ending April 30, 2010.

Sincerely,



Curtis D. Liles, CPA
Partner